上工申贝集团
Shang Gong Group



Shang Gong Group Co., Ltd.

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上工申贝集团 Shang Gong Group | Code of A Share:600843 | Code of B Share:900924

2025

Corporate Sustainability (ESG) Report



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Report Description

Reporting Period

1 January 2025 - 31 December 2025

Report Cycle

Annual Report

Basis of Preparation

This report is prepared in accordance with the relevant international requirements, including the *GRI Sustainability Reporting Standards* issued by the Global Reporting Initiative (GRI), *ISO 26000:2010 Guidance on Social Responsibility* issued by the International Organization for Standardization, the EU *Corporate Sustainability Reporting Directive* (CSRD), and the *European Sustainability Reporting Standards* (ESRS) issued by the European Financial Reporting Advisory Group (EFRAG).

It also draws reference from the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial),* the *Guidance No. 4 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Preparation of Sustainability Report,* and Appendix C2 *Environmental, Social and Governance Reporting Code* of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

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:

- Shanggong Sewing Machinery (Zhejiang) Co., Ltd. ("SGZJ")
- PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd. ("PIZ")
- Shanghai Shanggong Butterfly Sewing Machine Co., Ltd. ("SG Butterfly")
- Shanghai Butterfly Digital Technology Co., Ltd. ("Butterfly Digital")
- Tianjin Richpeace AI Co., Ltd. ("Richpeace")
- Shanggong Feier Auto Parts Co., Ltd. ("Feier")
- Shanghai Shensy Enterprise Development Co., Ltd. ("Shensy")
- Dürkopp Adler GmbH ("DA" or "DA Group")
- PFAFF Industriesysteme und Maschinen GmbH ("PFAFF Industrial")
- Sonotronic GmbH ("Sonotronic")
- KSL Joining Technology GmbH ("KSL")
- ICON Aircraft, Inc. ("ICON")
- Flight Design general aviation GmbH ("Flight Design")

Data Description

The data is sourced from the Company's internal documents, reports, and relevant statistics.

Report Assurance

To ensure the authenticity and reliability of this report, we have engaged BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to perform limited assurance procedures on selected key data disclosed herein, in accordance with the *China Standard on Other Assurance Engagements No. 3101—Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.* An independent assurance report is issued accordingly.

Release Format

To reduce resource waste and environmental pollution, this report is published in electronic format and is available on the official websites of the Shanghai Stock Exchange (www.sse.com.cn) and SGG (www.sgsbgroup.com).

Prepared by

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Preface

Chairman's Address

2025 marks a milestone for SGG as we celebrate our 60th anniversary, while forging ahead with resolve on the frontiers of intelligent manufacturing and global expansion. Against a backdrop of accelerating restructuring in global manufacturing, green transformation and digital-intelligent upgrading have become central themes. Facing market challenges head-on, we have delved deep into our core businesses, broken through technological barriers, deepened global collaboration. By advancing along the four dimensions of value chain, environment, society, and governance, we have delivered results that reflect both growth and responsibility, writing a new chapter of Chinese intelligent manufacturing with sixty years of craftsmanship.

Dr. Zhang Min
Chairman and President
Shang Gong Group



Focusing on value chain upgrading: We have taken customer needs as our guide, integrated the entire value chain encompassing R&D, investment, production and operations, and achieved synergistic efficiency and value enhancement.

R&D: Breakthrough products such as the Shang-Gong All-Rounder 3 (S60), Speed Leading Pioneer (N550), and M60 Template Master were launched successfully. The DA 910 and 911R programmable automatic pattern sewing machine series, featuring industry-first technologies, set new benchmarks. Fully automated down jacket lines were deployed at key customers. We also developed large-format pattern sewing machines, automatic sewing machines for car window sunshades and side airbag tear seam machines, as well as Sonotronic ultrasonic generators and transducers. This marks significant progress in broadening the application of our joining technologies and delivering higher-value solutions through continuous innovation.

Investment: We have entered the new segment of carbon fiber light sport aircraft manufacturing. The Flight Design F2 light aircraft has resumed production at our Czech plant. Shanggong Feiren General Aviation (Weihai) Co., Ltd. has invested in a production base in Weihai, Shandong Province, China to manufacture carbon fiber components and ICON A5 light sport aircraft. Feier continues to grow its automotive interior business. These moves extend our joining technologies downstream, diversify growth opportunities, broaden our global network, and unlock synergies across the value chain.

Production and operations: We have advanced integrated cross-border operations to improve global resource allocation. We have strengthened the integration and optimization of production capacity and market strategy coordination, accelerated the assimilation of advanced technologies, and closely combined German engineering strengths with Chinese manufacturing and cost advantages. Through process optimization, supply chain integration, streamlining of procedures, and cost control, we have achieved significant gains in cost efficiency and productivity, enhancing both supply capability and core competitiveness.

Commitment to the environment: We have integrated the concept of green development in our production and operations, deeply combining energy conservation and consumption reduction with total quality management. Through process improvements and control, we have reduced production losses. We have formulated plans for the application of clean energy and energy-saving renovations, set our sights on carbon reduction targets, and laid a solid foundation for green and low-carbon transformation. Our EcoVadis Bronze Medal rating reflects our sustainable development capabilities and commitment within the global supply chain, as we work with upstream and downstream partners to drive coordinated carbon reduction.

Fulfilling social responsibility: We consistently uphold a people-oriented development philosophy, aligning corporate development with employee growth, industry progress, and broader social advancement to create shared value for both the company and society. For our employees, we have strengthened incentive systems and launched multi-dimensional internal and external training to support their skill development and self-fulfillment. For the industry, we remain rooted in joining technologies, driving digital, intelligent, and automated upgrading through technological innovation and product enhancement, and advancing high-quality development by fostering collaborative innovation and strategic partnerships. For society, we stay true to our manufacturing mission, supporting the real economy through high-end intelligent manufacturing. We actively fulfill our social responsibilities by embedding public welfare into our corporate development and promoting community building, education support, and other social initiatives to build a responsible and caring corporate brand.

