上工申贝集团
Shang Gong Group

Code of A Share: 600843
Code of B Share: 900924

上工申贝集团
Shang Gong Group



2024

Shang Gong Group Global Corporate Sustainability （ESG） Report



Shang Gong Group Co., Ltd.

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Report Overview

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Report Scope	This report is based on Shang Gong Group Co., Ltd. (hereinafter referred to as "Shang Gong Group", "SGG" or "the Company" or "we") as an entity and covers: Shang Gong Sewing Machinery (Zhejiang) Co., Ltd. ("SG Zhejiang"); PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd. ("PIZ"); Shanghai Shang Gong Butterfly Sewing Machine Co., Ltd. ("SG Butterfly"); Shanghai Butterfly Digital Technology Co., Ltd. ("Butterfly Digital Technology"); Tianjin Richpeace AI Co., Limited ("Richpeace"); Shanghai Shanggong Feier Automotive Components Co., Ltd. ("SG Feier") Shanghai Shensy Enterprise Development Co., Ltd. ("Shensy"); Dürkopp Adler GmbH ("DA" or "DA Group"); PFAFF Industriesystem und Maschinen GmbH ("PFAFF"); Sonotronic GmbH ("Sonotronic"); KSL Joining Technology GmbH ("KSL"), etc.
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Chairman's Message



Looking back on 2024

The global market environment was complex and full of challenges. Centered on "Total Quality Management" as a strategic focus, SGG steadfastly advanced its established strategy, laying a solid foundation for sustainable development. At the same time, SGG celebrated the 30th anniversary of its listing. We remain committed to the philosophy of "Global Reach, Powered by Innovative Green Development," continuously deepening digital transformation, building an intelligent manufacturing ecosystem, and staying dedicated to delivering long-term value to all stakeholders, including shareholders, customers, employees, and partners.

We uphold resource conservation, accelerate the low-carbon transition, and take tangible steps toward a greener and more sustainable future. In support of China's "dual carbon" goals, SGG integrates low-carbon, eco-friendly, and energy-efficient practices throughout the product design and intelligent manufacturing processes. In 2024, we actively addressed the global challenge of climate change by formulating a dedicated climate strategy, and implementing measures such as carbon footprint management. We embraced the principles of green development, continously enhancing our environmental management system, minimizing our ecological footprint through process upgrades and optimized operations, and demonstrating our commitment to global climate action.

We have refined our governance framework, strengthened risk prevention and control, and reinforced our foundation for sustainable growth through informed decision-making. SGG strictly complies with the regulatory requirements for listed companies and continuously improves the transparency of information disclosure. Meanwhile, we safeguard shareholder rights at the institutional level, ensuring that the interests and concerns of all shareholders are respected and addressed. In risk management, we have established and enhanced a comprehensive system that promptly and effectively identifies and mitigates both internal and external risks. These efforts support our ongoing progress in international operations and help drive industrial integration and diversified development.

We lead innovation breakthroughs, optimize the value chain, and contribute to a better society with a strong sense of responsibility. Putting customers first, SGG continuously improves product quality and enhances service experience. We fully leverage the synergy of German technology and Chinese manufacturing, and develop innovative products featuring automation, digitalization, and low carbon solutions. We launched a new series of fully automated CNC sewing machines and made progress on new technologies such as online visual positioning sewing systems, automated down jacket sewing production lines, and ultrasonic metal welding equipment, setting new benchmarks in the industry. In addition, we remain committed to public welfare, supporting community development, encouraging employee participation in volunteer activities, and spreading positivity through everyday acts of kindness.

In 2025, SGG will celebrate its 60th anniversary of establishment — a milestone marking six decades of perseverance and progress. Through action, we gain insight; through insight, we act with greater purpose. Staying true to our founding principle of "Quality First", we will continue to focus on our two core areas: material joining technology and intelligent equipment. Leveraging our technological legacy and global management expertise in high-end manufacturing industry, we will further consolidate our leading edge through continuous innovation, robust R&D capabilities and targeted market strategies. We are committed to overcoming key technical bottlenecks, unlocking growth in non-sewing equipment, and paving new paths for business expansion. By accelerating the localized production of carbon-fiber composite structural components and light sport aircraft, we aim to build a green, intelligent manufacturing ecosystem and driving high-quality development into the future!

Mr. Min Zhang
Chairman and President
Shang Gong Group



About SGG

Company Profile

Shang Gong Group Co., Ltd. is a mixed-ownership enterprise publicly listed on the Shanghai Stock Exchange (Stock Code: A Share: 600843, B Share: 900924). The company specializes in advanced equipment for material joining processes, including sewing and welding machines. Its business also extends to commercial logistics and technology investment. SGG's product portfolio spans sewing, embroidery, and cutting equipment, ultrasonic welding machines, automotive interior and exterior components, as well as carbon-fiber light sport aircraft (LSA), etc.

Headquartered in Shanghai, China, Shang Gong Group operates more than 10 production sites in China, Germany, Czech Republic, Romania, along with over 30 sales subsidiaries worldwide, including locations in the United States, Mexico, France, Italy, Poland, Singapore, Vietnam, and Bangladesh. The company owns a portfolio of renowned brands in industrial sewing and material joinning technology, such as Dürkopp Adler, PFAFF Industrial, KSL, Mauser Spezial, Sonotronic, ShangGong, Gemsy, and Richpeace, as well as the light sport aircraft brand ICON. In the domestic market, SGG is also known for its popular household sewing machine brands: Butterfly, Flyman, and Bee.

Corporate Culture and Philosophy

Guided by the mission of "Leading Joining Technology Toward a Better Future and a Sustainable World of Shared Value",Shang Gong Group adheres to the core values of "innovation-driven, customer-focused, green development, and collaborative success", striving to become a global leader in intelligent manufacturing and material joining technology solutions. We aim to build a green and sustainable industrial ecosystem, and foster a corporate culture that is open, progressive, excellence-driven, and socially responsible .



Sustainability Strategy:
Global Reach, Powered by Innovative Green Development

Sustainability Management

We fully recognize that in today's market environment, transparent sustainability disclosure has become a key driver of high-quality, long-term development for listed companies. ESG governance is not only the cornerstone of corporate stability, but also a powerful enabler — allowing companies to navigate internal and external complexities with agility and insight. It plays a vital role in shaping resilient and future-ready enterprises.

Since 2022, the Company's senior management has integrated sustainable development into its core business philosophy and group-wide strategy, establishing a global ESG governance framework with the Board of Directors as the highest decision-making body. Within this framework, the Board plays a central leadership role: it is responsible for formulating the Company's strategic direction on sustainability, approving relevant plans, and ensuring alignment between ESG initiatives and the Company's broader development goals. Through regular reviews, the Board monitors project progress and provides timely, targeted guidance to support the effective implementation of sustainability efforts. At the annual Board meeting, the review of the *Shang Gong Group Global Corporate Sustainability (ESG) Report* further strengthens transparency in information disclosure and deepens engagement and communication with stakeholders.

CASE SGG was honored as one of the "Top 100 Low-Carbon Brands" at CIFTIS

In September 2024, at the Forum on Carbon Neutrality Action and Corporate ESG Innovation during the 2024 China International Fair for Trade in Services (referred to as the "CIFTIS") held in Beijing, SGG was honored as one of the "Top 100 Low-Carbon Brands" by the International Green Economy Association (IGEA). This marks the second consecutive year that SGG has been featured in ESG-themed case studies at CIFTIS, demonstrating the company's innovative practices and industry leadership in digitalization and low-carbon transformation.


荣誉证书
CERTIFICATE OF HONOR
September 14, 2024

Figure: Certificate of Honor – SGG named one of the "Top 100 Low-Carbon Brands"

CASE SGG was featured at COP29 China Pavilion's Side Event

In November 2024, a side event of the 29th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP29) was successfully held as the concluding section of the local government day of the China Pavilion for this conference. At the event, the *China's Corporate Green Transformation Practices Report* was officially released. SGG was featured in the report for its outstanding achievements in low-carbon technology innovation and green intelligent manufacturing, showcasing the company's strategic vision and innovative capabilities in building a global green value chain and sustainable industrial ecosystem.

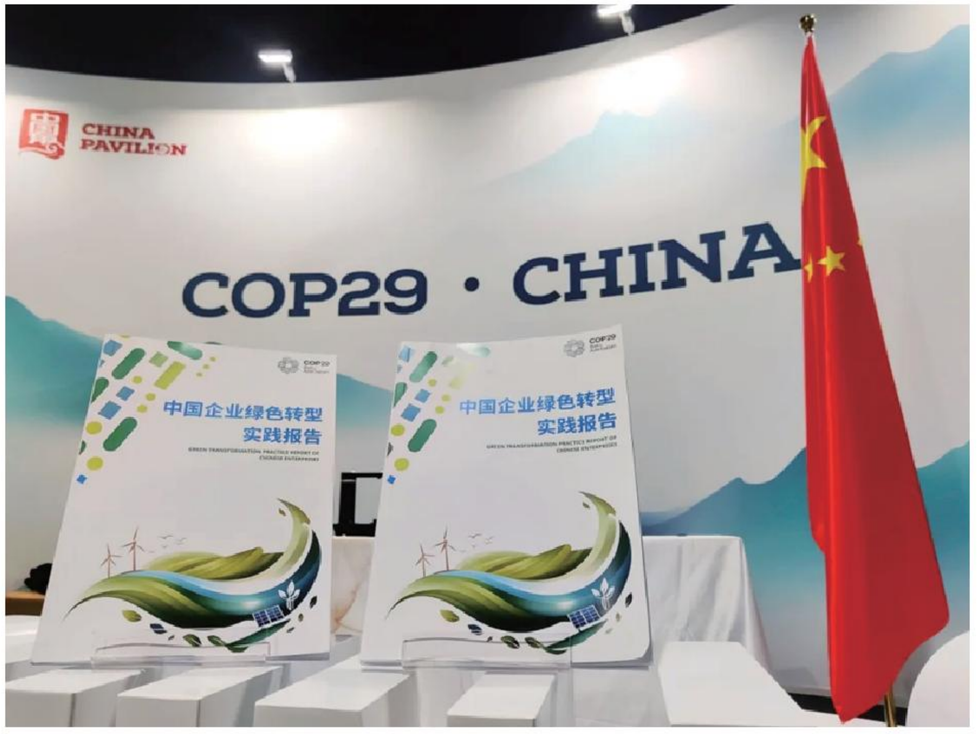


Figure: SGG featured in the *China's Corporate Green Transformation Practices Report*

In January 2025, DA Group achieved an EcoVadis score of 56/100 and was awarded the Commitment Badge. This assessment covered all entities under DA Group, reflecting its sustainability performance on a global scale.



SGGROUP

Dürkopp Adler GmbH / HQ of DA Group
Bielefeld, DE

Minerva Boskovice a.s.,
Boskovice, CZ

S.C. Dürkopp Adler S.R.L,
Sângeorgiu de Mureș, RO

DAP America, Inc.
Atlanta, US

DAPS France S.A.S.
Paris, FR

DAPS Italia S.R.L.
Milano, IT

DAP Polska Sp. z.o.o.
Wroclaw, PL

DAP RU O.O.O.
Moscow, RU

DAP México S.R.L. de C.V.
Santiago de Querétaro, MX

PFAFF Industriesysteme und Maschinen GmbH
Kaiserslautern, DE

PFAFF Industriesysteme und Maschinen GmbH - KSL
Bensheim, DE

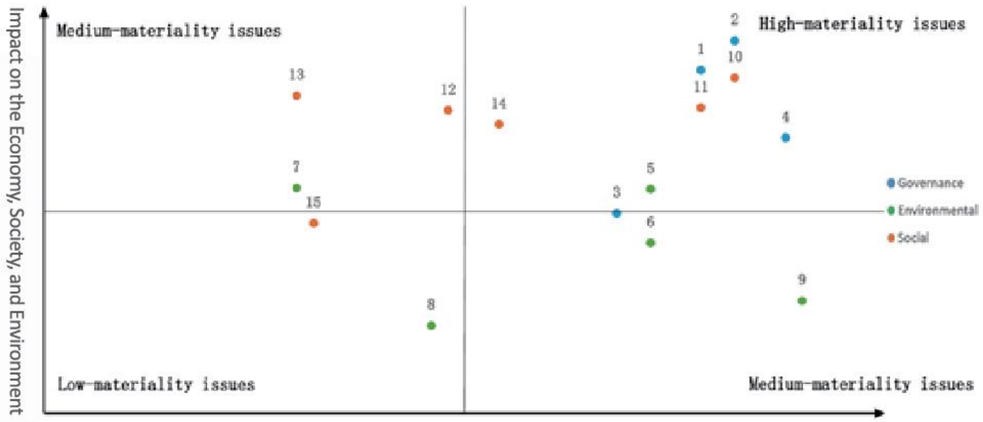
SONOTRONIC GmbH
Karlsbad, DE

Wixom, US

Barcelona, ES

Materiality Analysis

During the reporting period, the Company conducted materiality analysis to identify, evaluate, prioritize, and validate key sustainability topics. Based on two dimensions of "importance to the company's financial performance" and "impact on the economy, society, and environment," a materiality matrix was developed, identifying a total of 15 key material issues, including 2 low-materiality, 6 medium-materiality, and 7 high-materiality topics.



According to the materiality scores derived from the stakeholder questionaire survey, the issues are classified into high, medium, and low materiality categories, as follows:

	Social Issues	Environmental Issues	Corporate Governance Issues
High Materiality	10.Product and Service Quality 11.Safety Management 14.Responsible Supply Chain	5.Addressing Climate Change	1.Corporate Governance 2.Business Conduct 4.Investor Protection
Medium Materiality	12. Employee Rights 13. Customer Rights Protection	6. Pollution Prevention 7.Water and Marine Resources 9. Resource Utilization and Circular Economy	3.Information Disclosure
Low Materiality	15.Community Engagement	8. Biodiversity and Ecosystem	/

Stakeholder Communication

SGG attaches great importance to communication with both internal and external stakeholders. We are committed to establishing diverse channels for ongoing and focused dialogue, enabling a comprehensive understanding of stakeholder needs and expectations. These valuable insights are transformed into concrete goals and actionable plans that guide SGG's sustainability initiatives. At the same time, SGG actively promotes its sustainability vision to stakeholders, fostering alignment, building consensus, and enhancing its sustainability competitiveness.

During the reporting period, SGG's engagement with internal and external stakeholders is as follows:

Stakeholders	Key Focus Areas	Response Methods
Government and Regulatory Agencies	Corporate Governance Business Conduct Investor Protection	Responding to National Strategy Regular Disclosure Reports
Shareholders and Investors	Corporate Governance Business Conduct Investor Protection	Investor Communication Meetings Regular Disclosure Reports
Employees	Employee Rights	Occupational Health and Safety Management Employee Training and Promotion Employee Representative Conference
Customers	Safety Management Product and Service Quality	Contract Fulfillment Customer Feedback Mechanism Market Research
Suppliers and Partners	Safety Management Responsible Supply Chain Product and Service Quality	Contract Negotiation Supplier Evaluation Supplier Training
Public and Community	Safety Management Community Engagement Product and Service Quality	Social Charity Activities
Environment	Pollution Prevention Addressing Climate Change Water and Marine Resources Resource Utilization and Circular Economy Biodiversity and Ecosystem	Climate Change Strategy Environmental Compliance Management Waste and Pollutant Disposal Water Resource Management

Awards and Honors

2024

- SGG was rated as a 2024 Shanghai Innovative SME and a Specialized and Sophisticated SME;
- SGG was rated as a 2024 Champion Enterprise in Shanghai Manufacturing Sector for its specialized excellence;
- SGG's "Automated Airbag Sewing Production Line" project won First Prize in the 2024 Science and Technology Progress Awards by the China National Light Industry Council;
- SGG's "Intelligent Management System Solution" was recognized as a 2024 "Frontrunner Case" in Digital Transformation by the China National Light Industry Council;
- SGG's "3D Sewing Technology Solution" was recognized as a 2024 "Unveiling and Leading Solution" for Urgently Needed Technologies in Digital Transformation by the China National Light Industry Council;
- 911 Revolve won the Texprocess Innovation Award 2024 in the category "Innovation for Quality Improvement";
- SGG was awarded the title of "Meritorious Member" by the China Sewing Machinery Association;
- SGG was selected for the "Top 100 Low-Carbon Brands" at CIFTIS;
- SGG was included in the *China's Corporate Green Transformation Practices Report* at the China Pavilion's Side Event of the 29th United Nations Climate Change Conference (COP29);
- Shensy was awarded the title of "Annual Public Welfare Enterprise" by the China Federation of Logistics & Purchasing.

Environmental Responsibility

We are actively exploring new pathways for green transformation by:

Focusing on cutting-edge environmental technologies

Reducing environmental impact across the entire product lifecycle

Optimizing production processes and energy use

Fostering environmental awareness among employees

Building a green corporate culture that values nature and protects the ecosystem



1.Exploring Green Transformation

Amid global efforts to address climate change, SGG is keeping pace by formulating and advancing a series of systems, policies, and strategies aligned with the 2050 climate neutrality target set by the European Climate Law.

In line with the GHG Protocol, we have completed carbon emissions accounting for Scope 1 and Scope 2 at six major production sites in Europe as a pilot region. We are progressing toward Scope 3 emissions accounting and aiming to establish a full lifecycle carbon data management system continuously strengthening our environmental management capabilities.

In 2024, SGG established a clear climate action roadmap. Using 2023 as the baseline year, we have set the following targets: the short-term goal is to reduce Scope 1 and Scope 2 carbon emissions by 5% annually; the medium-term goal is to achieve an 80% carbon reduction by 2040; and the long-term goal is to reach net-zero emissions by 2050. This strategic plan aligns with the EU's climate neutrality objectives, demonstrating SGG's strong commitment and responsibility toward global climate governance.

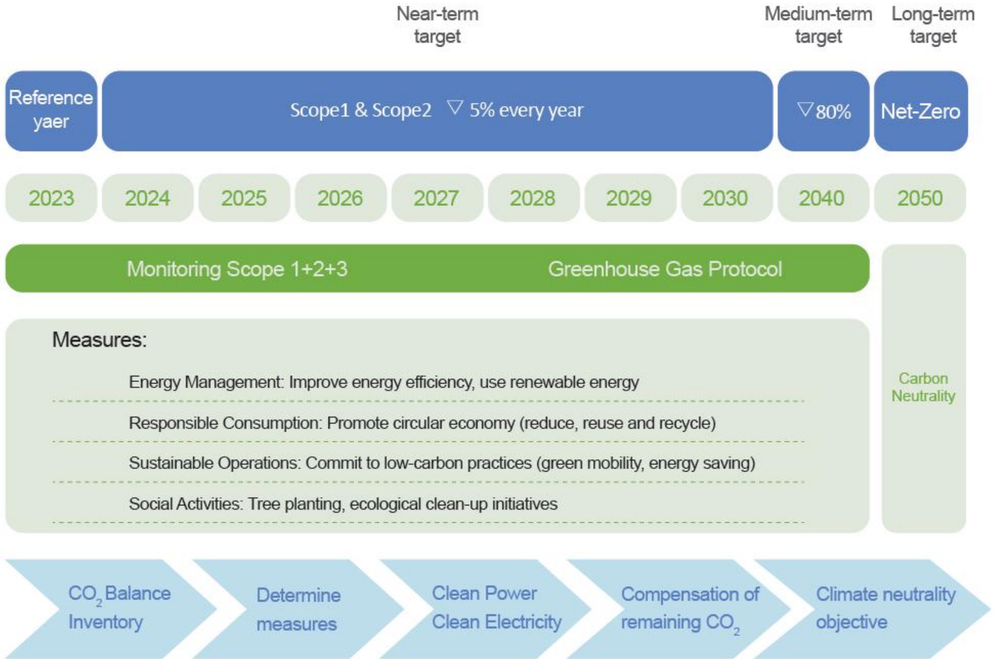


Figure: Climate Action Roadmap of SGG

Direct Greenhouse Gas Emissions (Scope 1)	tCO2e	2,515.71
Indirect Greenhouse Gas Emissions (Scope 2)	tCO2e	5,201.90

From a risk and opportunity perspective, SGG has identified the physical risks, regulatory pressures, and market transition challenges posed by climate change. Meanwhile, we have also recognized the importance of actively pursuing strategic opportunities in low-carbon technology innovation, new energy deployment, and climate-related policy incentives.

From a financial perspective, SGG anticipates increased investment in carbon accounting and energy-efficiency measures over the short to medium term. However, in the long run, the broader adoption of low-carbon technologies and the expansion of green markets are expected to turn climate action into new drivers of economic growth and competitive advantage. Through proactive risk management and strategic adaptation, we are committed to striking a balance between climate-related challenges and sustainable development, accelerating the green transformation journey.

Type	Description	Analysis
Physical Risk	Extreme Weather Events	Extreme weather (such as floods and heatwaves) may directly impact production sites, causing equipment damage, logistics stagnation, and production capacity loss.
Transition Risk	Policy and Regulatory Pressure	The development of the global carbon market and the tightening of climate policies will impose higher emission reduction requirements on enterprises.
	Technology and Market Demand Transition Risk	Growing consumer demand for low-carbon products may lead to shifts in market demand patterns.
	Supply Chain ESG Rating Requirements	Incorporating ESG rating results and carbon reduction performance into supplier screening criteria will increase the difficulty of entry.
Transition Opportunities	Low-carbon Technology and Product Innovation	Increasing investment in low-carbon technology R&D will support the development of green manufacturing and help meet the demand for sustainable products.
	New Energy Deployment	Effective climate risk management can unlock additional profits by investing in or developing the renewable energy market.
	Supply Chain Resilience	Climate-related policies will drive enterprises to build more resilient and adaptive supply chains.
	Policy Incentives	Government subsidies and tax incentives for low-carbon technologies may become new growth opportunities for enterprises.

2.Practicing Green Production

SGG weaves green development into every aspect of its operations. From adopting advanced energy-saving equipment and technologies to streamlining production processes and boosting resource recycling, we are committed to making sustainability a daily practice. We continue to expand the use of renewable energy such as photovoltaic, and foster a culture of green office habits, turning environmental responsibility into real, everyday action.

Energy Consumption and Resource Recycling

In terms of energy consumption and waste management, SGG has established its waste recycling and reuse system, aligned with national and international emission standards. All production sites under the Group, both in China and globally, strictly comply with local environmental laws and regulations. Automated production lines help precisely control raw material input and energy usage, minimizing human errors and reducing waste. In addition, advanced pollution treatment systems are installed to process wastewater, exhaust gases, and solid waste in real-time, ensuring that all emissions stay within compliance limits.

CASE Upgrading waste treatment technology to strengthen environmental protection

In September 2024, SG Zhejiang, a subsidiary of Shang Gong Group, introduced a low-temperature evaporation system to treat waste emulsions. By December, the equipment had processed 25 tons of waste emulsion, producing only 3 tons of concentrated residue. This marked an 88% reduction in hazardous waste compared to previous treatment methods. The upgrade not only minimized potential environmental risks but also saved RMB 44,000 in disposal costs, delivering both environmental and economic gains.



Figure: SG Zhejiang's waste emulsion treatment equipment

We place strong emphasis on energy efficiency in our operations. A dedicated energy assessment team regularly carries out thorough inspections and detailed evaluations of energy use across different areas and equipment within the company. Based on these assessments, targeted improvement plans are developed to continuously enhance energy performance.

CASE Promoting renewable energy to power a greener industry

In February 2024, SG Zhejiang's factory in Huangyan District, Taizhou City, completed the installation of photovoltaic panels covering 16,643 square meters of rooftop space with a total installed capacity of 2200kW, The project generated 2.02 million kWh of electricity over the year, of which 1.49 million kWh, accounting for 73% of the total power generation, was used on-site, fully supporting the factory's operational needs. The remaining electricity was fed into the national grid, contributing to the clean energy supply for the country. Notably, solar power accounted for 34% of the factory's annual electricity consumption, significantly reducing dependence on traditional energy sources and helping to optimize the overal energy mix.

In November 2024, SG Feier's factory in Fengxian District, Shanghai, completed the installation of photovoltaic panels covering 7,000 square meters of rooftop space, with a total installed capacity of 450kW, further increasing the proportion of renewable energy usage.

Meanwhile, the Group's European operations are actively transitioning to clean energy as well. Minerva Boskovice (MIBO), DA's subsidiary in Czech Republic invested in a rooftop photovoltaic project with a 585kW capacity, which will be put into use in March 2025. Additionally, a 350kW photovoltaic system is planned for the new production hall, expected to be completed by March 2026. Once operational, the solar power will meet 20% of the factory's annual electricity demand, enhancing energy self-sufficiency and reducing carbon emissions.



Figure: SG Zhejiang's photovoltaic project



Figure: MIBO's photovoltaic project

In terms of water resource management, several subsidiaries have achieved notable results through technological innovation and process optimization. Richpeace adopted a high-efficient water circulation heating system that uses a closed-loop design to trnasfer heat. This setup avoids water loss typically seen in traditional heating systems and allows for cascade energy use across both production and office areas, significantly reducing freshwater consumption.

At SG Feier, the implementation of new cooling towers accelerated the cooling cycle for circulating water and improved overall water use efficiency. In recognition of these efforts, the company was named a "Shanghai Water-Saving Enterprise" in May 2024.

PIZ upgraded its honing process with the addition of AB200-liter vibration finishing and magnetic separation equipment. This fully automated system enabled the sorting and recycling of parts and abrasives, increasing the number of parts processed per cycle from 400 to 2000, significantly boosting productivity and reducing labor demands, while also cutting water usage by 65% through the filtered reuse of waste liquid. These improvements support the development of greener manufacturing processes and contribute to building an eco-friendly, modern production model.


荣誉证书

上海上工飞尔汽车零部件有限公司：

在上海市节水型社会建设工作中成绩显著，达到“上海市节水型企业”标准。

特发此证，以资鼓励。

Figure: Certificate of Honor – SG Feier named "Shanghai Water-Saving Enterprise"

Green Office and Low-carbon Commuting

In terms of office environment management, we actively promote circular economy principles, and encourage employees to embrace energy-saving, carbon-reducing, and resource-recycling practices through a variety of awareness campaigns. We advocate for paperless operations by encouraging the use of electronic documents and online meetings, helping to cut down on paper use and lower its carbon footprint. In 2024, SGG processed 85,801 electronic approvals through its OA system, reducing carbon emissions by 171.6 kg. To promote sustainable consumption, a reuse system has been established for office supplies such as ink cartridges and folders, which are collected, processed and reused.

In terms of energy conservation, we have replaced the lighting in offices, corridors, and restrooms with LED fixtures, and motion sensors have been installed in applicable areas to ensure lights turn off automatically when not in use. Indoor temperatures are regulated through centrally controlled ventilation and heating systems, further optimizing energy efficiency. These combined efforts help the Company save a considerable amount of electricity each year. We encourage all employees to actively reduce energy use in their daily work, helping them understand that saving energy not only helps reduce operational costs but even small actions like changing a light bulb can contribute to protecting the planet.

In terms of employee commuting, we are committed to building a sustainable travel culture. By offering transportation subsidies, we encourage employees to adopt greener travel options, which has significantly increased the proportion of low-carbon commuting and effectively reduced emissions from daily transportation.

3.Creating Green Value

Leveraging its globally leading material joining technology, SGG integrates green value creation into every stage of product development and manufacturing through precise numerical control and end-to-end digitalized management. We continue to drive innovation in energy-efficient technologies, devlivering advanced green products and process solutions to our customers, while building a comprehensive green management system that spans from responsible sourcing to low-carbon logistics.

We are committed to raising environmental standards across our operations. Both SG Zhejiang and PIZ have obtained BSCI certification, reflecting our progress in sustainable practices. Beyond enhancing our own environmental performance, we actively support upstream and downstream partners in their green transitions, amplifying environmental benefits throughout the entire value chain.

Green Products Empowering Industrial Ecosystem

Dürkopp Adler's DELTA e-con: The key to a new SUSTAINABLE and more PRODUCTIVE world of digital sewing.

Dürkopp Adler (DA), as a member of Shang Gong Group, has made it its mission to develop solutions that add real value to the industry. The DELTA e-con is a prime example of this: the machine combines highest quality and performance standards with sustainable production. With DELTA e-con machine it is possible to save 25% of the power consumption compared to other digital competitor machines, while the sewing results are raised to an even higher level. The sophisticated sewing kinematics in combination with the programmable control elements enable perfect and reproducible sewing results - even in particularly demanding materials. In 2023, DELTA e-con won Texprocess Americas Innovation Award in the category of



Figure: DA DELTA e-con Machine

PFAFF Industrial's ECO-MODE: Energy only when it is needed.

Integrated into the new PFAFF Industrial 8303ix and 8333 hot-air taping machines, ECO-MODE technology offers a smart, sustainable solution for textile welding. By automatically reducing power use during idle periods, ECO-MODE cuts unnecessary energy consumption and lowers CO_2 emissions.

Welding itself is a cleaner alternative to traditional stitching—producing airtight, watertight, and gas-tight seams without thread or needles, eliminating consumables and waste. The addition of a 3D-printed nozzle further boosts sustainability by operating more quietly and efficiently, reducing both air and heat usage.

Launched at Texprocess 2024 in Frankfurt, ECO-MODE supports manufacturers in improving energy efficiency and advancing green transition through innovative, low-impact production technology.



Figure: PFAFF Industrial 8303ix Hot-Air Taping Machine

Sonotronic's Green Sonics: Sustainable ultrasonic technology.

The GREEN SONICS brand from SONOTRONIC stands for environmentally friendly and energy-efficient ultrasonic technology. Unlike traditional hot welding, ultrasonic welding requires no preheating, and consumes only 1/4 of the energy, reducing carbon emissions by up to 75%. This process avoids the need for adhesives or consumables, making it a cleaner alternative for material joining.

Ultrosonic technology is widely used in automotive interiors, medical nonwovens, and eco-friendly packaging, where it supports durable, low-impact manufacturing. Its sustainability benefits extends beyond manufacturing: In water treatment, ultrasonic technology improves sludge degradation, while in drinking water systems, it enables energy-efficient disinfection. These applications demonstrate its potential to support broader goals in environmental innovation and resource efficiency.



Green Technologies Creating Sustainable Value

SGG continues to enhance business synergy and complementary strengths across its group network, fully leveraging its competitive edge in material joinnig technologies, to provide customers worldwide with more sustainable, high-quality products and process solutions.

SG Feier integrated industrial sewing and welding technologies by applying ultrasonic welding in automotive interior parts production. This smoke-free and dust-free technology significantly reduced emissions of volatile organic compounds (VOCs) and contributed to improving air quality.



Figure: Ultrasonic Welding Equipment

Additionally, SG Feier developed an automated glue rolling machine, replacing the manual glue spraying method. This innovation increased production efficiency by 30%, improved glue utilization rates to 95%, and reduced VOC emissions by approximately 20 tons annually. Furthermore, SG Feier's production sites have actively promoted the adoption of vacuum plasma technology as a replacement for traditional flame method in the surface pretreatment of automotive interior materials. Compared to the flame method, vacuum plasma treatment not only improves material polarity but also offers enhanced safety, higher environmental perfromance, and greater energy efficiency, effectively reducing both energy consumption and environmental impact.

Through these equipment and technological innovations, we have optimized the production processes while minimizing environmental pollution. These advancements provide strong technical support for green development across the industrial chain and contribute to the global transition toward a low-carbon economy.



Figure: SG Feier's Self-Developed Glue Rolling Machine

DA employs an intelligent production monitoring system (MES-MPDV) and CIMCO software to monitor equipment operations and energy consumption in real-time, enabling precise identification of any inefficiencies or areas for improvement and ensuring maximum productivity with minimal energy waste. DA has comprehensively upgraded its intelligent manufacturing and automated production systems, introducing robotic knotting machine to achieve 24/7 continuous production. This has reduced assembly costs by 50% while enhancing the consistency and stability of production quality. By minimizing material waste and rework associated with manual operations, DA has significantly reduced raw material usage and energy consumption across its supply chain, thereby optimizing the environmental footprint throughout the product lifecycle.

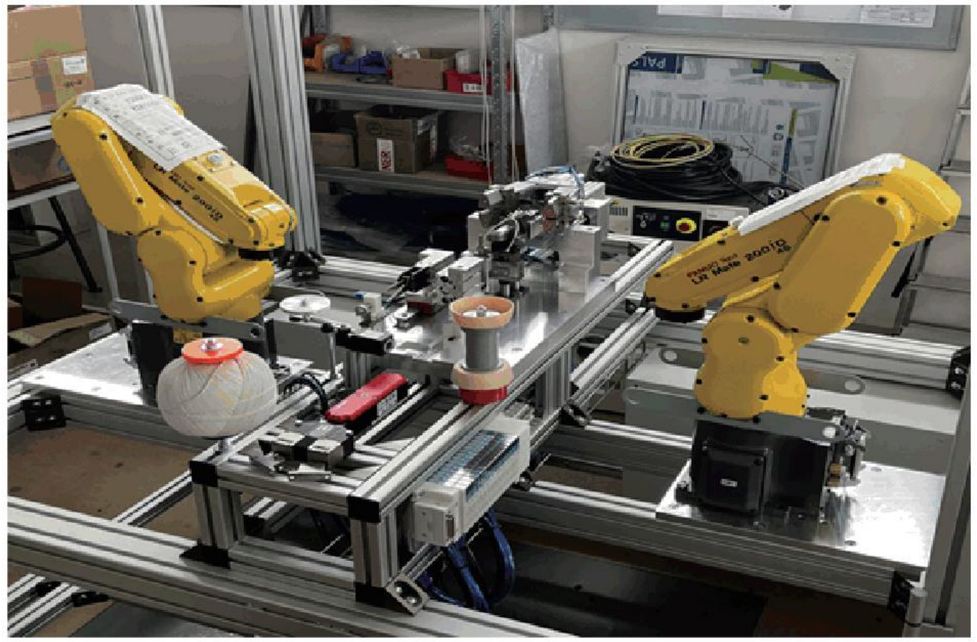


Figure: Robotic Knotting Machine

Green Development Shaping a Better Future

Building a Sustainable Supply Chain. SGG has fully integrated sustainability standards into its supplier management system. Recognizing the significant environmental and social impact of supplier operations, we require all suppliers to strictly adhere to environmental and social responsibility guidelines. This includes signing commitment letters and declarations, as well as participating in dedicated training programs. Through close collaboration with partners, we aim to jointly address global challenges such as climate change and biodiversity loss, and to foster a resilient, green, and sustainable supply chain ecosystem.

Green Procurement. Environmental standards serve as a key criterion in the supplier qualification and selection process. This ensures that raw material sourcing does not cause ecological damage and that suppliers adopt environmentally responsible production methods, promoting sustainability from the very beginning of the value chain.

Green Packaging. Priority is given to using degradable and recyclable materials, including recycled paper products. Packaging designs are optimized to reduce volume according to different transportation methods, minimizing resource use. Suppliers are also required to choose eco-friendly printing inks free of heavy metals and volatile organic compounds (VOCs), reducing the environmental impact of packaging waste.

Green Logistics. Advanced software solutions and detailed load planning are utilized to optimize container loading and consolidate shipments. This minimizes the number of transport trips and lowers fuel consumption, enhancing operational efficiency while reducing emissions. Whenever possible, without compromising delivery quality or timeliness, low-carbon transportation methods are prioritized to reduce the overall carbon footprint of logistics operations.