Strengthening corporate governance: We have promoted high-quality development through modern governance. Through system improvement, mechanism innovation, and compliant operations, we continuously enhance governance standards and operational discipline to support our global expansion. We have constructed a governance system featuring "efficient decision-making, robust execution, and effective oversight", improved risk prevention and control mechanisms, established a real-time reporting system for major information, and strengthened process control through internal audits, making compliant operations a fundamental principle of corporate development.

After sixty eventful and fruitful years, staying true to our founding mission and passion for manufacturing, we will forge ahead with greater resolve, more practical actions, and a more open mindset on the tracks of intelligent manufacturing and globalization, striving to achieve even greater success!

About Us

1860
Brand origins dating back to

200+
Sales locations worldwide

1000+
Corporate customers and partners

40+
Domestic and overseas branches/subsidiaries

4500+
Employees in China and overseas

Introduction to SGG

Shang Gong Group Co., Ltd. (hereinafter referred to as "SGG", "we", or "the Company") is a mixed-ownership enterprise listed on the Shanghai Stock Exchange (stock code: A-shares: 600843, B-shares: 900924). The Company primarily engages in the R&D, production, and sales of various material-joining processing equipment, with business also involving trade logistics, technology investment, and other fields. Its products cover sewing, embroidery, cutting, and other sewing process equipment, ultrasonic welding equipment, automotive interior and exterior parts, as well as light sport aircraft made from carbon fiber composite materials.

The Company's business structure consists of six business units: the Industrial Sewing Business Unit (ISBU), the Household Sewing Business Unit (HSBU), the Sewing Automation Business Unit (SABU), the Intelligent Manufacturing Business Unit (IMBU), the Automotive Components Business Unit (ACBU), and the Modern Logistics Business Unit (MLBU). In traditional processing sectors such as apparel and luggage, SGG's high-end sewing equipment has become the preferred choice for numerous top European luxury brands. In the automotive industry, the Company provides intelligent sewing and processing equipment for interior and safety components to well-known automotive brands. In the field of plastic applications, the Company offers high-precision equipment and solutions including non-standard plastic welding machines, robotic flexible welding machines, and ultrasonic generators to industries such as packaging, electronics, healthcare, and environmental protection. In the aerospace and advanced materials sectors, the Company supplies robotic stitching processing centers for composite preforms to several major aircraft manufacturers, continuously leading the innovation in high-end manufacturing and advanced material joining technologies.

Corporate Culture

• Mission and Vision



Our Mission

Leading joining technologies, shaping a smarter future with diverse value creation

Business Strategy

Driven by innovation and service for sustainable growth

Our Vision

To become a globally leading provider of intelligent manufacturing and material joining technology solutions

Corporate Spirit

Open and progressive, pursuing excellence, and socially responsible

Brand Proposition

Joining technology, creating the future

• Core Values

Innovation and breakthroughs > Customer first > Green development > Win-win collaboration

• Sino-German Integrated Culture

SGG has organically integrated the advantages of Chinese manufacturing—**fast market response and flexible problem-solving**—with the hallmarks of German manufacturing—**respect for science, practicality, attention to details, and the pursuit of perfection.** By building a shared vision and fostering a uniquely integrated Sino-German culture, we have created a core competency that drives our sustained leadership. Leveraging the synergistic strengths of our dual R&D centers in Shanghai and Germany, the Company upholds the quality benchmark that **"Made in China = Made in Germany"**. We embed flexible market responsiveness and rigorous, precise manufacturing principles throughout the entire product development and production process, continuously enhancing our technological capabilities and brand influence.

• Sustainable Development Philosophy

The Company is committed to green development, integrating low-carbon, environmentally friendly, and energy-saving measures throughout product design and intelligent manufacturing. It publishes the *Shang Gong Group Corporate Sustainability (ESG) Report* annually, embracing its mission of sustainable operations and social responsibility, actively responding to global climate change, and leading the frontiers of green manufacturing and technological innovation.

Sustainability Management

The Company's management fully embeds sustainable development principles into daily operations and overall corporate strategy, establishing a global sustainability governance system with the Board of Directors at its core decision-making center. The Board plays a leading and coordinating role, defining the strategic direction of sustainable development, reviewing and approving relevant plans, and ensuring close alignment with the Company's overall strategic goals. Through regular deliberation mechanisms, the Board monitors progress, strengthens process guidance and oversight, and drives effective implementation. At the annual Board meeting, the *Shang Gong Group Corporate Sustainability (ESG) Report 2025* is carefully reviewed, continuously improving disclosure quality and transparency, enhancing communication with stakeholders, and actively shaping a responsible corporate image that has earned broad recognition and trust from all sectors of society.

Stakeholder Communication

SGG places great emphasis on communication with internal and external stakeholders, working to establish diverse channels for both routine and targeted engagement. It seeks to fully and deeply understand their needs and expectations, and to translate their valuable insights into concrete sustainability actions and implementation plans. The Company also proactively communicates its sustainability philosophy to stakeholders, building consensus, strengthening its sustainable competitiveness, and creating a harmonious integration of corporate, social, and ecological value.