Furthermore, we actively encourage our partners to engage in carbon data collection, guiding suppliers to establish carbon monitoring and reporting systems. This enables a clearer understanding of their environmental impact and supports the setting of achievable emission reduction targets based on actual operational performance.

CASE Building a new benchmark for responsible logistics

Shensy, a subsidiary of Shang Gong Group, has been actively pioneering resource recycling models within the logistics and transportation sector. Through its "Truck Driver Career Development and Protection Initiative," Shensy has distributed reusable protective equipment and clothing nationwide, promoting sustainable practices throughout the logistics chain. Additionally, the company has launched digital loading guides on online platforms to guide drivers in operating safely and efficiently. These initiatives not only foster resource circularity but also enhance occupational health and safety standards across transportation activities. In recognition of its efforts, Shensy was honored with the the "Annual Public Welfare Enterprise" award by the China Federation of Logistics & Purchasing in 2024.

4.Protecting Ecological Environment

Ecological stewardship is the engine of our innovation and long-term growth. We aspire to build a "green bridge" that links industrial progress with the natural world, ensuring every facet of our business becomes a positive force for the planet's web of life.

Responsible sourcing. All raw-material suppliers undergo a rigorous environmental review so that every input is fully traceable and aligned with internationally recognised conservation standards. We categorically refuse materials sourced from endangered ecosystems or linked to illegal logging.

Clean, efficient production. By optimising processes and deploying green technologies, we maximise resource efficiency while keeping emissions to an absolute minimum—thereby limiting our impact on local ecosystems.

Low-impact packaging. We promote eco-design across the product life-cycle: reducing single-use plastics, switching to recyclable or reusable materials, and advising customers on end-of-life recovery options to shrink our total environmental footprint.

Minimizing Ecological Impact. We adhere to the principle of "zero ecological interference." Prior to any new construction or expansion project, we conduct thorough ecological impact assessments, prioritizing designs that minimize disruption to biodiversity. Where necessary, project plans are adapted to avoid ecologically sensitive areas, ensuring that industrial growth and ecosystem preservation go hand in hand.

Restoring and Enriching Local Biodiversity. Around our factories, we actively promote ecological restoration by planting native species that provide habitats and food sources for wildlife, supporting the regeneration of local ecosystems and enhancing regional biodiversity. We also encourage employee participation in various environmental initiatives, such as building shelters for squirrels and birds, engaging in volunteer tree planting programs, and supporting wetland conservation effrots. Through these activities, we continuously strengthen environmental awareness and cultivate a culture of ecological stewardship across our organization.

CASE Forest guardians, ecological restoration in action

S.C. Dürkopp Adler S.R.L. (DARO), DA's production site in Romania, integrates environmental responsibility into everyday operations, insipiring all employees to embrace energy conservation, waste sorting, circular economy practices, waste management, and e-waste collection through a series of dynamic training initiatives. At DARO, every employee is not only a contributor on the production line but also an advocate of environmental stewardship.

On 5th June 2024, to celebrate World Environment Day, DARO employees gathered at Pițigoilor Hill and Forest in Sângeorgiu de Mureș, where they picked up litter, cleared weeds, and repaired hiking trails, demonstrating their commitment to protecting natural ecosystems through hands-on action.

With the support of the National Institute for Research and Development in Forestry and Silviculture in Brasov, the mayor proposed an inspiring vision of transforming this area into a recreational forest park. As a result, DARO's green volunteer efforts were recognized by local authorities, highlighting the company's role as a key community partner and its dual commitment to biodiversity conservation and community development.





Figure: DARO's "World Environment Day" Volunteer Activity

Social Responsibility

We embrace our role as a responsible corporate citizen and create sustainable social value across all aspects of our operations by:

Investing in technological innovation to drive industry upgrading

Enhancing our service systems to continuously improve user experience

Building responsible supply chains to support a healthy and resilient industry ecosystem

Contributing to community development and public welfare to foster regional economic prosperity and social harmony

Creating a safe, inclusive, and opportunity-rich working environment that empowers our employees and protects their occupational health and safety



1.Driving Technological Innovation

Accelerating Digital Transformation

Joining Technology, Creating the Future. At SGG, we consistently adhere to our core values of "innovation-driven growth, customer-centricity, green development, and collaborative success." We systematically implement our innovation strategy by integrating digital technologies throughout the entire product lifecycle—from R&D to manufacturing, marketing, and service—continuously driving breakthroughs in both product performance and user experience.

Our subsidiaries harness intelligent data analytics, enhance smart and digital product systems, and promote industrial upgrading and transformation. Our dedication to technological advancement has been widely recognized, with SGG's Technology Center named as a Shanghai Municipal-Level R&D Center, SG Zhejiang as a Zhejiang Provincial-Level R&D Center, and Richpeace as a Tianjin Municipal-Level R&D Center.

Highlight DA 911 Revolve: Pioneering in CNC Sewing Machine Technology

DA 911 Revolve is the world's first CNC sewing unit with a unique rotation mechanism enabling maximum precision and perfect seam quality in all directions that are difficult to achieve with conventional systems. This innovative technology opens up new design possibilities for a wide range of medium-weight applications in the automotive industry (e.g. seats, interiors & airbags), the manufacture of high-quality leather goods and the production of products made from technical textiles.

- Cutting-edge technology and high efficiency

The rotation mechanism of 911 Revolve is compactly installed in the sewing head, and can achieve higher sewing speeds compared to previously known rotary head solutions. Combined with exceptional sewing quality, this makes 911 Revolve an appealing choice even for small-field sewing applications. By automating processes that previously required manual operation, it significantly shortens production cycles and delivers substantial improvements in operational efficiency.

- Sustainable Production and optimal resource use

The compact design of 911 Revolve requires significantly less floor space, allowing for more efficient use of production facilities. By avoiding empty runs during sewing and reducing cycle times, it also saves energy and resources. With a low weight of just 350 kg, 911 Revolve not only optimizes transport efficiency but also helps lower the overall carbon footprint throughout the product lifecycle.

In 2024, DA 911 Revolve won the Texprocess Innovation Award in the category "Innovation for Quality Improvement", further underscoring DA's position at the forefront of future-oriented industrial sewing technology.





Figure: 911 Revolve won the Texprocess Innovation Award

DA M-TYPE GAMMA: Making Advanced Sewing Technology More Accessible and Sustainable

DA M-TYPE GAMMA series represents the ideal entry-level model for medium-heavy-duty sewing applications, combining proven sewing technology, excellent performance parameters, and modern control systems—all at an attractive price. With its high reliability and durability, M-TYPE GAMMA makes advanced industrial sewing technology more accessible to a broader range of small and medium-sized enterprise (SME) customers, addressing the growing demand for cost-efficient sewing solutions and enabling more manufacturers worldwide to benefit from cutting-edge sewing innovations.

Compared to conventional models, M-TYPE GAMMA features a more robust feeding system, utilizing bottom feed, needle feed, and alternating presser foot mechanism to achieve stable, precise, and non-deviating seam quality. Its large-capacity bobbin reduces the frequency of thread changes, enhancing production continuity and overall efficiency.

In addition to its technical strengths, M-TYPE GAMMA supports sustainable manufacturing practices. Equipped with an energy-efficient direct-drive motor, it effectively reduces energy consumption and operating noise, creating a quieter, more comfortable production environment. By aligning with the industry's shift towards smarter, more energy-efficient, and sustainable produciton methods, M-TYPE GAMMA offers manufacturers a future ready solution that balances performance, affordability, and environmental responsibility.





Figure: M-TYPE GAMMA

PFAFF 8420 Crosswelder: Welding in a New Size Dimension

As the world's first portal-based welding solution, PFAFF 8420 Crosswelder represents a breakthrough in textile welding technology. It is equipped with two synchronized moving heads, and a processing length of 3 meters, significantly expanding the possibilities for handling large-format technical textiles such as tarpaulins, sun protection, and advertising banners. The modular design allows for the integration of hot-air welding technology, meeting different material and production requirements. With its flexibility, user-friendliness and maximum process reliability, 8420 Crosswelder not only broadens the range of industrial applications but also supports the intelligent upgrading of textile manufacturing.

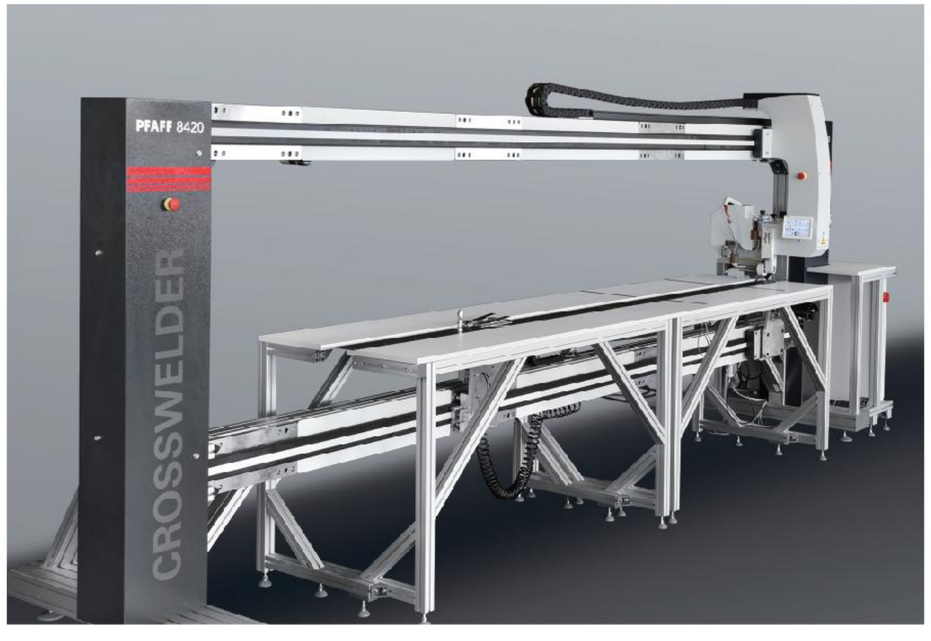
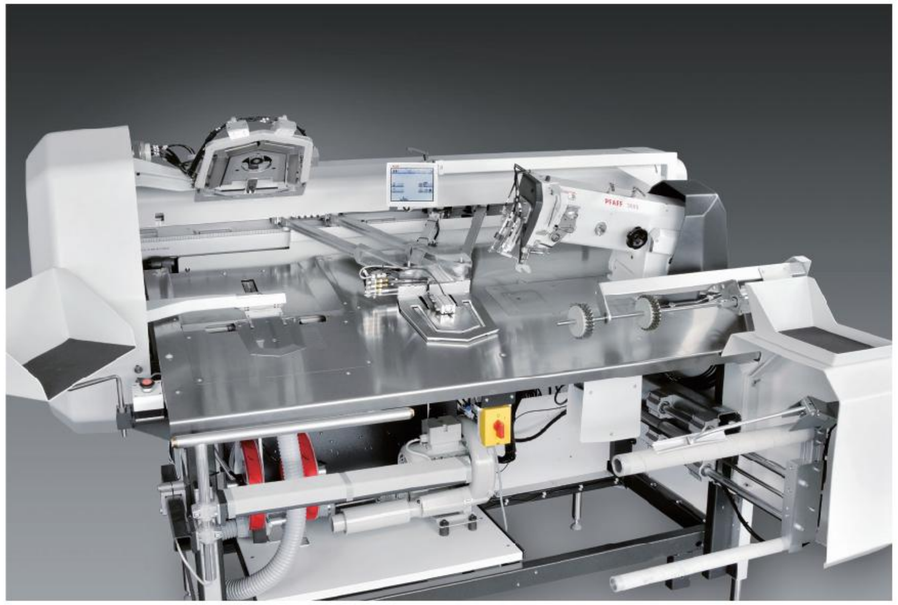


Figure: PFAFF 8420 Crosswelder



PFAFF SSD (Skip Stitch Detection) system is specifically developed for double chainstitch sewing machines. It accurately identifies stitching defects in real time, ensuring strict quality control in garment and airbag production, where complex optical inspection of the seam is required.



PFAFF 3688 Automatic Pocket Setter, a world-leading product featured with an innovative fullness adjustment function and automatic bartack reinforcement, enables the high-quality processing of delicate stretch fabrics as well as pockets subject to heavy use.



PFAFF 3834 Series Sleeve Setting Machine operates at speeds of up to 3500 stitches per minute. It intelligently detects material thickness and automatically adjusts thread tension to ensure precise sleeve gathering and consistently high sewing quality.



ShangGong S3, features industry-leading noise reduction technology, operating at 4000 rpm with noise level as low as 77 decibels, providing a new sewing experience that handles both thick and thin materials with exceptional quietness, creating a healthier and more comfortable working environment for users.



ShangGong Computerized Flat Sewing Machine integrates innovative IoT technology to collect real-time sewing data, achieving precise monitoring and efficient analysis to improve production efficiency and quality.

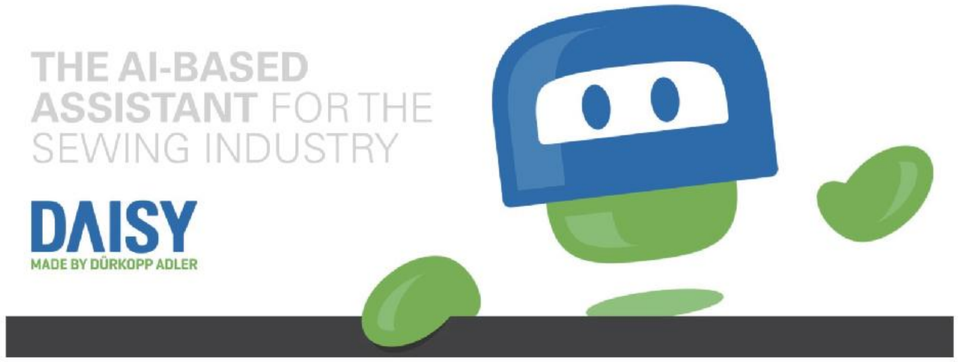
Digitalization Leading the New Era of Material Joining Technology

• QONDAC - Making Digitalized Sewing Production a Reality

QONDAC by Dürkopp Adler is a bi-directional network system that not only collects and analyzes data from sewing machines for real-time productivity and quality monitoring, but also enables remote machine control and provides operator guidance to promote best practices. Its new PRODUCTION CONTROL software module automatically processes production data, communicates seamlessly with external production systems, and delivers real-time insights anytime and anywhere, while minimizing energy waste to the lowest possible level. Thanks to significant time savings and enhanced process optimization, more than 90% of customers have reported 5–20% Productivity Increase, and achieved ROI < 3 Months.

• DAISY - AI-Based Assistant for Sewing Industry

In 2024, DA launched DAISY, an artificial intelligence system developed for DA machines and the sewing industry. This AI chatbot delivers 24/7 real-time support, providing users with instant access to operating and service instructions, spare parts lists and product catalogs. For optimal use, DAISY is accessible via all mobile devices such as smartphones, as well as directly through the sewing machine's integrated control panel. All machine-related knowledge is centrally processed and structured, making it easily accessible to users and delivering a highly efficient, value-added service experience. DAISY not only saves time and enhances user autonomy but also reduces reliance on printed manuals and on-site technician visits. This leads to lower support costs, minimized paper waste, and reduced travel-related emissions—contributing to more sustainable and energy-efficient production and support processes.



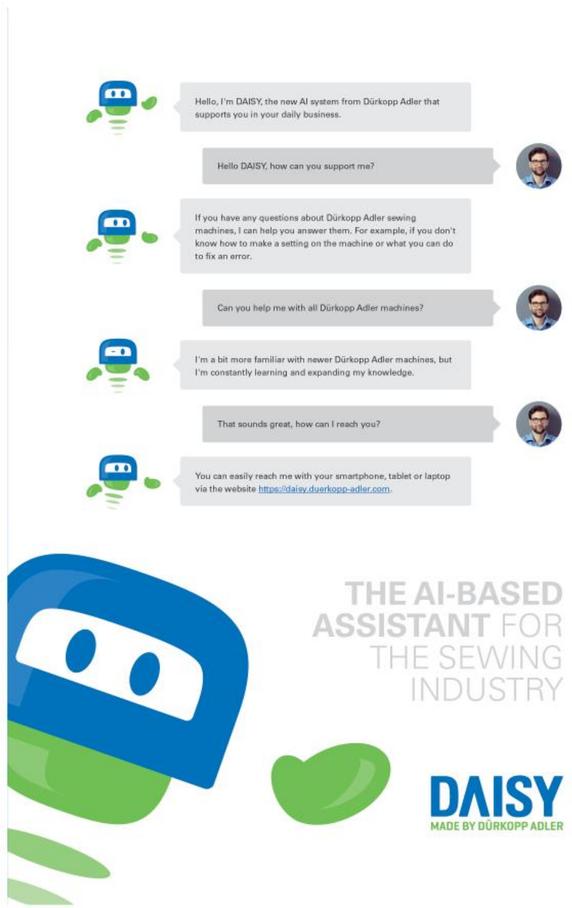
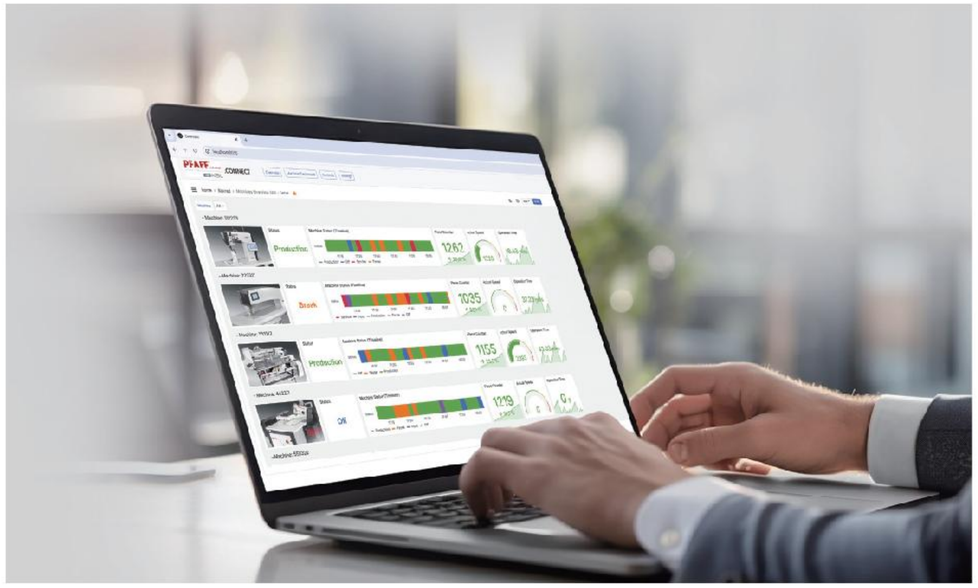


Figure: DAISY AI Chatbot

• PFAFF CONNECT Smart Production Solution

PFAFF CONNECT is a modern Industry 4.0 solution designed for intuitive machine control and optimized process & productivity monitoring. The system enables direct integration with machine control panels and provides both individual dashboard for each machine and centralized dashboard for entire production line. This digitalization solution delivers maximum process transparency, enhances energy efficiency, and ensures higher product quality. First introduced at the SIMAC exhibition in Milan, Italy, PFAFF CONNECT has already attracted interest from a premium Italian footwear manufacturer, highlighting its strong application potential in high-end, technology-driven production.