During the reporting period, SGG engaged with internal and external stakeholders on the following aspects:

Stakeholders	Government and regulatory authorities	Shareholders and investors	Employees	Customers	Suppliers and partners	Public and community engagement	Environment
Key Concerns	• Pollution prevention and control • Environmental compliance management • Energy management • Anti-bribery and anti-corruption • Anti-unfair competition	• Recycling and reuse • Due diligence • Stakeholder communication	• Employee rights and interests	• Innovation-driven development • Product and service quality • Data security and customer privacy protection	• Supply chain security • Equal treatment of SMEs	• Community contribution	• Climate change response • Pollution prevention and control • Waste treatment • Ecosystems and biodiversity • Water resource management
Means of Response	• Legal and regulatory compliance • Regular public disclosure and reporting	• Investor meetings • Regular public disclosure and reporting	• Occupational health and safety management • Employee training and career advancement • Employee representative congress	• Contract performance • Customer feedback mechanisms • Market research	• Contract negotiations • Supplier evaluation • Supplier training	• Social welfare activities	• Climate change strategy • Environmental compliance management • Waste and pollutant disposal • Water resource management

Double Materiality Assessment

In 2025, the Company carried out a double materiality analysis in accordance with the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)* (hereinafter referred to as the "Guidelines") and the *Guidance No. 4 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Preparation of Sustainability Report,* while also referring to the *Corporate Sustainability Disclosure Standards—Basic Standards (Trial)* issued by the Ministry of Finance of the People's Republic of China and the *European Sustainability Reporting Standards* (ESRS). The analysis was conducted based on the Company's activities and business relationships. Through a series of steps, including developing the list of issues, conducting stakeholder surveys, and performing a double materiality assessment, **19** key sustainability issues were identified, culminating in a double materiality matrix. This report provides focused responses to these issues.

Understanding the Company's Activities and Business Relationships

Internal activities and business structure

- Based on the Company's development strategy, financial information, and business layout, we analyzed its business operations, products and services, and geographical footprint.

External environment and policies

- We analyzed the laws, regulations, and regulatory policies applicable to the Company, and referenced publicly available information such as industry standards, peer developments, and research reports to grasp external sustainability trends and requirements.

Identification of affected stakeholders

- By summarizing existing stakeholder communication mechanisms and mapping their distribution across different activities, products, and services, we identified key affected groups, providing a basis for subsequent prioritization of issues.

Developing the List of Issues

The Company fully considered the 21 sustainability issues outlined in the SSE Guidelines. Additional inputs included the Company's operational situations, domestic and international industry practices, global business footprint, and leading disclosure standards (e.g., GRI, ISSB, ESRS). Through analysis, consolidation, and judgment of relevance and materiality, we confirmed 19 core issues of high materiality to the Company's sustainability.

Name of Issue	Adjustment	Reason
Rural revitalization	Not covered	During the reporting period, the Company's development strategy did not involve supporting rural development or rural revitalization.
Technology ethics	Not applicable	Not applicable to the Company's principal business. The Company does not engage in technology fields with ethical controversy risks, such as AI autonomous decision-making or biotechnology.

Stakeholder Survey

After identifying the core issues, the Company actively engaged with stakeholders. Through due diligence and survey questionnaires, a communication bridge was established to better understand stakeholder expectations and concerns.

Double Materiality Assessment

• Impact Materiality

For impact materiality, the Company adopted the core criterion of "actual or potential significant impacts of sustainability matters on people and the environment". This covers impacts directly related to the Company's own operations, the full life cycle of its products and services, and its upstream and downstream value chains. Through surveys, stakeholders including government and regulatory authorities, employees, and customers were invited to provide input. A systematic assessment was then conducted based on two dimensions: (i) the severity of the impact (including scale, scope, and irremediability of negative impacts), and (ii) the likelihood of the impact occurring.

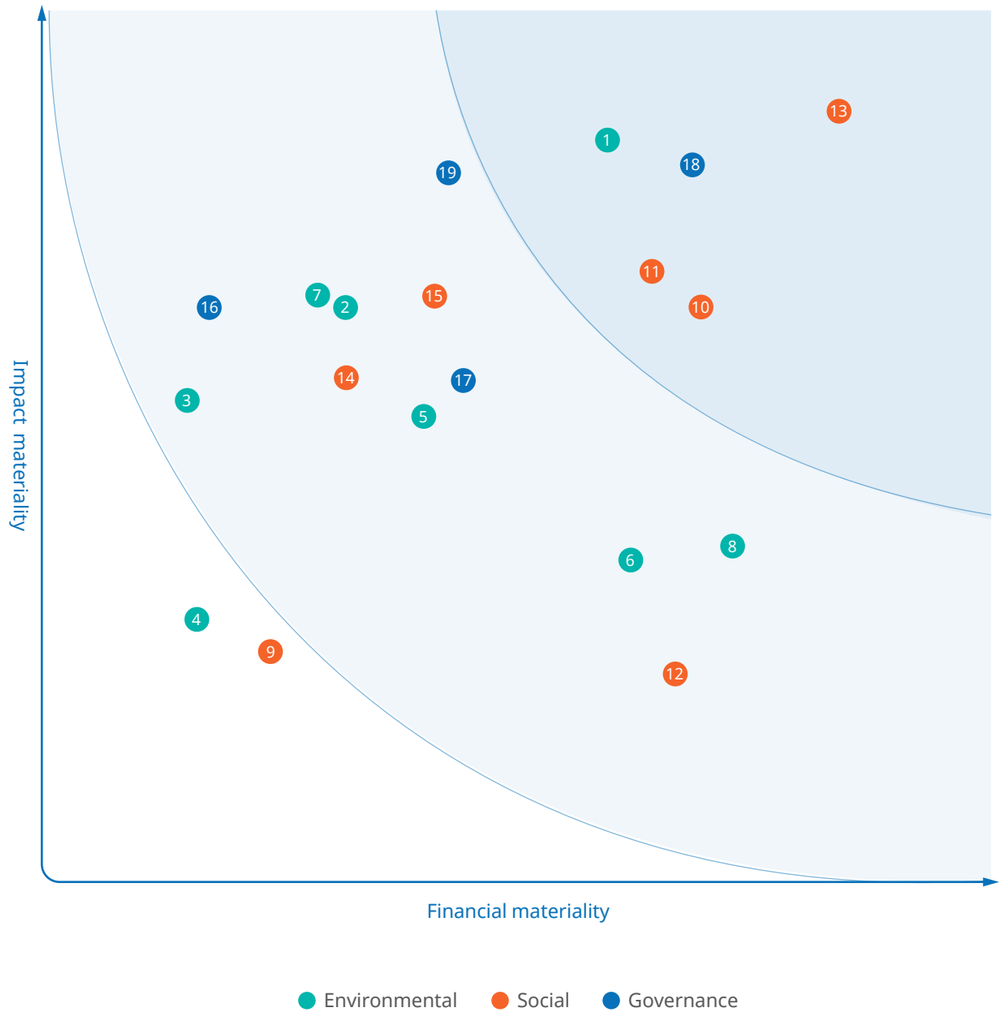
• Financial Materiality

For financial materiality, the Company applied the principle that "sustainability issues trigger or could trigger material financial impacts". We focused on issues that pose significant risks or opportunities to the Company's future cash flows, affect its short-, medium-, and long-term enterprise value, and have not been fully captured in the current financial reports. Through due diligence, we conducted interviews with the Company's leadership and finance personnel. A systematic assessment was carried out based on two dimensions: (i) the likelihood of financial impacts, and (ii) the materiality of those financial impacts.

• Double Materiality Assessment

After assessing the impacts, risks, and opportunities of each issue, the Company summarized the results and developed the double materiality matrix below, based on whether each issue is material and its specific financial or impact materiality score:

Double Materiality Matrix



Double Materiality Report

Based on the above double materiality analysis, the Company identified five issues with both impact and financial materiality ("double materiality issues"): climate change response, innovation-driven development, supply chain security, product and service quality, and anti-bribery and anti-corruption. In addition, three issues of high financial materiality, nine of high impact materiality, and two issues of corporate interest were identified. Details are presented in the table below:

No.	Name of Issue	Financial Materiality	Impact Materiality	Company's Focus Area
1	Climate change response	✓	✓	
2	Pollution prevention and control		✓	
3	Waste treatment		✓	
4	Ecosystem and biodiversity protection			✓
5	Environmental compliance management		✓	
6	Energy utilization	✓		
7	Water resource utilization		✓	
8	Circular economy	✓		
9	Community contribution			✓
10	Innovation-driven development	✓	✓	
11	Supply chain security	✓	✓	
12	Equal treatment of SMEs	✓		
13	Product and service quality	✓	✓	
14	Data security and customer privacy protection		✓	
15	Employee rights and interests		✓	
16	Due diligence		✓	
17	Stakeholder communication		✓	
18	Anti-bribery and anti-corruption	✓	✓	
19	Anti-unfair competition		✓	

Furthermore, in accordance with the SSE Guidelines, the Company addresses each double materiality issue across three dimensions: "impact", "risk", and "opportunity", as set out in the table below:

Issue	Category	Classification	Description
Climate change response	Impact	Policy level	China's carbon peaking and carbon neutrality goals, the EU's *European Green Deal* and the *European Climate Law* impose a series of requirements on corporate climate action, leading to continued enhancements in climate-related compliance, disclosure, and management standards.
		Market level	Growing demand for green products and greater emphasis on green supply chain collaboration from core customers in China, Europe, and other regions.
	Risk	Physical risk	Extreme weather may disrupt production base operations, raw material supply stability, and cross-border logistics and production scheduling.
		Transition risk	The inclusion of ESG ratings and carbon reduction performance in supplier screening criteria increases the difficulty of market entry.
			Significant investments are required for energy-saving upgrades to production processes and the expansion of renewable energy capacity, which may affect short-term profitability.
	Opportunity	Product upgrades	Promote the adoption of new equipment and technologies, such as green intelligent sewing systems and ultrasonic eco-friendly welding techniques, to capture the green product market.
		Policy incentives	Access to low-carbon transition subsidies and green credit support reduces transition pressure.
		Brand enhancement	Leverage green production and product advantages to strengthen collaboration with premium customers and enhance global competitiveness.
Innovation-driven development	Impact	Strategic level	The Company is pursuing a "service-oriented manufacturing" transition, focusing on automation, digitalization, and low-carbon technologies.
		Market level	Businesses including sewing equipment, carbon fiber composite material processing, and light sport aircraft must align with Industry 4.0 standards and customer demands for intelligent solutions.
			Given accelerating industry technology cycles, the Company must maintain its leading edge in digital sewing equipment and sewing robots.
	Risk	R&D risk	High R&D investment over extended cycles, with the risk of technical failure or low commercialization rates leading to resource waste.
		Technology obsolescence risk	Rapid pace of innovation may render existing technologies and products obsolete, leading to inventory write-downs.
		Intellectual property risk	R&D outputs face potential infringement challenges, while insufficient patent coverage may constrain market expansion.
	Opportunity	Product upgrades	Enhance product performance and intelligent capabilities through technological innovation, creating differentiated competitive advantages.
		Market expansion	Develop innovative products to meet emerging demands, enter new market segments, and increase market share.
		Policy support	Access science and technology innovation subsidies and tax incentives to improve profitability.
Supply chain security	Impact	Global level	Geopolitical conflicts and international trade frictions affect raw material imports and product exports.
		Industry level	Raw material price volatility and high concentration across upstream and downstream partners limit bargaining power.
		Compliance level	Changes in international trade rules, and higher environmental and labor standards increase supply chain compliance costs.
Supply chain security	Risk	Supply chain disruption risk	Supplier capacity constraints or logistics disruptions may lead to production stoppages.
		Cost risk	Significant raw material price increases and exchange rate fluctuations raise production costs and compress profit margins.
		Quality risk	Substandard upstream product quality affects end-product quality and corporate reputation.
	Opportunity	Supply chain optimization	Establish a diversified supplier base to reduce single-supplier dependency and enhance supply chain resilience.
		Collaborative innovation	Establish strategic partnerships across the value chain for joint R&D and resource sharing, lifting overall supply chain competitiveness.
		Digital management	Build a digital supply chain platform to enable precise demand-supply matching, inventory optimization, and operational efficiency.
Product and service quality	Impact	Customer level	Growing consumer awareness drives continuously rising expectations on product quality and after-sales service.
		Competition level	Severe product homogeneity across the industry makes quality the decisive competitive factor.
		Technology level	Production process upgrades and raw material substitutions may affect product quality consistency.
	Risk	Compliance risk	Products failing to meet national or industry standards face recall, penalties, and other regulatory actions.
		Cost risk	Quality defects trigger rework, repairs, compensation claims, and other expenditure, increasing operational costs.
		Reputation risk	Product defects trigger customer complaints and media exposure, damaging brand credibility and market trust.
	Opportunity	Brand reinforcement	Implement rigorous quality control systems to ensure product consistency and establish a premium brand image.
		Customer retention	Strengthen satisfaction and loyalty through superior products and after-sales service.
		Differentiation	Leverage quality excellence as a competitive moat to stand out in a commoditized market.
Anti-bribery and anti-corruption	Impact	Policy level	National anti-corruption and anti-commercial bribery legislation continues to tighten, with increasingly stringent enforcement and heavier penalties.
		Social level	Growing public scrutiny of corporate integrity, with heightened media oversight on ethical business conduct.
	Risk	Legal risk	Exposure to commercial bribery or embezzlement carries penalties ranging from administrative sanctions to criminal prosecution, with individual accountability for responsible persons.
		Reputation risk	Integrity breaches trigger adverse public perception, undermining trust among investors, customers, and government stakeholders.
		Internal management risk	Lax internal controls on integrity issues may undermine team stability and management effectiveness.
	Opportunity	Compliant operation	Establish a robust internal control system against commercial bribery and corruption to ensure legal and compliant operations, reducing business risks.
		Brand trust	Build a reputation for ethical operations to strengthen trust with investors, customers, and partners, expanding collaboration opportunities.
		Industry standing	Set a benchmark for integrity in the industry, promote healthy competition, and enhance industry standing.