• KSL AI-Powered Vision System

KSL is set to launch a revolutionary AI-powered Vision System in 2025. Leveraging advanced AI algorithms and high-speed image processing, the system analyzes seams in real time, integrating seam path monitoring, automated steering, and quality inspection. This cutting-edge technology enhances precision in automated sewing and welding processes by automatically adjusting the seam path for optimal results. Simultaneously, it detects quality issues instantly, reducing defects and improving overall production reliability. By ensuring superior accuracy and efficiency, the system can help significantly lower defect rates, minimize material waste, and reduce operational costs.

CASE Advanced joining technology empowers strategic industries

KSL focuses on the development and integration of specialized sewing heads combined with synchronized robotic systems to enable high-precision 3D-processing. The systems incorporate ultrasonic cutting heads for dry fabrics or prepreg materials, as well as functional heads for measurement and handling tasks. Laying heads and Z-pinning heads were developed to apply reinforcement with exceptional accuracy. Equipped with tool changers, the systems allow for easy upgrades and extensions. This innovative technology caters to the evolving needs of precision manufacturing for new material applications.

Compared to conventional material joinning methods, KSL's advanced technology significantly improves the production efficiency of carbon fiber composite structural components while reducing material waste and energy consumption. As a result, it contributes to lowering the overall carbon footprint of the manufacturing process. This intelligent material processing technology has been successfully applied in wind turbine blade manufacturing, aerospace component fabrication, and the production of lightweight structural parts for new energy vehicles, delivering powerful techonoligical support to the strategic emerging industries.



Protecting Intellectual Property

• Patent Risk Prevention and Control Mechanism

To ensure compliance and protect intellectual property during the R&D process, SGG has implemented a robust patent risk prevention and control mechanism starting from the feasibility analysis phase. This mechanism involves systematic patent searches and in-depth analysis to proactively identify and avoid potential patent infringement risks. For instance, during the development of the rotary head for a CNC machine, the R&D team examined 110 related patents. By carefully studying the scope of rights and the core claims of each patent, the team verified that the resulting innovation would not infringe upon existing intellectual property. This process reinforces the Company's technological autonomy and ensures that new developments are legally sound from the outset.

• Forward-looking Intellectual Property Strategy

SGG attaches great importance to proactively securing intellectual property rights early in the product development lifecycle. Patent applications and copyright registrations are initiated at the early stages of project development to ensure timely protection of innovations. In 2024, following the design review process, the mechanical engineering team filed 17 patent applications for newly developed innovations, converting techinical achievements into legally protected intellectual assets. Similarly, the electronic control team promptly carried out copyright registration for software source code after project evaluation, successfully securing 3 software copyrights during the year. These measures not only strengthen the Company's intellectural property portfolio, but also provide a legal safeguard for its technological advancements.

• Global Patent Statistics and Annual Progress

As of the end of 2024, SGG and its subsidiaries held a total of 333 valid patents worldwide, including 30 invention patents, 214 utility model patents, 80 design patents, and 9 software copyrights. During the year, the Company continued to strengthen its intellectual property portfolio, filing 27 new patent applications, covering 10 invention patents,10 utility model patents, 4 design patents, and 3 software copyrights. These data demonstrate the company's strong capabilities in technological innovation and intellectual property protection, as well as its proactive development momentum, further reinforcing its technological competitiveness.

CASE Award-winning breakthrough in airbag sewing technology

SGG's "Automated Airbag Sewing Production Line" project won First Prize in the 2024 Science and Technology Progress Awards by the China National Light Industry Council. In response to the stringent requirements of automotive airbag manufacturing, SGG developed an innovative, fully automated sewing solution covering side curtain air bag (CAB) sewing, driver airbag (DAB) sewing, front seat airbag (FSAB) sewing, inflator bag sewing and screen printing. This customized system addresses longstanding industry challenges such as low processing accuracy, limited automation, and inconsistent product quality. The solution has been widely recognized by several leading automotive component manufacturers, showcasing SGG's strong R&D capabilities and its position at the forefront of technical innovation in the automotive safety field.



Figure: S-028 Automated Airbag Sewing Production Line

Figure: S-028 Automated Airbag Sewing Production Line



2.Advancing Shared Prosperity

Customer First

All SGG enterprises, both in China and globally, strictly comply with local laws and regulations related to consumer rights protection, and have established a comprehensive customer relationship management system. We regard the delivery of responsible products and high-quality services as a core component of our social responsibility.

To continuously enhance customer satisfaction and service resilience, we maintain regular communication channels, conduct routine customer visits, and carry out periodic satisfaction surveys. We actively organize customer appreciation events and participate in key industry exhibitions to foster deeper engagement and long-term partnerships. In addition, we have implemented a digital customer complaint tracking system, enabling end-to-end monitoring of feedback and resolution progress. This ensures that every customer concern is addressed promptly and effectively, reinforcing our commitment to responsiveness, transparency, and continuous improvement.

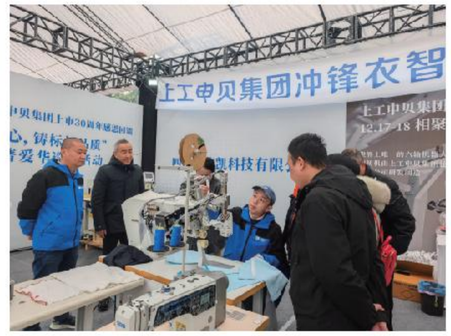
CASE SGG celebrated 30th anniversary of listing with customer appreciation tour

In 2024, SGG and its subsidiaries launched a themed customer appreciation tour, hosting a total of 35 events across China and in the overseas markets. The events showcased DA's latest medium-heavy-duty machines and QONDAC intelligent digital solution, Mauser's automated sewing equipment, and ShangGong's high-efficiency sewing products. Our professional service teams provided hands-on equipment demonstrations and engaged in in-depth technical dicussions to address production bottlenecks for customers. These "face-to-face" sessions offered tailored guidance and significantly enhanced customers' understanding and experience of "smart sewing." The customer appreciation tour raised brand visibility across the Group, and highlighted SGG's long-standing commitment to quality and service excellence. The overwhelmingly positive feedback led to nearly RMB 20 million in on-site orders.









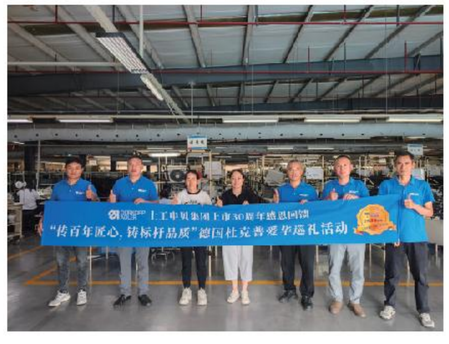








Figure: SGG's Customer Appreciation Tour Celebrating 30 Years of Its Listing

CASE KSL & Sonotronic Joining Together to showcase innovative power

In 2024, KSL and Sonotronic celebrated their 60th and 50th anniversaries, respectively, by co-hosting the "SONIC'DAYS" event at Sonotronic's headquarters in Karlsbad, Germany. Both companies brought together global customers for a celebration of innovation, partnership, and technological progress.

KSL and Sonotronic jointly showcased their latest customized automation solutions, highlighting advancements in digitalization and intelligent manufacturing. In addition to product demonstrations, the event fostered meaningful dialogue around full lifecycle service concepts, reflecting both companies' commitment to long-term value creation. Customers responded enthusiastically, praising the performance, flexibility, and service excellence of both brands—further reinforcing their positions as trusted partners in sustainable industrial innovation.





Figure: Joining together - festive SONIC'DAYS in Karlsbad

CASE DA conducted global survey to achieve Customer Relationship Excellence

In 2024, DA conducted a global customer satisfaction survey, integrating systematic market research with in-depth analysis of key industries, including apparel, footwear, upholstery, and technical textiles. The goal was to accurately identify customer pain points and gain a deeper understanding of their expectations, experiences, and perceptions of DA's products and services.

At the product level, the survey showed that customers most valued the ease of handling (94%), high product quality (91%), and reliable delivery processes (81%). In response, DA has continuously optimized product design, improved usability, and strengthened supply chain performance to ensure both timely delivery and consistent quality reliability.

At the service level, customers most valued our professional service staff (91%), personalized response (90%), and smooth communication channels (86%). To this end, DA has enhanced training for its service teams, established a more responsive customer feedback mechanism, and refined its communication workflows with dealers to ensure efficient timely support.

These customer-centric improvements have translated into strong global performance indicators. DA achieved an overall satisfaction score of 94% for products and services, a brand attractiveness rating of 97%, a re-selection rate of 97%, and a Net Promoter Score (NPS) of 64 points - well above the industry average.



Figure: DA Customer Satisfaction Evaluation Report

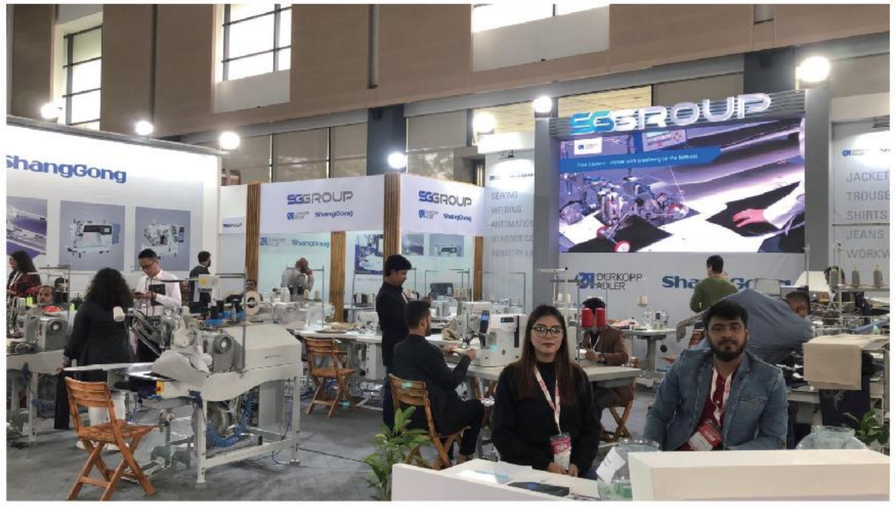


Figure: SGG at Garmentech Dhaka, Bangladesh





Figure: DA & PFAFF Industrial at Texprocess Frankfurt, Germany



Figure: DA at JIAM in Osaka, Japan



Figure: DA at the Spoga Horse Cologne, Germany

Total Quality Management

SGG regards product quality as the cornerstone for its long-term development and has designated 2024 as the "Year of Total Quality Management" (TQM). The Group remains firmly committed to its quality objectives and is comprehensively strengthening its quality management system. SGG has maintained ISO 9001, ISO 14001, and ISO 45001 certifications, covering all aspects of the company's operations. Ongoing supervision and continous improvement ensure that the system remians suitable, adequate, and effective.

The TQM initiative is led by the Group's Executive Board, which provides direct oversight of quality activities, improvement plans, and outcome evaluations across major production sites both in China and internationally.



Figure: Chairman Mr. Min Zhang delivered a keynote speech at the 2024 Mid-Year TQM Conference

At the management level, we have established a robust control framework to ensure end-to-end oversight of product quality. From the careful selection of raw materials to the supervision of each production step and rigorous pre-shipment inspections, detailed and standardized procedures have been implemented at every stage, enabling precise and consistent quality control throughout the entire manufacturing process.

At the technical level, we are actively driving quality-focused technological breakthroughs in key projects. Dedicated technical teams have been assembled to address prominent quality issues through targeted research and problem-solving. By incorporating advanced technical concepts and conducting innovation-led trials, we have successfully overcome a range of technical barriers, effectively resolving root causes of quality variation, strengthening the technological foundation for continuous quality improvement.

At the regulatory level, we continue to enhance internal inspection mechanisms. Routine sampling audits of the quality management system are conducted under scientifically developed sampling plans and clearly defined standards. These audits cover the physical attributes of products, the performance of production equipment, the operating procedures, and the regulatory implementation. Through early detection and timely correction of any deviations, we ensure that the quality system remains stable, efficient, and continuously aligned with best practices.

CASE Lean optimization strengthening internal operational efficiency

At SG Zhejiang, the company has elevated its strategic focus from "6S Management" to "Workshop Team Development" to further enhance workplace discipline, organization, and operational efficiency. This initiative emphasizes clearly defined responsibilities, strengthened guidance, structured working relationships, enhanced safety awareness, and continous quality improvement. This approach not only fosters ongoing professional skill development and self-fulfillment among employees but also encourages the alignment of individual aspirations with the company's broader objectives, creating a unified momentum for quality enhancement, reinforcing internal operational excellence and cultivating a strong culture of continuous improvement.



Figure: Workshop Team Development Programs at SG Zhejiang

At PIZ, the company has implemented a dual-ledger system for tool management and parts quality. A dedicated management ledger for measuring instruments has been set up to record regular calibration, ensuring the accuracy of product inspections. In 2024, the timely calibration rate for measuring instruments reached 100%. A quality status ledger for spare parts has been set up to monitor and update the condition of parts quality in a timely manner. The quality department actively follows up on any products flagged with abnormal status to ensure prompt resolution. As a result, the annual pass rate for self-produced parts reached 98.32%, exceeding the original target of 95%.

At SG Feier, the company has established an IATF 16949 quality management system, aligning with automotive industry standards, and enhancing its core competitiveness in parts manufacturing. As part of this effort, a guidance manual for cladding components has been developed, creating a horizontally integrated LLR (Lessons Learned Repository) platform. This platform consolidates problem-solving cases and process FTA (Failure Tree Analyses), effectively avoiding the recurrence of historical quality issues. SG Feier has also implemented monitoring of top product pass rates, enabling the identification and resolution of key issues related to labor and material losses. These targeted actions have led to a significant reduction in internal cost losses. From March to November, the total quality cost ratio decreased steadily from 4.66% to 2.57%, and internal failure cost ratio decreased from 1.33% to 0.47%.


TÜVNORD

证书

基于管理体系
IATF 16949:2016
(2016-10-01, 第一版)

已经取得合格应用的证明，证书开始

上海上工飞尔汽车零部件有限公司
奉贤区庄行镇庄邬路88号
201415, 上海市
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USI: 3G2SCW

范围

塑料总成件的设计和制造（含内饰件, 外饰件）

IATF 证书号 No. 0334251
证书注册编号 44 111 160119-001

首发日期 2024-07-30
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认证机构之 TÜV NORD CERT GmbH

此认证是根据IATF（国际汽车工作组）"颁发并保持IATF认可的规则"而进行的。

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Figure: SG Feier's IATF 16949 Quality Management System Certification

Responsible Supply Chain

SGG has established a comprehensive supplier management system, strictly enforcing policies such as the *Supplier Management Measures* and the *Code of Conduct for Business Partner* (CoCBP). The Company ensures that suppliers meet its sustainability and ethical standards by maintaining diligent oversight, organizing regular training programs, and providing clear guidance on compliance expectations. This approach helps mitigate risks at the source while promoting responsible supply chain practices.

• Supplier Qualification

We have implemented a robust Supplier Qualification Mechanism that oulines clear entry requirements in key areas such as environmental protection, labor rights, and business ethics. All potential suppliers undergo multi-dimensional assessment based on the following criteria:

Social Responsibility	Fulfillment of corporate social responsibility (CSR) obligations aligned with SGG's sustainability values.
Ethical Standards	Strict prohibition of unethical practices, including commercial bribery, corruption, and fraud.
Safety Management	Rigorous control over safety standards in raw materials and production processes to ensure product safety and full traceability.
Occupational Health	Provision of a safe and healthy working environment with adequate labor protection measures.
Environmental Performance	Implementation of green manufacturing practices, utilizing eco-friendly materials and energy-efficient technologies to reduce environmental impact.

• Supplier Evaluation

We conduct regular supplier evaluations to assess actual performance in areas such as environmental management, labor conditions, and ethical compliance. Key evaluation indicators include:

ISO 9001 Quality Management System Certification
ISO 14001 Environmental Management System Certification
ISO 45001 Occupational Health and Safety Management System Certification

• Supply Chain Risk Management

We have established a comprehensive risk management framework for the supply chain. Risk identification and early warning mechanisms are applied across all stages to address potential disruptions such as natural disasters, market volatility, or policy changes, etc. When risks occur, emergency response protocols are immediately activated, including alternative sourcing, urgent resource allocation, and capacity adjustment, to ensure the resilience and continuity of the supply chain.

• Supplier Training and Communication

To promote shared responsibility, we organize regular training programs to enhance suppliers' awareness and capabilities in environmental protection, labor rights, and business ethics. We also maintain open and frequent communication with suppliers to understand their implementation challenges and work collaboratively on solutions.

• Integrity and Environmental Commitment

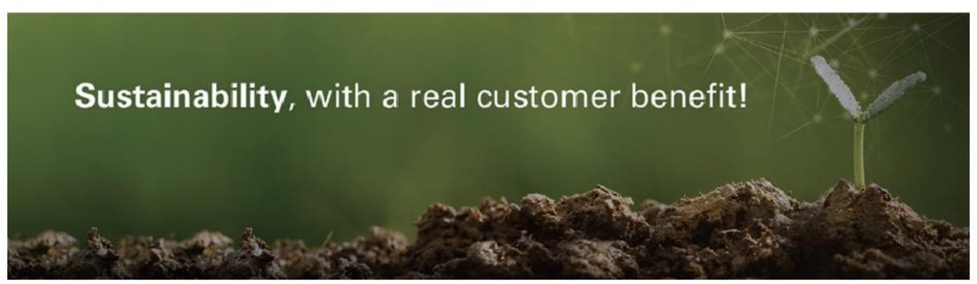
We require all suppliers to sign an Environmental Declaration, committing to legal compliance, efficient resource use, and reduced environmental impact. In addition, suppliers must sign an Integrity Commitment Letter, committing to ethical business practices, with zero tolerance for bribery, corruption, or other misconduct, to foster a fair, transparent and sustainable procurement environment.

• Long-term Sustainable Partnerships

We remain committed to building long-term, stable partnerships with supplier through shared resources and risk management, thereby, enhancing the sustainable competitiveness of the supply chain. As of the reporting period:

Domestic suppliers: 788 suppliers have signed the Supplier Commitment Letter, representing a coverage rate of 61%.

Overseas suppliers: 631 suppliers have signed the Code of Conduct for Business Partner (CoCBP), with over 50% having received training on Code of Conduct (ESG).



Public Welfare Participation

SGG is deeply committed to public welfare, leveraging its corporate strengths to make meaningful contributions in areas such as poverty alleviation, rural revitalization, education and community development, actively promoting long-term value creation for society.

We participate in a wide range of community-building activities that foster social cohesion and cultural continuity. These include hands-on Butterfly Fabric Workshops and ongoing employee volunteer services. We engage closely with educational institutions and community organizations in both China and Europe to support the implementation of dual education systems, organize campus recruitment and vocational training, and provide development opportunities for individuals with disabilities, delivering both value and warmth to society through practical, sustained action.

Charitable Contribution: SGG annually donates RMB 200,000 to the Shanghai Charity Foundation Pudong Branch to support initiatives benefiting vulnerable groups. In 2024, this included providing free health check-ups for 38 migrant workers, addressing their essential livelihood needs. SG Zhejiang contributed RMB 20,000 to a rural revitalization initiative in Huangyan District, Taizhou City. SG Feier participated in the "Love Under the Blue Sky" charity fundraising campaign organized by the Shanghai Charity Foundation Fengxian Branch, donating RMB 20,000 to deliver assistance to disadvantaged populations in rural areas.

Community Engagement: SG Butterfly has been hosting the public welfare Butterfly Fabric Workshops for 11 consecutive years, combining traditional craftsmanship with community enrichment. In 2024, the "Butterfly" program continued to extend its presence across communities, neighborhoods, enterprises, and schools, delivering a total of 21 workshop sessions, and engaging approximately 600 participants. This initiative not only promotes the cultural heritage of fabric arts, but also revitalizes the century-old Butterfly brand with renewed social significance.

CASE Butterfly Fabric Workshop brings beauty and vitality to the community

On August 26, 2024, a DIY fabric workshop was jointly held by the Senior College of the Shanghai Art & Design Academy and the Light Industry Committee of the Shanghai Association of Retired Senior Experts. Led by instructors from the Shang Gong Butterfly Fabric Studio, the event welcomed over 20 participants to an engaging, hands-on exploration of traditional craftsmanship.

In the Butterfly Fabric Workshops, SGG actively advocates for environmental awareness by encouraging the creative reuse of discarded fabrics, blending traditional sewing techniques with modern design concepts. By initiating innovative and socially meaningful public welfare activities, SGG seeks to build bridges between the preservation of traditional fabric arts and the co-creation of community culture, allowing beauty, creativity, and sustainability to flourish, one stitch at a time.



Figure: Butterfly Fabric Workshop

Employment Promotion: SG Zhejiang actively participated in a large-scale recruitment event organized in its local community, aimed at providing job opportunities for college graduates and a broad range of job seekers. The company's competitive compensation packages, promising career development prospects, and comprehensive talent cultivation programs generated strong interest among participants. SG Zhejiang remains committed to attracting and nurturing talents by offering a dynamic platform where emerging professionals can develop their skills and pursue their career aspirations, while simultaneously strengthening its innovation-driven workforce and supporting sustainable business growth.

CASE DA supports dual education initiatives in China and Europe through community engagement

DA actively promotes dual education and technical skill development through ongoing engagement with local and international communities. The company regularly hosts student visits and training sessions, offering valuable hands-on learning opportunities to cultivate the next generation of industry professionals. Each year, students from Université Haute Alsace travel to DA's headquarters in Bielefeld (DABI), Germany, to gain in-depth knowledge of cutting-edge textile processing applications. This training has become an established part of the university's curriculum for two degree programs in textile engineering and technology. During the training, the yong professionals gain insights into modern sewing systems, automated sewing machines and units applied across various sectors, including industrial textiles, garment manufacturing, and upholstery production. The training also covers topics such as enhancing production efficiency, improving product quality, and promoting sustainable resource utilization through advanced industrial sewing techniques.

DA also offers dual education programs that enable students to pursue academic degrees while engaging in vocational training, fostering a strong integration of theoretical knowledge and practical skills. The program has expanded internationally, including active collaboration with institutions in China. In 2024, two mechatronics apprentices from Shanghai were selected to receive training at DABI. Upon completion, they are expected to bring advanced technical expertise back to China, contributing to local manufacturing innovation and technological advancement.

Through its long-standing commitment to talent development and community engagement, DA not only facilitates knowledge exchange and international collaboration, but also contributes to a skilled, future-ready workforce for the global textile industry — driving sustainable development through education.

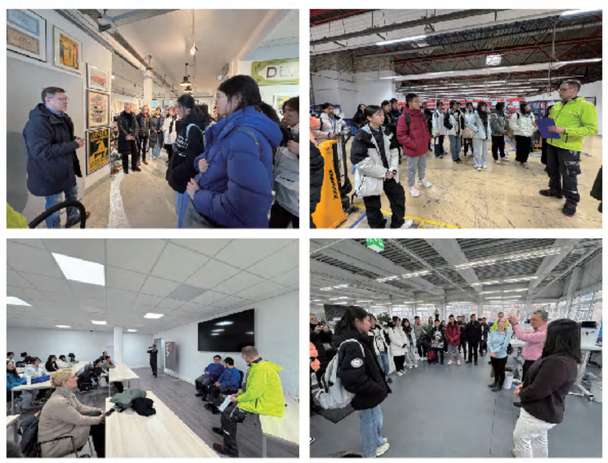


Figure: DA hosts students and teachers from Heepen Gymnasium for a visit to the company museum, product showroom, and factory workshops, where they engage in discussions with the two Shanghai students participating in the dual education program.



Figure: S.C. Dürkopp Adler S.R.L. (DARO) actively supports vocational education by promoting the benefits of the dual education system to students and parents, providing practical training opportunities for students from ElectroMures High School in its factory workshops to enhance their professional skills and employability.



Figure: DARO supported the "Transition From School to Work" project organized by Avram Iancu High School in Târgu Mureș, participated in the County Contest "'Employees' Rights and Obligations," helping the younger generation build professional awareness and prepare for a successful entry into the workplace.

CASE DA contributes to a supportive community, weaving a future of inclusion and care

DA has established a long-term partnership with the "Textile House" workshop in the Bethel District of Bielefeld, sourcing specially produced fabric parts used for sewing machine testing. These fabric parts are produced by Textile House, which is part of proWerk Bethel — a charitable organization that provides inclusive employment opportunities for individuals with disabilities, illnesses, or other challenges. Through meaningful professional tasks, they are empowered to build skills, and experience a greater sense of social integration and personal fulfillment.

By working with proWerk Bethel, DA not only supports the social and economic inclusion of disadvantaged groups in its own community, but also benefits from consistent, high-quality local services. Furthermore, sourcing materials locally helps reduce transportation-related emissions, advancing DA's efforts toward sustainable operations.

This collaboration illustrates how corporate responsibility, environmental sustainability, and social inclusion can move in harmony—creating a future that is more balanced, equitable, and compassionate for all.



Figure: On July 14, 2024, on the occasion of "World Blood Donor Day," 25 employees of DARO participated in a blood donation drive at the Târgu Mureș County Hospital, spreading hope, warmth and compassion through meaningful action.

3.Protecting Employee Rights

SGG places talent development at the heart of its long-term strategy. We are committed to creating a healthy and safe working environment as a strong foundation for employee growth. We aim to foster an open, collaborative, and inclusive workplace culture that values equality and diversity. In response to employees' aspirations, we continue to build innovative, empowering career development paths that support personal fulfillment, professional excellence, and organizational vitality.

Upholding Fair Employment Practices

All SGG enterprises, both in China and globally, strictly comply with local labor laws and regulations, while continuously strengthening internal policies and procedures. Clear standards of conduct and defined roles and responsibilities are established to ensure that employees' legal rights are effectively protected at the institutional level.

Labor Contract Management. The Company strictly standardizes the processes for establishing and terminating labor contracts in accordance with legal requirements. Contract terms are clearly defined, including a reasonable probation period to allow employees to fully demonstrate their capabilities. Renewal or termination arrangements are communicated with sufficient advance notice to ensure transparency. SGG takes measures to prevent arbitrary wage deductions or delays in salary and social insurance payments, thereby safeguarding employees' economic rights. Upon resignation, timely exit interviews are conducted and procedures are handled with care and respect, reflecting a people-centered approach that helps stabilize the workforce and create a healthy talent ecosystem.

Equal Employment. SGG upholds principles of fairness and inclusivity in employment. The Company firmly prohibits the use of child labor and opposes all forms of employment discrimination and forced labor. Employees of all nationalities, ethnicities, genders, religious beliefs, and cultural backgrounds are treated equally. The Company also strictly enforces policies such as the *Special Provisions on Labor Protection of Female Employees*, ensuring that women staff are protected from workplace harassment and enjoy equal rights in pay, benefits, and career development opportunities.

Working Hours and Leave Management. To promote work-life balance, SGG rejects the culture of excessive overtime and ensures that employees fully enjoy statutory holidays, rest periods, and various forms of paid leave. Overseas subsidiaries have introduced flexible working arrangements, allowing employees a designated number of remote workdays each month. This not only improves employee satisfaction and motivation but also reduces commuting time and costs.

Dispute Mediation. SGG works proactively with the labor union to resolve internal conflicts and prevent labor disputes. A sound communication mechanism is in place to identify and address potential issues at an early stage. Through these efforts, the Company maintains harmonious and stable labor relations, contributing to its long-term sustainable and healthy development.

Supporting Employee Growth

SGG attaches great importance to talent development and long-term career planning, encouraging employees to take initiative, cultivate creativity, and realize their full potential. We focus on building a dynamic and supportive environment that empowers individual growth and enables the achievement of personal aspirations.

Talent Development Framework. We have formulated clear career development roadmaps for different employee groups, including fresh graduates, key positions, and middle-level managers. These pathways help new employees quickly integrate into the company and enhance their job competence. Additionally, regular job training is provided to support the development of a dual-track career system, enabling employees to pursue both horizontal growth through diversified roles and vertical growth through promotion, expanding their career opportunities.

Training System Implementation. We have adopted a structured and targeted approach to employee training. Each year, the Human Resources Department leads the formulation of a company-wide training plan and budget, setting the strategic direction and coordinating resource allocation. It also actively monitor implementation across departments to ensure that professional training is delivered in a systematic and effective manner, fostering a collaborative environment for talent development. In 2024, in addition to routine training programs, SGG headquarters organized 5 specialized training sessions in response to current business needs. These covered a range of business functions and employee groups, including operating system training, human resources management, SHR software training, corporate social responsibility (CSR), and financial knowledge. All sessions received positive feedback and contributed to skill enhancement across the organization.

Subsidiaries around the world actively implemented the Group's talent development strategy, further embedding the training framework across all organizational levels. In 2024, Chinese subsidiaries conducted a total of 180 training programs involving nearly 1,000 employees, while European subsidiaries delivered over 140 training programs engaging approximately 900 employees. These programs addressed both basic competency training and professional skill development. Basic competency training focused on areas such as workplace safety, regulatory compliance, and emergency response, reinforcing fundamental professional standards and maintaining a safe, compliant working environment. Professional skill development covered topics including quality inspection, career planning, fundamental knowledge of sewing machines, and software operation, providing comprehensive support for employees' professional growth and helping both individuals and the Company advance to new levels of excellence.



Figure: CAD Equipment Training



Figure: Digital Instrument Training



Figure: Embroidery CAD Training

CASE Building leadership capabilities to drive digital transformation

In January 2025, SGG hosted a dedicated training session to strengthen leadership capabilities among middle and senior management. Professor Rong Xin, a renowned organizational behavior expert from China Europe International Business School (CEIBS), was invited to deliver a lecture on "Servant Leadership in the Era of Digitalization and Intelligence." This event brought together over 150 key personnel, including senior management, executives from Chinese and overseas subsidiaries, and department heads, demonstrating SGG's strategic focus on leadership development as a cornerstone of its ongoing journey toward digital and intelligent transformation.

During the lecture, Professor Rong Xin emphasized the need for a paradigm shift in enterprise management—from traditional directive leadership to servant leadership. She highlighted the importance of empowering employees, stimulating intrinsic motivation, and fostering a value-creating organizational culture as critical enablers for navigating digital transformation and achieving sustainable growth. This lecture offered valuable insights into the concept of "new-quality leadership," inspiring participants to recognize that creating value, enhancing customer satisfaction and loyalty are key to gaining a strategic edge in digital and intelligent transformation, building competitive advantages and fostering integrated growth between the enterprise and its talent.



Figure: Professor Rong Xin delivering the lecture on "Servant Leadership in the Era of Digitalization and Intelligence"



Figure: Interactive discussions between participants and Professor Rong Xin

CASE Joining diverse strengths to unlock growth potential

DA has established a large training center equipped with advanced workshops and modern teaching facilities, allowing new employees and trainees to gain both theoretical knowledge and practical skills in a structured and supportive environment, laying a solid foundation for the career development of the young professionals, while continuously cultivating and retaining high-skilled talent for the sewing industry.

In September 2024, DA welcomed 21 new trainees and interns from different countries and regions. They will receive professional training in fields such as industrial mechatronics, electronics, and industrial engineering — reflecting DA's inclusive culture and its commitment to fostering diverse talent. In addition, DA places strong emphasis on personalized development, tailoring career pathways to each trainee's strength and potential. This includes opportunities for international exchanges and internships at DA's subsidiaries or customer sites, both in Germany and abroad, broadening participants' global perspective and supporting their professional growth.

DA has a team of experienced trainers who have long been dedicated to vocational education. In 2024, they once again received recognition from the East Westphalia Chamber of Industry and Commerce (IHK) in Bielefeld for outstanding training achievement.



IHK Industrie- und Handelskammer Ostwestfalen zu Bielefeld

AUSZEICHNUNG

Das Unternehmen

Dürkopp Adler GmbH
Potsdamer Str. 190
33719 Bielefeld

wird hiermit für herausragende Ausbildungsleistungen in der

Abschlussprüfung Winter 2023

geehrt.

Bielefeld, 10. September 2024

Jörn Wahl-Schwentker
Präsident

Petra Pigorl-Radtke
Hauptgeschäftsführerin

Figure: Outstanding Training Achievement Award from the East Westphalia Chamber of Industry and Commerce (IHK Bielefeld)

DARO actively promotes leadership development programs to build a strong pipeline of future leaders. In parallel, it regularly opens its production facilities to students, offering guided tours that provide firsthand insight into the company's manufacturing processes, operational standards, and performance expectations. By offering a comprehensive training framework, implementing structured performance evaluation systems, and establishing open communication channels, DARO has created a highly attractive working environment, that is inclusive, engaging, and supportive of employee motivation.



Figure: DARO invited students to visit its production halls.

Each year, SGG conducts its "Annual Excellence Recognition" program across the Group, covering both Chinese and overseas operations. The initiative aims to motivate employee growth, strengthen team collaboration, and recognize outstanding contributions from individuals and teams across all business units. In 2024, the program recognized 10 outstanding employees, 5 advanced teams, 2 innovative employees, and 3 innovative teams in China; In the overseas subsidiaries, 8 outstanding employees, 1 advanced team, 1 innovative employee, and 1 innovative team were honored.



Figure: Award presentation to outstanding employees and advanced teams at SGG's 2024 Annual Excellence Recognition Ceremony

Occupational Health and Safety

All SGG enterprises, both in China and gobally, strictly comply with local laws and regulations related to occupational health and safety, while also establishing and rigorously enforcing internal policies and procedures to ensure a safe and compliant working environment.

Proactive Risk Management and Transparent Communication. Regular inspections are conducted to assess potential occupational hazards (mainly noise and dust) with findings disclosed in reports. Transparency is a core principle: when signing employment contracts or adjusting job responsibilities, we provide employees with full and accurate information on potential occupational health risks, their consequences, and the available protective measures.