Awards & Honors

SGG

Ranked 150th among Top 200 Enterprises in China Light Industry

Ranked 71st among Top 100 Science & Technology Enterprises in China Light Industry

Ranked 3rd among Top 50 Enterprises in China Light Industry Equipment Manufacturing

Ranked 3rd among Top 10 Enterprises in China Light Industry Sewing Machinery

Ranked 2nd among Top 10 Enterprises in China Light Industry Industrial Sewing Machine

Shanghai Municipal Innovative SME

Shanghai Municipal-level R&D Center

"Automatic Airbag Sewing Production Line"—1st Prize, China National Light Industry Council (CNLIC) Science & Technology Progress Award

DA 911R-210-10 Automatic Sewing Unit, DA 756B-W02 Automatic Pocket Machine, Mauser 3745 Classic Airbag Tear Seam Workstation—"Featured Product Award" at CISMA 2025

ESG case study featured in *China's Corporate Green Transformation Practices Report*

SGZJ

Zhejiang Provincial High-Tech Enterprise

Zhejiang Provincial Innovative SME

Zhejiang Provincial-level R&D Center

Zhejiang Provincial Smart Factory

Richpeace

Tianjin Municipal High-Tech Enterprise

Tianjin Municipal-level R&D Center

"Key Technologies and Application of Intelligent Flexible Production Line for Garment Customization" —2nd Prize, Tianjin Science & Technology Progress Award

"Automatic Template Sewing System"—Selected for the 2025 China Garment Industry Science & Technology Progress Recommended Catalog

"L200 Multi-Needle Lock Stitch Quilting Machine" —Recognized as a 2025 Home Textile Industry Outstanding Case for "Scientific & Technological Innovation"





Richpeace

"Precision Quilting Machine"—Recognized as a 2025 Home Textile Industry Outstanding Patent for "Scientific & Technological Innovation"

"L200 Multi-Needle Lock Stitch Quilting Machine"—Selected for the 2025 China Home Textiles Science and Technology Cultivation and Promotion Program

"Enterprise Digital Transformation and IoT Platform R&D and Application Solution"—Recognized as a 2025 "Pioneer" in Light Industry Digital Transformation

"Punching-Inspection-Lamination-Sewing-Embroidery Production Line"—3rd Prize, Tianjin Intellectual Property Innovation & Entrepreneurship Invention and Design Competition

Tianjin Municipal Smart Factory







Feier

Shanghai Municipal High-Tech Enterprise

DA

EcoVadis Bronze Medal

International Recognition & Awards in Sustainability:

In November 2025, the "China Pavilion" side events of COP30 were held in Belém, Brazil, during which the *China's Corporate Green Transformation Practices Report 2025* was released. SGG's case study titled "Innovating Tomorrow: Digital and Green Transformation in Global Sewing Manufacturing" was selected for the report's "Digital-intelligent Leadership" section. It showcases the Company's pioneering work in the deep integration of digitalization and low-carbon practices. This marks **the second consecutive year** that SGG's ESG case has been featured in the report, underscoring the Company's sustained commitment and notable achievements in manufacturing green transformation. It also contributes insights and solutions to the global sewing equipment industry.


CERTIFICATE
证书

上工申贝（集团）股份有限公司：

鉴于贵公司在企业绿色转型过程中的创新思维和典型实践，
兹收录“智创未来：全球缝制装备的绿色数字化跃迁”案例纳入
《中国企业绿色转型实践报告2025》中。

特发此证。

Considering your innovative thinking and exemplary practices in the process of corporate green transformation, we would like to include the case study "Innovating Tomorrow: Digital and Green Transformation in Global Sewing Manufacturing" in the China's Corporate Green Transformation Practices Report 2025.