Comprehensive Workplace Protection Measures. We regularly distribute professional-grade personal protective equipment (PPE), ensure all employees receive occupational health training to enhance self-protection awareness, and engage accredited third-party agencies to monitor workplace health hazards on a routine basis.

Health Monitoring and Employee Well-being. In addition to preventive measures, we also cooperate with certified occupational health institutions to provide regular medical check-ups for employees in relevant roles, safeguarding employees' occupational health and safety, while building a safer, more supportive workplace.



Figure: Occupational Health Training



Figure: Annual Medical Check-up

CASE DA provides supplementary health insurance, enhancing employee health and well-being

DA provides voluntary supplementary health insurance for its employees, with costs fully covered by the company under a framework agreement. Depending on the insurance terms, employees can receive reimbursements for treatments and services including osteopathy, alternative therapies, various medications, dental prosthetics, visual aids, etc.

Additionally, DA also offers a range of occupational health services to promote preventive care and workplace safety. In 2024, the company organized flu vaccinations (11 persons), workplace assessments (1 time), first aid training (2 sessions), and ongoing health consultation. These measures form a comprehensive approach to safeguarding employee health, reinforcing a culture of care, and contributing to a resilient and motivated workforce.

Enhancing Employee Care

SGG upholds a people-oriented philosophy. Through a wide range of employee care initiatives and cultural activities, we support employees' work-life balance and foster a work atmosphere rooted in empathy, where they feel supported and valued, like part of a family.

• Comprehensive Support for Employee Well-being

In 2024, SGG's labor union continued to implement assistance programs to support employees in need, addressing practical concerns and providing timely aid. During the summer heatwave, care activities were carried out across 9 frontline units, benefiting more than 303 employees. Home visits were arranged for 5 employees, with a total support fund of RMB 25,755 distributed. The labor union also participated in the Pudong New Area Employee Mutual Supplementary Medical Insurance Scheme, processing medical claims for 2 employees amounting to RMB 23,060. Throughout the year, it issued labor union membership cards for 308 employees, further strengthening the infrastructure of employee welfare services.

In addition, special attention was given to caring for model workers. Dedicated visits were made to active, retired and elderly model workers — 11 received summer heatwave care, 11 were visited during the Chongyang Festival (a traditional day to honor the elderly), and 14 during other major holidays. The labor union also facilitated a hardship subsidy program, securing support for 1 model worker facing living difficulties and 9 model workers with special challenges, demonstrating SGG's deep respect and continued care for its outstanding contributors.

• Holistic Care for a Human-Centered Workplace

The labor union fosters a vibrant workplace culture through a rich variety of employee engagement activities. These include cultural and recreational activities such as movie breaks, traditional craft workshops like fabric dragon making during Dragon Boat Festival, fitness sessions including Baduanjin exercises and Zumba classes, as well as team-building events such as card games and archery.

Employee welfare also remains a core focus. The labor union provided heatwave subsidies and care packages during periods of extreme weather, and thoughtfully prepared gifts to mark traditional festivals such as Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival, along with special occasions like Women's Day and employee birthdays. These gestures created a strong sense of belonging and emotional connection between employees and the company.



Figure: Zumba Class




Figure: Holiday Gifts for Female Employees on Women's Day




Figure: Birthday Gifts for Employees

CASE Building team cohesion through archery

In autumn 2024, SGG's labor union organized a unique team-building event at an Archery Club, bringing together employees from various departments for an engaging and energizing experience. The event was thoughtfully designed to blend physical activity with personal development, offering a meaningful break from routine work while fostering stronger team connections.

Professional coaches guided participants through the fundamentals of archery, and employees enthusiastically took part, many trying the sport for the first time. "This activity is perfect for team-building," one colleague shared. "It teaches us how to stay calm under pressure and focus on the moment - just like when we face challenges at work, we need to find our balance and respond with clarity."

Beyond a moment of recreation, this team-building event helped cultivate unity and resilience among colleagues. It served as a reminder that shared experiences can strengthen collaboration, support emotional well-being, and contribute to a more cohesive and motivated workforce.



Figure: Archery Team-building Event

4.Enhancing Workplace Safety

Implement safety management

At SGG, safety is not just a regulatory obligation—it is a non-negotiable foundation of responsible business operations and a key enabler of long-term, high-quality development. All SGG enterprises, both in China and gobally, strictly comply with local laws and regulations related to workplace safety, as well as national and industry-specific standards. Through a series of structured and proactive measures, the Company continues to enhance its safety management systems, building a strong and resilient safety framework to support sustainable growth.

- Building a Comprehensive Safety Management System

In 2024, SGG advanced its safety management efforts by compiling 41 standardized documents, reinforcing its wrokplace safety framework. These documents cover 13 critical areas, including: goal-setting and organizational responsibilities, safety investments and system improvement, legal compliance and risk identification, education and training, equipment and facility management, job-specific safety standards, hazard identification and control, monitoring of major risks, occupational health protection, emergency response planning, incident reporting and investigation, performance evaluation and continuous improvement, etc.

• Strengthening a Safety Culture through Communication and Training

To embed safety awareness deeply into corporate culture, SGG invests in multi-level safety education and regular communication. New employees receive targeted onboarding training that introduces safety policies and operational standards from day one. Throughout the year, the Company reinforces safety knowledge via weekly production meetings, quarterly reviews, and timely updates on regulatory changes and internal best practices.

Additionally, SGG blends theory with practice by organizing hands-on training, such as electric shock and fire simulation drills. These excercises enable employees to experience realistic emergency scenarios, strengthening their situational response skills and enhancing readiness at both individual and team levels.

• Fostering Continuous Improvement through Transparent Oversight

SGG maintains an open and accountable approach to safety, welcoming supervision from government departments, internal stakeholders, and third-party auditors. Feedback from these channels is treated as a valuable resource for identifying gaps and driving continuous improvement. In 2024, two abnormal safety situations were detected through internal and external oversight mechanisms, and were quickly rectified through root cause analysis and corrective action, leading to further refinements in the Company's safety management practices and the closure of potential vulnerabilities.

• Establishing a Robust Emergency Response System

To ensure rapid and effective responses in the event of incidents, SGG has established a comprehensive emergency management system tailored to its operational context. This framework covers a wide range of risk scenarios, including extreme weather, geological disasters, fire, electric shock, mechanical failure, etc. In 2024, the Company conducted scenario-based emergency drills focused on electric shock and fire hazards, helping employees practice response protocols and build confidence in crisis situations.

As part of emergency preparedness, the Company has systematically structured its internal rescue teams, aligning team functions and personnel allocation with established emergency response plans. Through a combination of theoretical training, case analysis, and hands-on drills, the Company has strengthened the team's operational capabilities and coordination, ensuring calm, effective responses to emergencies and safeguarding both employee safety and company assets.

Complementing these efforts, the Company maintains a strategic stockpile of emergency supplies, including detection tools, personal protective equipment, and medical kits, all of which are regularly inspected to ensure operational readiness. This ensures that in the event of an emergency, resources can be quickly deployed to mitigate harm, improving response efficiency, and minimizing overall risks and losses.



Figure: Safety training sessions to strengthen employees' awareness of workplace safety and emergency response capabilities



Figure: "Pointing and Calling" safety activities to improve employees' alertness and operational accuracy

CASE SG Zhejiang enhances fire safety awareness through on-site drill

In July 2024, SG Zhejiang organized a fire safety drill involving all employees across its factory premises. During the drill, safety specialists provided detailed explanations on key topics such as fire risk prevention and emergency evacuation procedures, helping employees gain a clearer understanding of workplace fire hazards and appropriate response actions. A hands-on training session followed, where safety specialists provided live demonstrations and guidance on the proper use of firefighting equipment, including fire extinguishers and hydrants. Employees actively participated in the practical exercises, quickly gaining familiarity with the equipment and procedures. The drill significantly strengthened fire prevention awareness and improved emergency response capabilities throughout the workforce, and reinforced the company's commitment to a safe and prepared work environmen.





Figure: SG Zhejiang conducted a fire safety drill across its factory premises

CASE DA strengthens workplace safety through a robust management system

Through a structured and compliant approach, DA has established a multi-layered safety management system that ensures a well-regulated workplace, providing institutional guidance and assurance for the safe production of its global factories.

• Emergency Handling Process

Timely Reporting

In the event of any accident, relevant personnel must immediately report to the safety management team or department head. This ensures timely information flow and preserves critical response time.

Thorough Investigation

Each accident is followed by a comprehensive investigation using scientific analysis and rigorous procedures to accurately identify root causes. Findings are used to develop targeted preventive strategies to avoid recurrence.

Corrective Actions

Once hazards are identified, immediate corrective measures are implemented for recification, minimizing risks and ensuring a safe working environment.

• Regulatory Safety Compliance

All of DA's production processes strictly comply with German occupational safety and environmental standards, including the Federal Emission Control Act (BImSchG) and the German Occupational Safety and Health Act (ArbSchG). At the same time, DA ensures that its global factories consistently meet legal requirements, fostering a reliable and compliant workplace across the group.

• Hazardous Materials Management

DA maintains detailed safety data sheets (SDS) for all hazardous materials. These documents outline proper handling, storage, and disposal procedures. Regular training is provided to employees to ensure they can identify potential hazards and apply the correct preventive measures to minimize risks.

• Personal Protective Equipment

DA provides all employees with job-appropriate personal protective equipment (PPE), including gloves, safety goggles, and protective clothing. Regular inspections and maintenance are conducted to ensure all gear remains in good and effective condition, safeguarding employee health and safety in their daily operations.

• Employee Safety Training

DA has established a comprehensive safety training system aimed at enhancing safety awareness and competencies across the workforce. This includes regular safety lectures, operational skills training, and emergency drills. By integrating safety into daily routines and mindset, DA fosters a strong safety culture where employees proactively uphold safety standards and practices.



Figure: DARO conducted a fire safety drill to enhance emergency preparedness and employee awareness

Corporate Governance

We continue to strengthen our corporate governance by:

Optimizing our governance framework and operational processes

Advancing steadily and responsibly toward globalization

Pursuing business expansion guided by the principles of efficiency, compliance, and sustainability

Enhancing strategic execution and resource integration capabilities



1.Global Operations Planning

Strengthening Governance through Global Strategic Deployment

Since 2005, SGG has pursued an active overseas acquisition strategy, steadily expanding its international presence. Today, its global operations consitute a significant part of the Company's overall business. Through years of international market engagement, SGG has developed a professional team with global mindset and cross-border management expertise, supported by a worldwide sales and service network.

In 2024, the Company's Board of Directors formulated a new global resource integration strategy. Internationally, SGG is accelerating the consolidation of its European manufacturing operations to enhance production capacity and cost efficiency. In China, it has launched multiple production transfer initiatives aimed at centralizing, specializing, and scaling its manufacturing resources. Meanwhile, the Company is advancing the localization of selected European products and spare parts to strengthen the resilience of its domestic supply chain and reduce production costs.

In response to global economic shifts, especially the impact of Germany's industrial downturn, SGG has implemented a series of cost-control and efficiency-enhancement measures. These include stringent expenses management, optimized resource allocation, strengthened accounts receivable collection, and active inventory reduction to improve cash flow and capital turnover. To boost long-term competitiveness in Europe, SGG has set up an Innovation Center in Germany, promoting collaborative innovation across its European entities and enhancing adaptability to changing market conditions.

Advancing Regional Synergy through Global Network Expansion

In October 2024, DA made a key strategic move in Central and South America by establishing DAP Mexico, to enhance the company's responsiveness to regional market demands, particularly in the automotive and garment manufacturing industries which are experiencing rapid growth in the region.

With this expanded global footprint, DA brings its diverse portfolio of products and technical solutions closer to end market. The result is shorter delivery cycles, more efficient spare parts supply, and improved access to technical support and after-sales services.

The establishment of DAP Mexico further strengthens the company's presence in the Americas. By building a dedicated regional team, the company is deepening its localized operational capabilities, reinforcing its commitment to regional development, and driving long-term value creation through customer-centric and agile operations.



Figure: Opening of DAP Mexico

Enhancing Competitive Presence through Optimized Industrial Layout

To strengthen its position in the carbon fiber sector, SGG made a strategic move in the first half of 2024 by participating in the bankruptcy proceedings of ICON Aircraft, Inc. Through its newly-established U.S. subsidiary, SGIA, SGG acquired key assets of this light sport aircraft (LSA) manufacturer. This acquisition enabled the company to move beyond its role as a supplier of carbon fiber composite processing equipment, entering further into the production and manufacturing of carbon fiber light sport aircraft. The move marked the Company's achievement in vertical industrial integration, extending its business layout from upstream equipment supply to downstream finished-product manufacturing acorss the carbon fiber industry chain.



Figure: ICON's Carbon Fiber Light Sport Aircraft

Post-acquisition, SGG is actively executing an integration and synergy strategy, promoting close collaboration between SGIA and its internal R&D teams, accelerating innovation in manufacturing techniques, to lay a solid foundation for future localized production.

This strategic expansion not only broadened SGG's business scope but also significantly enhanced its competitiveness in the global carbon fiber industry. Moreover, it contributes to the development of China's low-altitude general aviation economy, positioning the company for a high-quality and sustainable growth at a new level.

2.Strengthening Compliance Governance

Governance Framework

SGG strictly complies with the relevant laws and regulations, including the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Code of Corporate Governance for Listed Companies, and Rules Governing the Listing of Stocks on Shanghai Stock Exchange. These are integrated with the Company's Articles of Association to establish a standardized and comprehensive corporate governance framework. This framework is composed of the Shareholders' Meeting, the Board of Directors, the Supervisory Board, and Executive Management, with clearly defined responsibilities, collaborative functions, and mutual checks and balances.

Shareholders' Meeting. As the highest authority of the Company, the Shareholders' Meeting represents the collective will of all shareholders, and makes prudent decisions on major issues such as the election and removal of directors, strategic business policies, and profit distribution schemes. This ensures that the Company's development remains aligned with the overall interests of the shareholders, and maintains a consistent strategic direction.

Board of Directors. The Board of Directors is responsible for implementing shareholder resolutions, determining business strategies and investment plans, and appointing or dismissing senior executives. To further enhance decision-making quality and accountability, the Board of Directors has established several specialized committees: the Audit Committee, Strategy Committee, Nomination Committee, and Compensation and Evaluation Committee. Each committee operates under clear rules of procedure and plays a vital role in areas such as financial auditing and oversight, strategic development, executive nomination, and compensation planning, providing strong support for informed and effective decision-making by the Board. In addition, an Independent Directors' Meeting mechanism is in place, empowering independent directors to provide objective oversight and expert consultation. This mechanism plays a critical role in enhancing checks and balances within the governance process, significantly mitigating decision-making risks and improving the quality and transparency of governance.

Supervisory Board. The Supervisory Board is primarily responsible for oversight of the Company's financial status and the performance of directors and senior management. It ensure that all business activities fully comply with laws and regulations as well as the Company's Articles of Association, safeguarding the legitimate rights and interests of the Company and its shareholders.

Executive Management. Executive Management is tasked with the day-to-day operations of the Company, translating board-approved strategies and decisions into concrete actions to achieve operational objectives. This includes the coordination and execution of production, sales, R&D, and other business functions. Through well-defined rules of procedure and responsibilities, the Company ensures that decision-making, execution, and oversight are simultaneously independent and collaborative, fostering operational efficiency and responsive governance.

In 2024, SGG convened 2 Shareholders' Meetings, 8 Board Meetings, 1 Independent Directors' Special Meeting, and 7 Supervisory Board Meetings.

Investor Relations Management

In strict compliance with the relevant laws and regulations such as *Securities Law of the People's Republic of China* and the *Guidelines for Investor Relations Management of Listed Companies*, SGG incorporates investor relations into its broader governance strategy. The Company is committed to creating a well-regulated and transparent communication environment that protects investor rights and fosters constructive engagement with the capital market.

System Construction

SGG has established a sound investor relations management system that clearly outlines responsibilities and operational procedures. This system ensures that investors have access to timely, consistent, and meaningful information, enabling a deeper understanding of the Company's operations and strategic direction.

Interactive Initiatives

To maintain open and frequent communication, SGG leverages a variety of communication channels, such as the coporate website, dedicated email contacts, telephone support, and the "sseinfo.com" platform of the Shanghai Stock Exchange (SSE). These tools enable ongoing dialogue between the Company and its investors. In addition, SGG regularly organizes in-person investor site visits and research briefings, offering stakeholders a first-hand view of the Company's business situation, strategic planning, and financial status.

During the reporting period, following the release of the 2023 Annual Report, the 2024 Semi-Annual Report, and the Third-Quarter Report, the Company actively participated in collective performance briefings and related events organized by the SSE, the Listed Companies Association of Shanghai, p5w.net, and other institutions. In total, the Company held 3 performance exchange meetings over the course of the year. In addition, SGG maintained proactive communication with investors through channels such as the "sseinfo.com" platform, dedicated investor hotlines, and public email, providing timely and accurate responses to investor inquiries.

Information Disclosure

SGG adheres strictly to the principles of "truthful, accurate, complete, timely, and fair" information disclosure. It has implemented a dedicated information disclosure responsibility system, designating the Board Secretary as the lead official for disclosure activities, supported by the Board Office as the coordinating body. This structure ensures that all disclosures meet the highest standards of consistency and professionalism.

During the reporting period, the Company released 83 interim announcements and 4 periodic reports through the SSE website and designated newspapers. These covered a wide range of topics including governance updates, operational performance, strategic planning, and material events. At the same time, the Company places strong emphasis on both the standardization and readability of its disclosures to ensure clarity and accessibility for all investers. By providing timely and transparent information, SGG supports investors in making informed decisions, while continuously strengthening market confidence and reinforcing its reputation for integrity and openness.