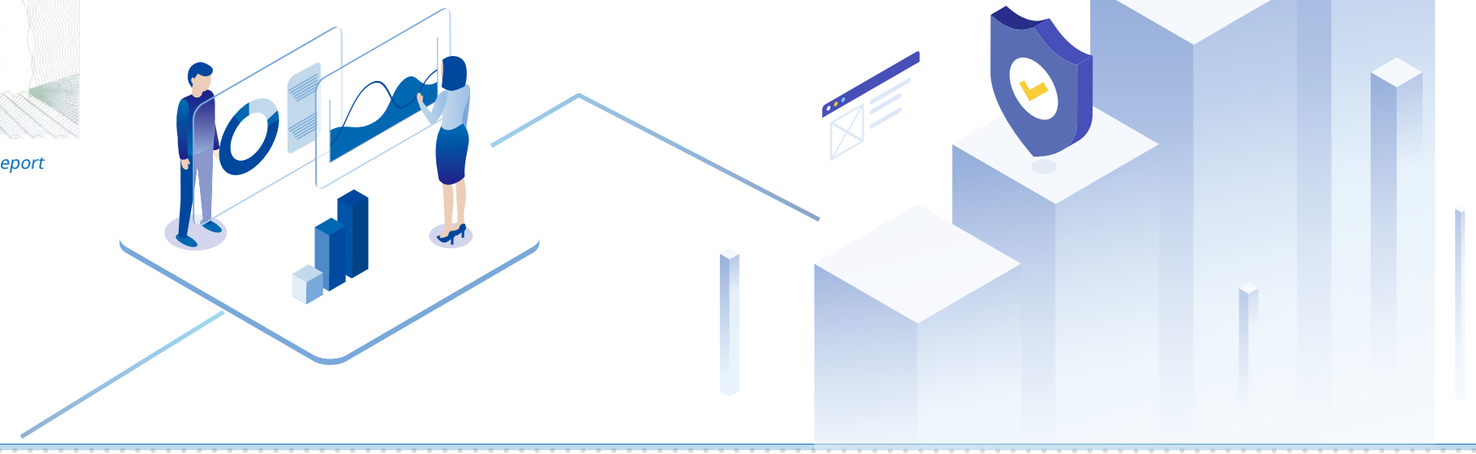
联合国可持续发展管理学院
United Nations Institute for Sustainability Management

中国企业公众透明度研究中心
案例评审专家委员会
China Enterprise Public Transparency Research Center
Case Review Expert Committee

SGG's ESG Case Featured in the *China's Corporate Green Transformation Practices Report*

In January 2026, DA was awarded the Bronze Medal by EcoVadis, with an overall score of 67, placing it in the **top 35%** of assessed companies worldwide. This achievement further strengthens DA Group's competitive edge in the global market and lays a solid foundation for expanding business collaboration opportunities across its business segments.



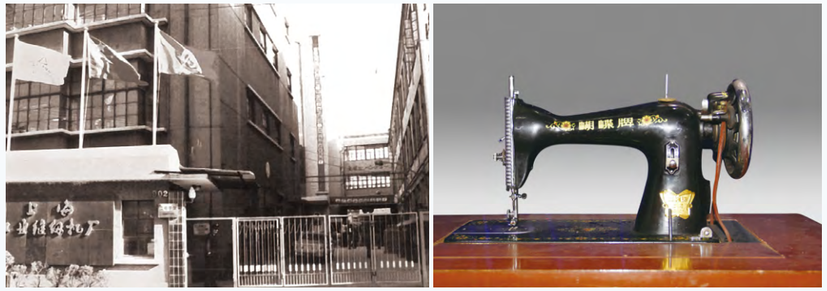


Special Topic

Sixty Years of Craftsmanship, Powering a Sustainable Future

In 2025, Shang Gong Group Co., Ltd. celebrated its 60th anniversary. Over six decades of endeavor, the Company has evolved from a single sewing machine manufacturer on the banks of the Huangpu River in Shanghai into an international enterprise group spanning three continents and operating across multiple high-end manufacturing sectors. Throughout this journey, SGG has embedded sustainable development deeply into its strategic vision and operational practice, driving high-quality growth whilst contributing to industry advancement, social progress, and ecological protection.

Sixty years ago, China's first industrial sewing machine manufacturer took root on the Huangpu waterfront. Starting from individual industrial sewing machines, the young SGG embedded itself in the light manufacturing landscape, embarking on a mission to lay the foundations for China's sewing industry. From humble workshop premises to standardized production facilities, and from single-product manufacturing to multi-category sewing equipment R&D and production, the early SGG adhered to a founding ethos of "delivering, perfecting, and sustaining", weaving quality assurance and resource efficiency into every aspect of production. Steadily navigating the tides of change, the Company accumulated a robust industrial base and a deep-rooted culture of craftsmanship, supporting its journey towards sustainable development.



Shanghai Industrial Sewing Machine Factory and Butterfly Brand

The economic liberalization of the reform and opening-up era brought new opportunities for SGG, prompting pivotal steps towards marketization and capitalization and sowing the seeds of sustainable development. **In 1993,** the Company was restructured as Shanghai Industrial Sewing Machinery Co., Ltd., establishing the foundation of modern corporate governance. Standardized production management systems provided the institutional framework for energy conservation, cost reduction, quality improvement, and efficiency enhancement. **In 1994,** SGG was successfully listed on the domestic capital market, becoming **the first listed company** in China's sewing equipment industry. It was a landmark step in capital securitization that fueled investment in R&D and intelligent manufacturing. In 1997, the 2 millionth high-speed lockstitch sewing machine rolled off the production line, and the Company was renamed Shang Gong Co., Ltd. ("Shanggong"). As production capacity and technical capability reached new heights, greater emphasis was placed on process optimization, refining equipment design to minimize raw material consumption and embed green manufacturing principles. **In 2000,** Shanggong acquired the operational assets of Shanghai Feiren Xiechang Sewing Machinery Co., Ltd., bringing under its umbrella two iconic century-old Chinese household sewing machine brands—Butterfly (originating in 1919) and Flying Man (originating in 1925). This unified the resources of Shanghai's light industry and household sewing machine sector. Whilst preserving these heritage brands, SGG upgraded classic models for greater energy efficiency and lighter weight, breathing new green life into brands that carry deep cultural resonance for generations of Chinese consumers.