3.Optimizing Risk Management and Internal Control

In 2024, SGG continued to strengthen its risk prevention and internal control practices, reinforcing compliance and early warning mechanisms amid a complex and evolving market landscape. Through strategic foresight, agile decision-making, a comprehensive risk management framework, and robust internal controls, the Company has continuously improved operational efficiency and profitability, enhanced its adaptability to market changes, and supported the achievement of its sustainable development goals.

Integrated Management System

SGG has established a fully integrated management system, certified under ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and ISO 45001 (Occupational Health and Safety Management). This system spans the entire operational lifecycle, from R&D and production to marketing and after-sales, as well as environmental stewardship, resource efficiency, and employee health and safety. The system currently covers 100% of the Company's business activities, demonstrating a high degree of standardization in line with international best practices.

The Company maintains a strong strategic orientation in building and refining its integrated management system. By aligning management processes with long-term business goals and conducting rigorous performance monitoring, SGG promptly identifies and addresses potential risks. This enables continuous optimization and ensures that the system remains fit-for-purpose, comprehensive, and effective.

Robust Compliance Framework

In 2024, SGG proactively aligned with the latest regulatory requirements of the capital market by conducting a comprehensive review and enhancement of its internal policies in accordance with relevant regulations issued by the China Securities Regulatory Commission such as the Interim Measures for the Management of Share Reduction by Shareholders of Listed Companies and the Rules for the Management of Shares Held by Directors, Supervisors, and Senior Management of Listed Companies and Their Changes, as well as the Rules Governing the Listing of Stocks on Shanghai Stock Exchange issued by the Shanghai Stock Exchange.

During the reporting period, several key internal regulations of the Company were formulated and revised, including the *Rules for Related Party Transaction Management*, *Rules for External Guarantee Management*, *Rules for Insider Information Control*, *Rules for the Management of Information Disclosure Suspension and Exemption*, and the *Rules for the Management of Shares Held by Directors, Supervisors, and Senior Management and Their Changes*. These measures aimed to enforce regulatory compliance, while ensuring the fulfillment of information disclosure obligations, enhancing corporate governance transparency, and safeguarding the legitimate rights and interests of investors, particularly minority shareholders.

Enhanced Internal Control Systems: SGG has also made significant progress in strengthening its internal control and financial oversight mechanisms. To ensure the independence and credibility of financial audits, the Company established the *Measures for Audit Firm Selection and Appointmen*t in accordance with the *Administrative Measures for the Selection and Appointment of Accounting Firms by State-Owned Enterprises and Listed Companies*. To mitigate ethical and financial risks, the Company issued the *Anti-Fraud Management Measures* which clearly define employee code of conduct and safeguard corporate assets and shareholder interests. In addition, to reinforce sales expense management and cost efficiency, the Company integrated and upgraded its expense policies —consolidating commission and service fee procedures under the unified *Management Measures for Commission and Outsourcing Service Fee*, and introducing the *Expense Reimbursement Management Measures and Implementation Rules*. These efforts have significantly enhanced the compliance and transparency of the Company's financial management practices.

Improved Information Security and Asset Management Systems: To optimize the structure of its internal control system in alignment with evolving business needs, SGG revised its *Confidentiality Policy*, strengthening the classification and protection of trade secrets, while minimizing the risk of information leakage. The Company also refined its management measures for real estate assets by standardizing usage and disposal procedures, thereby improving asset utilization and maximizing value.

Comprehensive Risk Management

SGG embraces a holistic risk management philosophy characterized by "comprehensive coverage, end-to-end oversight, and full employee participation." The Company has established a robust, integrated risk prevention and control system across its global operations, covering multiple dimensions including market dynamics, operational continuity, financial stability, legal compliance, information security, and ESG performance.

SGG continuously enhances its risk identification capabilities and strengthens its capacity to monitor, assess, anticipate, and respond to emerging risks. Prevention remains the cornerstone of its approach, supported by strategic realignment, process optimization, and the reinforcement of internal controls, ensuring that risks are managed in a structured, proactive, and adaptive manner. In addition, the Company conducts regular reviews and refinements of its risk management strategies to maintain alignment with evolving market conditions and business realities, creating an agile, closed-loop risk response mechanism that reinforces organizational resilience.

• Key Risk Identification and Response Measures in 2024

Financial Risk Management

- Strengthened accounts receivable management to shorten the cash collection cycle, optimize liquidity, and mitigate financial distress.
- Enforced strict capital usage planning to prevent liquidity risks caused by mismanaged funds.

Real Estate Asset Management Risk

- Conducted special audits to improve the inventory management of existing real estate assets, addressing gaps in asset oversight and enhancing management transparency to facilitate accurate tracking and decision-making by management.

Commission and Outsourcing Service Fee Accounting Risk

- Standardized contract templates and fee calculation methods, and strengthened accounting protocols for outsourced services to avoid fraud and eliminate loopholes in payment process.

Subsidiary Operational and Governance Risk

- Strengthened oversight of subsidiary opetaions. Upon identifying issues such as management inefficiencies, unclear authorization protocols, or ineffective minority shareholder governance, SGG promtly deployed audit and legal teams to review core business and control processes, issuing timely corrective recommendations to management to prevent risk escalation.

System and Data Risk

- Standardized ERP systems across the Group, upgraded system architecture to ensure data accuracy, security, and real-time performance, and integrated daily operational management of subsidiaries into the Group's central ERP system to achieve information sharing and centralized oversight.

Employee Risk Awareness Enhancement

- Provided comprehensive onboarding and compliance training to ensure new employees understand and apply the company's internal control systems and integrate compliance management into daily operations.
- Offered guidance to subsidiaries to improve their internal control frameworks, including the development of practical, actionable internal control manuals to reduce operational vulnerabilities and prevent potential risks.

• Overseas Risk Identification, Mitigation, and Global Sustainability Risk Management

SGG attaches great importance to risk management in its overseas operations and incorporates this foucs into its global development framework. To support stable and sustainable international growth, The Company has built a systematic global risk prevention and control system, encompassing diversified operations, localized management, proactive environmental monitoring, contingency planning, and insurance-based risk-transfer mechanism.

Globalization Strategy and Risk Management System

- Integrated Global Planning: SGG employs diversified business models to align international operations with its overall corporate strategy. This enables the Company to flexibly respond to region-specific changes in economic conditions, political landscapes, regulatory frameworks, and environmental factors, mitigating the impact of external uncertainties.
- Market Diversification: By optimizing its business structure and expanding its customer base, SGG reduces reliance on single markets or product categories, thereby enhancing resilience to external shocks.

Overseas Risk Control Measures

- Diversification Across Key Business Functions: SGG applies a balanced, diversified approach to global financing, investment, manufacturing, and sales. This reduces concentration risk and ensures a more stable international footprint.
- Proactive Environmental and Regulatory Monitoring: SGG closely tracks policy developments and market trends in its overseas locations, with a particular focus on the evolving regulatory landscape surrounding sustainability in Europe. This enables early strategic adjustments and ensures continued regulatory compliance.
- Localization Strategy: SGG actively leverages local resources including raw materials, labor, and component supplies, and fosters community engagement in its overseas markets. This strengthens operational integration, enhances brand reputation, and improves market acceptance.
- Climate and Energy Risk Mitigation: In response to rising global energy prices and supply uncertainties, SGG implements energy-saving measures, optimizes energy management systems, and explores alternative energy solutions to ensure the operational continuity of its overseas factories and the supply chain.

Effective Internal Control Practices

SGG has established a rigorous internal control evaluation system that emphasizes the deep integration and synergy between internal control and internal audit functions. Led by the Company's Audit Office, the system strengthens supervision mechanisms, facilitates systematic identification of control deficiencies, and drives continuous optimization of critical business processes, thereby enhancing govenance across operations both in China and globally.

Internal Control Evaluation and Oversight: In alignment with the *2024 Internal Control Evaluation Work Plan*, the Audit Office conducted independent internal control testing acorss SGG's headquarters and its 21 domestic and overseas branches and subsidiaries. This comprehensive review assessed the design effectiveness and operaional perfromance of internal controls over the entire reporting period.

Special Audits and Daily Supervision: The Audit Office completed 8 special audits on the economic accountability of departing managers. These audits identified shortcomings in the business processes, addressed management deficiencies, and optimized institutional procedures, thereby strengthening corporate governance. In day-to-day operations, the Company reinforced control over expense reimbursement approvals and payment procedures by strictly implementing the *Travel Expense Management Measures (2023 revision)* and related expenditure policies. These efforts enhanced control over key business processes, ensured compliance, and improved resource efficiency.

Project and Production Transfer Control: For strategic projects such as production transfer and business integration, SGG implemented rigorous end-to-end management covering project planning, execution, and final acceptance. Responsibilities and oversight mechanisms were clearly defined to ensure robust execution. During the transfer of domestic operations (e.g. household sewing machine and mold production facilities), the Company established a dedicated project team and implemented a regular progress reporting mechanism to ensure timely execution and avoid resource inefficiencies caused by management lapses.

Global Internal Control Governance: To uphold consistent governance standards globally, SGG appoints executive directors or senior managers to oversee and inspect its overseas subsidiaries, strictly enforces the *Measures for the Management of Overseas-Invested Enterprises*, and conducts regular internal audits across these entities. These efforts ensure that the financial, operational, and investment activities of international entities remain compliant with both listed company standards and host country regulations. The Company has fully implemented a unified *Code of Conduct Guideline* across DA and its global subsidiaries, which applies to the Shareholders' Committee, executive directors, management, and all employees, ensuring consistency in internal control practices worldwide. In addition, a Guideline on the Avoidance of Conflicts of Interest is in place: all relevent personel are required to sign the Annual Compliance Declaration and proactively disclose any potential conflicts, further enhancing operational transparency and ethical conduct across the Group.

Employee Training and Sustainable Integration: SGG actively promotes employee awareness of internal control and ESG responsibilities through ongoing training. These programs aim to enhance employees' capabilities in risk identification, evalution, and mitigation. Moreover, they support the integration of sustainability principles into everyday business operations and internal management, contributing to the Company's pursuit of high-quality, responsible growth.

CASE Enabling a new chapter of globalization with compliance-driven governance

In January 2025, SGG invited Professor Zhile Wang, President of the Shenzhen Corporation Compliance Association, to deliver a special lecture on "Strengthening Compliance Management to Build a World-Class Enterprise." The event provided strategic insights and practical guidance on compliance governance in the context of globalization and was attended by over 150 key personnel, including senior management, executives from Chinese and overseas subsidiaries, and department heads across the orgniazation.

During the lecture, Professor Zhile Wang emphasized that compliance management is not merely a passive obligation to meet legal requirements, it is a proactive and strategic tool for enhancing corporate competitiveness and advacing sustainable growth. He outlined the key compliance challenges faced by multinational enterprises, including legal and regulatory risks, ethical conduct, environmental stewardship, data protection, and trade compliance. To address these complexities, he advocated for a full-spectrum compliance framework—encompassing policy formulation, execution oversight, risk identification, and emergency response.

The participants engaged with real-world case studies across high-risk areas such as anti-bribery, trade sanctions, data security, and environmental and social responsibility (ESG). These practical examples deepened their understanding of how robust compliance management directly supports responsible business operations and long-term value creation.

This initiative reflects SGG's commitment to embedding a culture of compliance across all levels of the organization, thereby strengthening its governance capabilities to navigate complex international markets with integrity, resilience, and sustainable global growth.



Figure: Professor Zhile Wang delivered a special lecture on global compliance management

4.Safeguarding Information Security

SGG has consistently regarded information security and digital governance as core pillars of its sustainable development, continuously advancing and upgrading its information systems to meet the evolving demands of global operations, management efficiency, and ensure data integrity and security.

Building a Foundation for Digital Transformation: As early as the 2000s, SGG adopted financial management software, laying a solid foundation for digital transformation. With changes in organizational structure, business expansion, and accelerated digitalization, these systems have undergone iterative upgrades, progressively extending across various operational functions, and continuously enhancing levels of automation.

Group-Wide ERP Implementation: In 2021, SGG successfully established a centralized ERP management platform that now covers the Group headquarters and all domestic subsidiaries. Tailored to the specific business models of each entity, the platform integrates core modules such as sales, procurement, warehousing, production, and finance, driving the Company's operations toward refined and intelligent management.

Centralized Control and Cybersecurity Measures: With the rapid pace of domestic and international mergers and acquisitions, SGG has prioritized centralized data control and secure infrastructure. It has established a unified information center along with a backup data center, providing a secure and stable environment for group-wide IT operations. At the same time, comprehensive security policies and robust data backup mechanisms have been implemented to safeguard system reliability and business continuity. The IT department has also introduced advanced technologies such as server load balancing, master-slave dual system switching, and uninterrupted start-stop capabilities, to ensure 24/7 stability and performance of the information center, providing reliable and efficient access to all users.

Digital Integration Across Global Subsidiaries: In 2024, 11 subsidiaries—including DAP Hong Kong, SG Feier headquarters, Anhui Feier, Yangzhou Feier, Richpeace, successfully completed the integration and deployment of group-wide information systems. This achievement has resulted in a highly synchronized internal information flow across business units and regions, significantly improving organizational efficiency and enhancing the Company's global responsiveness.

Future Outlook

Looking ahead to 2025, we remain steadfast in our mission of "Leading Joining Technology Toward a Better Future and a Sustainable World of Shared Value." We will continue to integrate the principles of sustainable development into our business strategy to support the Company's high-quality, resilient, and responsible growth.

Strengthen Quality as the Cornerstone of Our Brand.

In the year ahead, total quality management (TQM) will remain central to our development strategy. Guided by our commitment to "quality first," we will meticulously manage every step of our manufacturing processes to ensure exceptional product standards, continuously setting new benchmarks for excellence within the industry.

Optimize Operations through Global Synergy.

Leveraging our global network, we will drive coordinated advancement between international market expansion and local market development. By strengthening cooperation with strategic partners worldwide, we aim to build a more resilient, responsive, and efficient supply chain while optimizing resource allocation and elevating overall operational performance.

Advance Production Localization through Deepened Sino-German Collaboration.

We will accelerate the localization of advanced German products and technologies, integrating the precision of German engineering with the cost efficiency of Chinese manufacturing. This will enable centralized, large-scale production of sewing equipment, significantly enhancing product competitiveness and industrial capabilities.

Broaden Business Scope and Drive Innovation.

To drive the next phase of growth, we will focus on breakthrough technologies, and the development of innovative, differentiated non-sewing joining solutions. By moving beyond traditional market boundaries, we will cultivate new engines of growth and promote the evolution of a more diverse and robust business structure.

Pioneering Emerging Industries with Advanced Technology.

We will actively expand into the fields of carbon fiber composite structural components and light sport aircraft (LSA) manufacturing. By advancing the localization of critical technologies, optimizing manufacturing processes, and fostering strategic collaboration, we aim to lead in cutting-edge sectors and shape the future of high-performance materials and aerospace innovation.

Empowering People through Smarter Incentives.

We will enhance our incentive systems to more effectively align employee contributions with corporate goals. By fostering a culture of openness, excellence, and shared purpose, we will unlock individual potential and create a virtuous cycle of mutual growth between employees and the organization.



A Legacy of Progress, A Future of Promise.

For over 60 years—beginning with the founding of the state-owned Shanghai Industrial Sewing Machine Factory—SGG has advanced with resilience, vision, and integrity. Embarking on a new journey, we will continue to soar with innovation and uphold our sense of responsibility. With a bold and pioneering spirit, we are determined to lead "Intelligent Manufacturing" to new heights, expand confidently into the global marketplace, and shape an extraordinary future for generations to come.

Appendix

1.Key Sustainability Performance Indicators

Table 1 Economic and Social Value Contribution

Item	Unit	2022	2023	2024
Total Assets	RMB ('0,000)	583,753.58	589,563.94	633,083.97
Total Loans	RMB ('0,000)	119,735.01	114,176.71	147,479.83
Asset-Liability Ratio	%	40.92	39.26	49.73
Operating Income	RMB ('0,000)	332,900.39	379,008.18	441,108.73
Employee Expenses	RMB ('0,000)	75,100.45	88,534.52	109,492.90
R&D Expenses	RMB ('0,000)	11,498.37	14,874.54	15,941.40
Interest Expense	RMB ('0,000)	4,237.85	5,138.70	6,221.51
Tax Payment	RMB ('0,000)	13,423.33	19,595.07	17,861.28
External Donations	RMB ('0,000)	22.00	21.00	26.80
Net Profit	RMB ('0,000)	8,080.12	10,914.94	-24,265.17
Net Assets	RMB ('0,000)	344,853.61	358,085.41	318,415.25
Social Contribution Value per Share (Weighted Average)	RMB	1.40	1.72	1.52

* Data scope: In accordance with Shang Gong Group's consolidated reporting scope, consistent with the Annual Report.

Table 2 Compliance Governance

Item	Unit	2022	2023	2024
Number Of Executive Directors On The Board Of Directors	Person(s)	3	3	3
Number Of Non-Executive Directors On The Board Of Directors	Person(s)	3	3	3
Number Of Independent Non-Executive Directors On The Board Of Directors	Person(s)	3	3	3
Number Of Male Employees Among Directors, Supervisors, Management	Person(s)	12	12	11
Number Of Female Employees Among Directors, Supervisors, Management	Person(s)	3	3	4
Number Of Employee Representatives Among Directors, Supervisors, Management	Person(s)	1	1	1
Number Of Female Individuals On The Board Of Directors	Person(s)	1	1	2
Number Of Board Meetings Held	Time(s)	6	11	8
Number Of Topics Reviewed By The Board Of Directors	Item(s)	27	38	32
Number Of Supervisory Board Meetings Held	Time(s)	5	6	7
Number Of Topics Reviewed By The Supervisory Board	Item(s)	20	19	21
Number Of Shareholders' Meetings Held	Time(s)	2	2	2
Number Of Topics Reviewed By The Shareholders' Meetings	Item(s)	18	16	11
Responses To Stakeholder Inquiries	Time(s)	48	33	139
Activities To Protect Minority Investors	Time(s)	1	1	1
Number Of Information Disclosure Documents Released	Copies	98	113	143
(Number Of Periodic Reports)	Copies	4	4	4
(Number Of Interim Reports)	Copies	94	109	139

* Data scope: In accordance with Shang Gong Group's consolidated reporting scope, consistent with the Annual Report.