At the turn of the century, amid accelerating globalization, SGG embarked on a bold cross-border acquisition strategy, progressing from "going global" to "integrating locally" and ultimately "leading internationally", with sustainability serving as the core benchmark for global integration. **In 2004,** Shanggong acquired 94.98% of DA for €17 million plus assumed debt, a transaction that sent ripples through the global sewing industry. It fused a German manufacturing heritage dating back over 150 years with Chinese production expertise, whilst introducing lean production principles and embedding German engineering precision and low-carbon philosophy into the Company's operations.





Shanggong Acquired DA in 2004

In 2005, Shanggong merged with Shanghai Shenbei Office Machinery Co., Ltd. and was renamed Shang Gong Group Co., Ltd., completing a corporate restructuring that opened a diversified growth trajectory, with sustainability formally incorporated into the overarching corporate strategy. **In 2013,** SGG resumed its acquisition drive, purchasing Germany's PFAFF Industrial—a century-old sewing machinery manufacturer, and KSL—a global leader in sewing automation whose acquisition secured cutting-edge technologies including sewing robots and core processes for carbon fiber composite material processing, laying the groundwork for green applications of advanced materials. **In 2016,** the Company underwent market-oriented reform by introducing private capital, becoming a mixed-ownership listed entity. This blended the rigor of state-owned enterprise governance with the agility of private-sector mechanisms, further refining its Environmental, Social, and Governance (ESG) framework and embedding sustainability as a core operating principle.



SGG Acquired KSL in 2013

While pursuing cross-border M&A, SGG deepened its domestic industrial footprint, completing strategic deployments across the Yangtze River Delta and the Bohai Rim region. Between 2015 and 2018, the Company established Zhejiang Shanggong Gemsy Co., Ltd., PFAFF Industrial Sewing Machine (Zhangjiagang) Co., Ltd., and Shanghai Shenbei Electronics Co., Ltd. It acquired a controlling stake in Tianjin Richpeace AI Co., Ltd., and built a fully integrated industrial system spanning standardized production, core component manufacturing, electronic control system R&D, and intelligent equipment fabrication. This yielded a closed-loop "new Shanghai manufacturing" model—R&D and marketing based in Shanghai, with manufacturing located outside the city. Multiple manufacturing sites adopted energy-efficient equipment and water recycling systems, reducing energy consumption and pollutant discharge, and creating a virtuous synergy between industrial layout and lean production, laying a solid foundation for the Company's green transition. **In 2020,** Shanggong Sewing Machinery (Zhejiang) Co., Ltd. commenced operations—an intelligent, green factory with an annual capacity of **390,000** industrial sewing machines. Fully integrated with digital production management, the facility optimized equipment coordination and production cycle times, significantly boosting energy efficiency and becoming an industry pioneer in combining high-output manufacturing with low-carbon operations. **In 2023,** SGG launched a new phase of vertical integration and technology diversification. In July, it acquired Sonotronic, a German market leader in non-standard automated ultrasonic welding equipment. This expanded the Company's joining technology portfolio beyond traditional sewing into ultrasonic welding, a needle-free, consumable-free bonding process that reduces material waste and processing pollution, serving as a key enabler of green manufacturing. In December, SGG acquired Shanghai Feier Automotive Components Co., Ltd., formally entering the automotive interior components sector and applying green sewing technology to lightweight production for new energy vehicles, supporting low-carbon practices across the auto industry.



SGZJ Smart Green Factory



SGG Acquired Sonotronic in 2023





From 2024 to 2025, SGG acquired the U.S. brand ICON and the German brand Flight Design—both manufacturers of light sport aircraft, extending its material-joining expertise into carbon fiber composite structural processing and formally entering the low-altitude economy. A dual-brand synergy was established: "Flight Design in Europe + ICON in North America". The lightweight, recyclable nature of carbon fiber composites aligns closely with the aerospace sector's sustainability imperatives, marking a cross-industry leap from "sewing needles" to "aircraft manufacturing".





SGG Acquired ICON in 2024 and Flight Design in 2025

On September 23, 2025, SGG held its 60th Anniversary Global Customer Appreciation Gala at the Shanghai International Convention Center. Industry leaders, global partners, senior management, and employee representatives gathered to honor a milestone that bridges history and the future, with sustainability at the heart of the celebration. Dr. Zhang Min, Chairman and President of SGG, reflected on six decades of evolution: from a single factory on the banks of the Huangpu River in Shanghai to a multinational, publicly listed company spanning three continents; from traditional sewing equipment to diversified ventures in advanced material joining and general aviation. He emphasized that SGG's enduring commitment to transformation, innovation, and operational excellence has always been underpinned by sustainability as a core mission—woven into every stage of product development, manufacturing, and global operations. This makes SGG a benchmark for Chinese enterprises pursuing both internationalization and green transition. Mr. Yang Xiaojing, Chairman of the China Sewing Machinery Association (CSMA), delivered a keynote praising SGG's 60 years as a microcosm of China's sewing machinery industry. He commended the Company not only for achieving global technological leadership but also for driving industry-wide sustainability through green innovation, thereby amplifying China's voice in the global conversation on sustainable development within the sewing machinery sector.