Table 3-1 Resource and Energy Consumption (in China)

Item	Unit	2024
Total Investment In Environmental Protection And Energy Conservation	RMB	595,000
Total Petrol Consumption	Liters	445,456
Total Diesel Consumption	Liters	69,395
Total Natural Gas Consumption	kWh	319,620
Total Electricity Consumption	kWh	14,587,172
Total Clean Energy Usage	kWh	1,213,333
Total Water Consumption	Tons	86,820
Total Office Paper Consumption	kg	6,042

*Data scope: SGG headquarters, SG Zhejiang, PIZ, Richpeace, SG Feier;
*Clean energy includes: wind, solar, hydro, geothermal, biomass, ocean energy, natural gas, etc.

Table 3-2 Resource and Energy Consumption (Overseas)

Item	Unit	2024
Total Petrol Consumption	Liters	27,336
Total Diesel Consumption	Liters	62,192
Total Natural Gas Consumption	kWh	12,667,701
Total Electricity Consumption	kWh	9,133,411
Total Clean Energy Usage	kWh	6,865,587
Total Water Consumption	Tons	23,194
Total Office Paper Consumption	kg	10,571

*Data scope: DA, DARO, MIBO, PFAFF Industrial, KSL, and Sonotronic (Germany);
*The total water consumption data does not include Sonotronic (Germany).

Table 4-1 Waste Management (in China)

Item	Unit	2024
Total Non-Hazardous Waste Generated	Tons	1,431.80
Total Hazardous Waste Generated	Tons	304.98
Hazardous Waste Harmless Disposal Rate	%	100
Total Exhaust Gas	Tons	0
Total Wastewater	Tons	62,246.40
General Solid Waste	Tons	780.62
Total Recycled Waste	Tons	359.64
Waste Recycling Rate	%	21
Renewable Resource Consumption	Tons	0.12

*Data scope: SGG headquarters, SG Zhejiang, PIZ, Richpeace, SG Feier.

Table 4-2 Waste Management (Overseas)

Item	Unit	2024
Total Non-Hazardous Waste Generated	Tons	1,092.37
Total Hazardous Waste Generated	Tons	110.93
Hazardous Waste Harmless Disposal Rate	%	>98
Total Exhaust Gas	Tons	0
Total Wastewater	Tons	17,403
General Solid Waste	Tons	137.60
Total Recycled Waste	Tons	767.88
Waste Recycling Rate	%	64
Renewable Resource Consumption	Tons	58

*Data scope: DA, DARO, MIBO, PFAFF Industrial, KSL, and Sonotronic (Germany);
*The total wastewater data does not include Sonotronic (Germany).

Table 5 Climate Change Actions (Overseas)

Item	Unit	2023	2024
Total Greenhouse Gas Emissions (Scope 1 & Scope 2)	tCO2e	9,486.10	7,717.61
Direct Greenhouse Gas Emissions (Scope 1)	tCO2e	2,604.95	2,515.71
Indirect Greenhouse Gas Emissions (Scope 2)	tCO2e	6,881.15	5,201.90

*Data scope: DA, DARO, MIBO, PFAFF Industrial, KSL, and Sonotronic (Germany).

Table 6-1 Workplace Safety (in China)

Item	Unit	2024
Number of Safety Incidents	Cases	5
Number of Workdays Lost Due to Occupational Injuries	Days	385
Occupational Health and Safety Training	Session(s)	47
Number of Participants in Occupational Health and Safety Training	Person(s)	1,222
Occupational Health and Safety Training Coverage Rate	%	100

Safety Emergency Drills Conducted	Time(s)	13
Number of Participants in Safety Emergency Drills	Person(s)	893
Safety Hazard Rectification Rate	%	99

*Data scope: SGG headquarters, SG Zhejiang, PIZ, Richpeace, SG Feier.

Table 6-2 Workplace Safety (Overseas)

Item	Unit	2024
Number of Safety Incidents	Cases	9
Number of Workdays Lost Due to Occupational Injuries	Days	286
Occupational Health and Safety Training	Session(s)	111
Number of Participants in Occupational Health and Safety Training	Person(s)	1,148
Safety Emergency Drills Conducted	Time(s)	5
Number of Participants in Safety Emergency Drills	Person(s)	430

*Data scope: DA, DARO, MIBO, PFAFF Industrial, KSL, and Sonotronic (Germany).

Table 7-1 Supplier Management (in China)

Item	Unit	2024
Number of External Suppliers	Units	1,299
Number of Supplier Evaluations	Time(s)	373
Number of Suppliers Signing Code of Conduct (ESG)	Units	788
Coverage Rate of Suppliers Signing Code of Conduct (ESG)	%	61
Number of Suppliers Receiving Training on Code of Conduct (ESG)	Units	335
Coverage Rate of Suppliers Receiving Training on Code of Conduct (ESG)	%	26

*Data scope: SGG headquarters, SG Zhejiang, PIZ, SG Feier.

Table 7-2 Supplier Management (Overseas)

Item	Unit	2024
Number of External Suppliers	Units	2,723
Number of Supplier Evaluations	Time(s)	1,086
Number of Suppliers Signing Code of Conduct (ESG)	Units	631
Coverage Rate of Suppliers Signing Code of Conduct (ESG)	%	23
Number of Suppliers Receiving Training on Code of Conduct (ESG)	Units	1,356
Coverage Rate of Suppliers Receiving Training on Code of Conduct (ESG)	%	50

*Data scope: DA, DARO, MIBO, PFAFF Industrial, KSL, and Sonotronic (Germany).

Table 8-1 Employment Profile and Rights Protection (in China)

Item	Unit	2022	2023	2024
Total Number of Employees	Person(s)	1,733	1,717	3,263
Labor Contract Signing Rate	%	100	100	100
Number of Employees on Labor Contracts	Person(s)	1,604	1,607	3,151
Number of Employees on Labor Dispatch	Person(s)	129	110	112
Number of Male Employees	Person(s)	1,240	1,210	2,070
Number of Female Employees	Person(s)	493	507	1,193
Number of Ethnic Minority Employees	Person(s)	23	28	112
Number of Employees with Disabilities	Person(s)	/	15	18
Number of New Employees	Person(s)	115	280	608
Number of New Male Employees	Person(s)	/	/	407
Number of New Female Employees	Person(s)	/	/	201
Number of New Employees with Disabilities	Person(s)	/	2	7
Age Structure				
< 30 Years Old	Person(s)	/	306	503
30-49 Years Old	Person(s)	/	1,120	2,274
≥ 50 Years Old	Person(s)	/	291	486

Job Category

Technical & Production	Person(s)	/	/	2,238
Sales	Person(s)	/	/	314
Research & Development	Person(s)	/	/	288
Finance & Administration	Person(s)	/	/	423

Education level

Master's Degree or Above	Person(s)	385	390	38
Bachelor's Degree	Person(s)			464
Associate Degree	Person(s)	436	541	921
High School or Below	Person(s)	912	786	1,840

Employee Rights

Average Days of Paid Leave per Employee	Days	8	7	9
Employee Health Insurance Coverage Rate	%	100	100	100
Labor Union Representative Conference Establishment Rate	%	100	100	100
Labor Union Medical Aid Amount	RMB('0,000)	1.72	2.49	2.31
Labor Union Living Aid Amount	RMB('0,000)	39.95	4.52	3.94

*2022 & 2023 Data scope: SGG headquarters and DAP Hong Kong, SG Zhejiang, PIZ, Richpeace, and Shensy;
*2024 Data scope: SGG headquarters and DAP Hong Kong, SG Zhejiang, PIZ, Richpeace, Shensy, and SG Feier;
*The data on labor union representative conference establishment rate, medical aid and living aid amount do not include DAP Hong Kong and Shensy;
*"/" Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

Table 8-2 Employment Profile and Rights Protection (Overseas)

Item	Unit	2022	2023	2024
Total Number of Employees	Person(s)	1,660	1,851	1,572
Employment Contract Signing Rate	%	100	100	100
Number of Male Employees	Person(s)	1,332	1,518	1,292
Number of Female Employees	Person(s)	328	333	280
Number of Foreign Employees	Person(s)	/	/	43
Number of Employees with Disabilities	Person(s)	/	64	61
Number of New Employees	Person(s)	165	227	86
Number of New Male Employees	Person(s)	/	/	69
Number of New Female Employees	Person(s)	/	/	17
Number of New Employees with Disabilities	Person(s)	/	/	1

Age Structure

< 30 Years Old	Person(s)	/	228	146
30-49 Years Old	Person(s)	/	826	683
≥ 50 Years Old	Person(s)	/	797	743

Job Category

Technical & Production	Person(s)	/	1,439	1,170
Sales	Person(s)	/	181	183
Research & Development	Person(s)	/	122	108
Finance & Administration	Person(s)	/	109	111

Education level

Master's Degree or Above	Person(s)	/	/	114
Bachelor's Degree	Person(s)	/	/	124
Associate Degree	Person(s)	/	/	1,257
High School or Below	Person(s)	/	/	77

Employee Rights

Average Days of Paid Leave Days per Employee	Days	27	27	25
Employee Health Insurance Coverage Rate	%	100	100	100
Number Of Employees Eligible for Labor Union Membership	Person(s)	1,660	1,851	1,572

*2022 Data scope: DA, DARO, MIBO, DAPs, PFAFF Industrial, and KSL;
*2023 & 2024 Data scope: DA, DARO, MIBO, DAPs, PFAFF Industrial, KSL, and Sonotronic (Germany, Spain, and the United States).

Table 9-1 Employee Training (in China)

Item	Unit	2022	2023	2024
Number of Training Programs	Program(s)	83	85	183
Number of Employees Trained	Person(s)	1,014	817	984
Total Training Expenses Paid	RMB	22,505	149,323	557,204
Per capita Training Expense	RMB	22	183	566

Total Training Time	Hours	/	/	1,744
Per capita Training Time	Hours	/	/	1.8
Percentage of Employees Receiving Regular Performance and Career Development Evaluations	%	/	100	100
Percentage of Male Employees Receiving Regular Performance and Career Development Evaluations	%	/	100	100
Percentage of Female Employees Receiving Regular Performance and Career Development Evaluations	%	/	100	100

*2022 & 2023 Data scope: SGG headquarters and DAP Hong Kong, SG Zhejiang, PIZ, and Richpeace;
*2024 Data scope: SGG headquarters and DAP Hong Kong, SG Zhejiang, PIZ, Richpeace, and SG Feier.

Table 9-2 Employee Training (Overseas)

Item	Unit	2022	2023	2024
Number of Training Programs	Program(s)	81	112	145
Number of Employees Trained	Person(s)	718	1,147	870
Total Training Expenses Paid	EUR	94,659	114,123	112,652
Per capita Training Expense	EUR	132	99	129
Total Training Time	Hours	/	29,252	10,145
Per capita Training Time	Hours	/	26	12
Percentage of Employees Receiving Regular Performance and Career Development Evaluations	%	/	100	99
Percentage of Male Employees Receiving Regular Performance and Career Development Evaluations	%	/	100	99
Percentage of Female Employees Receiving Regular Performance and Career Development Evaluations	%	/	100	99

*2022 Data scope: DA , PFAFF Industrial, and KSL;
*2023 Data scope: DA, DARO, MIBO;
*2024 Data scope: DA, DARO, MIBO.

Table 10 Technological Innovation

Item	Unit	2022	2023	2024
Number of Patent Applications	Item(s)	96	27	27
Number of Patents Held	Item(s)	360	389	333
Invention Patents	Item(s)	/	27	30
Utility Model Patents	Item(s)	269	277	214
Design Patents	Item(s)	65	82	80
Software Copyrights	Item(s)	/	3	9
Number of System Certifications or Qualifications	Item(s)	20	20	29

*Data scope: In accordance with Shang Gong Group's consolidated reporting scope.

2. Independent Assurance Report

Shang Gong Group Co., Ltd.

Assurance Report on Corporate Sustainability (ESG) Report

For the Year Ended December 31, 2024

ENGLISH TRANSLATION OF ASSURANCE REPORT ON CORPORATE SUSTAINABILITY (ESG) REPORT FOR THE YEAR ENDED DECEMBER 31, 2024

IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

(Zhejiang) Co., Ltd., PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd., Shanggong Richpeace Intelligent Manufacturing (Tianjin) Co., Ltd., Shanggong Feier Auto Parts Co., Ltd., Dürkopp Adler GmbH, PFAFF Industriesysstem und Maschinen GmbH, MinervaBoskovice a.s., Dürkopp Adler SRL (hereinafter referred to as "Certain Subsidiaries"). We do not perform any assurance procedures on information from other entities other than SGG and Certain Subsidiaries. Our procedures included:

1) Conducting interview with SGG department heads and relevant personnel responsible for the preparation of ESG Report;
2) Conducting interview with personnel from relevant department providing basic information of the 2024 Key Data;
3) Performing analytical procedures;
4) Understanding and testing internal controls in relation to the 2024 Key Data;
5) Inspecting, on sample basis, supporting documents and records in relation to the 2024 Key Data; and
6) Recalculating the 2024 Key Data.

Inherent Limitations

We draw attention of report users to the absence of generally accepted reporting frameworks for non-financial information, which consequently leads to divergent measurement methodologies among reporting entities, thereby limiting direct comparability across organizations.

Conclusions

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the 2024 Key Data selected from SGG's ESG Report for the year ended December 31, 2024 have not been prepared, in all material respects, in accordance with the Criteria.

BDO 立信 立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

Restriction on Use

This report is intended solely for the board of directors of SGG to disclose the ESG Report for the year ended December 31, 2024, and for no other purpose. We do not assume responsibility toward or accept liability to any other person for the content of this report.

BDO China Shu Lun Pan Certified Public Accountants LLP **Chinese Certified Public:**

Chinese Certified Public:

Shanghai, China **April 25, 2025**

BDO 立信 立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

Shang Gong Group Co., Ltd.
Assurance Report
on Corporate Sustainability (ESG) Report
For the Year Ended December 31, 2024
(English Translation for Reference Only)

2025-ZA12465

To the Board of Directors of Shang Gong Group Co., Ltd.:

We have been engaged to perform a limited assurance engagement on the selected key data as of December 31, 2024 and for the year then ended (the "2024 Key Data") in the Corporate Sustainability (ESG) Report (the "ESG Report") prepared by Shang Gong Group Co., Ltd. ("SGG").

Key Data

The 2024 Key Data in the ESG Report prepared by SGG for the year ended December 31, 2024 that are covered by limited assurance procedures are as follows:

- Social contribution value per share
- Total water consumption
- Total electricity consumption
- Total natural gas consumption
- Hazardous waste harmless disposal rate
- Employment contract signing rate
- Number of male employees
- Number of female employees
- Total training expenditures

Our assurance was limited to the 2024 Key Data and we have not performed any procedures with respect to earlier periods or other information other than our work scope.

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Criteria

The criteria used by SGG to prepare the 2024 Key Data (the "Criteria") are set out in the Notes of Key Performance on pages 89 to Page 97 of the ESG Report.

Responsibilities of Management

Management of SGG is responsible for preparing the 2024 Key Data in accordance with the Criteria and for implementing such internal controls as management determines necessary to ensure that the key data in the ESG Report are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the 2024 Key Data based on the assurance procedures we have performed.

We conducted our engagement in accordance with *Chinese Certified Public Accountants Other Assurance Standard No.3101 – Assurance Engagements Other Than Audit or Review of Historical Financial Information*. This standard requires that we comply with ethical requirements, and plan and perform our engagement to express a conclusion.

The nature, timing and extent of procedures performed in a limited assurance engagement differ significantly from those in a reasonable assurance engagement, with substantially reduced scope. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not provide reasonable assurance that the 2024 Key Data are, in all material respects, in accordance with the Criteria.

Our assurance procedures include evaluating whether the 2024 Key Data contain risks of material misstatements, due to fraud or error, and addressing to the identified risks. Determination of assurance procedures depends on our judgement and evaluation of the risks. Our work scope is limited to SGG and its subsidiaries of Shanggong Sewing Machinery

3. Index of GRI / ESRS / ESG Indicators

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		Creating Green Value	301-1/302-4/417-1	/	/
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Reader Feedback

Thank you for reading the "Shang Gong Group Global Corporate Sustainability (ESG) Report 2024." To better provide valuable information to you and other stakeholders, while promoting the supervision of social responsibility work and improving the ability and level of fulfilling social responsibilities, SGG sincerely invites you to provide valuable comments and suggestions on this report.

1. Your overall evaluation of SGG's ESG report:

□Excellent □Good □Average □Poor □Very Poor

2. Your evaluation of SGG's performance in fulfilling environmental responsibility, social responsibility, and corporate governance:

Environmental Responsibility: □Excellent □Good □Average □Poor □Very Poor

Social Responsibility: □Excellent □Good □Average □Poor □Very Poor

Corporate Governance: □Excellent □Good □Average □Poor □Very Poor

3. Do you think this report can reflect the impact of SGG's social responsibility practices on the sustainable development of the economy and society?

□ Can reflect quite well □ Can reflect satisfactorily □ Can reflect generally □ Can not reflect well □ Can not reflect

4. How do you perceive the clarity, accuracy, and completeness of the information, data, and indicators disclosed in this report?

Clarity: □Excellent □Good □Average □Poor □Very Poor

Accuracy: □Excellent □Good □Average □Poor □Very Poor

Completeness: □Excellent □Good □Average □Poor □Very Poor

5. Do you find the content arrangement and layout design of this report convenient for reading?

□ Yes □ Average □ No

6. Other comments and suggestions you have on SGG's sustainability work and this report.