SGG 60th Anniversary Global Customer Appreciation Gala

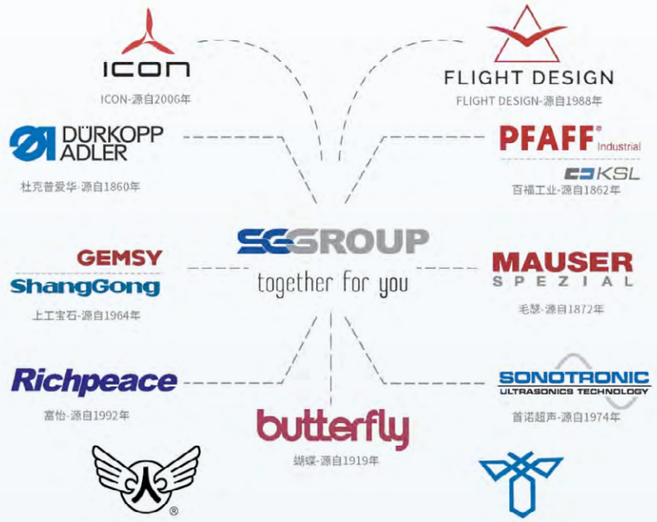


Mr. Zhang Chonghe (Center), Secretary of the Party Committee and President of CNLIC, and Ms. He Ye (Left), Vice President of CNLIC and Honorary Chairman of CSMA, Attend the Celebration



Chairman Mr. Yang Xiaojing of CSMA Delivers a Keynote Address

Six decades of dedication have brought SGG to the beginning of a new chapter. SGG now operates more than ten production facilities across China, Germany, the Czech Republic, and Romania, supported by a global sales and service network spanning the United States, Mexico, France, Italy, Poland, Singapore, Vietnam, and Bangladesh. Wherever its footprint extends, green development principles are actively embedded. The Company's portfolio unites sewing and material-joining brands including Dürkopp Adler, PFAFF Industrial, KSL, Mauser Spezial, Sonotronic, ShangGong, Gemsy, Richpeace, Butterfly, Flying Man, and Bee, alongside light sport aircraft brands ICON and Flight Design. All product development is anchored in green innovation, serving automotive, aerospace, new energy, footwear and apparel, luggage, and home furnishings sectors. SGG has emerged as a global leader in flexible material joining and cutting solutions and a benchmark for sustainable Chinese manufacturing.



SGG Brand Matrix

Value Chain

• Governance

SGG has established a tiered value chain governance structure overseen by group management, with business divisions and domestic and overseas subsidiaries assuming tiered responsibilities. The Technology & Quality Department leads value chain innovation strategy, coordinating resources across domestic and international R&D centers and production sites. Each business division drives Total Quality Management (TQM) across its segment, ensuring globally consistent quality standards. The Procurement Management Department of each subsidiary manages supplier admission, assessment, and risk controls, advancing supply chain transparency and sustainability. All business units report key value chain performance indicators to the Group on a regular basis, forming a closed-loop "decision–execution–oversight" management mechanism.

• Strategy

The Company is committed to its strategic transformation from a traditional sewing equipment manufacturer to a provider of advanced material joining technology solutions. Driven by both innovation and service upgrading, it is deepening the digital, intelligent, and green development across the value chain. On the R&D front, it focuses on carbon fiber composites and ultrasonic welding, strengthening Sino-German collaborative innovation. In production, it advances intelligent manufacturing and lean operations to cut costs, boost efficiency, and elevate quality. In marketing and service, it builds a "predictive, zero-distance, full-lifecycle" customer ecosystem to strengthen brand loyalty. Across the supply chain, it upholds fairness, transparency, and green co-prosperity, cultivating a resilient and sustainable supplier network.



Risks and Opportunities

Category	Type	Specific Content	Countermeasure
Risk	Technology upgrade risk	Accelerating industry innovation may erode competitiveness if R&D investment falls short or veers off course.	Increase R&D spending, strengthen dual-center collaboration, and establish an early-warning system to maintain technological leadership.
	Supply chain disruption risk	Geopolitical tensions, natural disasters, or supplier distress may interrupt critical component supply.	Diversify sourcing, maintain a qualified supplier reserve, and regularly assess suppliers' risk resilience.
	Product quality risk	Lapses in design or production quality control may trigger customer complaints and reputational damage.	Strengthen end-to-end quality monitoring, implement PDCA continuous improvement cycles, and deepen supplier quality alignment.
Opportunity	Market expansion opportunity	Growing demand for advanced material joining in low-altitude economy and new energy vehicle sectors offers new growth levers.	Accelerate carbon fiber composite and light aircraft business deployment; deepen partnerships with industry leaders.
	Opportunity of value-added service	Rising customer demand for intelligent, customized services drives the shift toward service-oriented manufacturing.	Develop digital service platforms, promote remote operations and predictive maintenance, and optimize the revenue mix.

Objectives and Targets

Total patents filed in 2025
24

Invention patents
7

Utility model patents
9

Number of suppliers signing Code of Conduct (ESG)
2,188

Coverage rate of suppliers signing Code of Conduct (ESG)
60%

Innovation-Driven Development and Intelligent Manufacturing

R&D Innovation and Product Upgrading

Focusing on high-end sewing equipment, industrial automation, green and low-carbon technologies, and composite material processing, SGG continuously tackles core technical bottlenecks in material joining, building a proprietary and controllable technology system and product portfolio. Leveraging cutting-edge achievements in proprietary electronic controls, intelligent vision, digital production lines, and lightweight manufacturing, the Company consistently launches industry-leading high-end intelligent equipment and offers end-to-end digital solutions spanning intelligent cutting to 3D sewing, serving diverse sectors including apparel, automotive, aerospace, and new energy. Through technological innovation, SGG empowers industrial upgrading.

ShangGong All-Rounder 3 (S60) Lockstitch Sewing Machine

In 2025, SGZJ successfully developed the All-Rounder 3 (S60) lockstitch sewing machine based on the Qixing dual-stepper control system platform. This machine achieves seamless stitching across thicknesses ranging from 0.04 mm ultra-thin fabrics to 6 mm heavy denim, with non-stop sewing. Paired with the AI Vision system that monitors bobbin thread reserves in real time and alerts operators proactively, the S60 significantly reduces operational errors and enhances both stitching efficiency and consistency.



ShangGong Speed Leading Pioneer (N550) Overlock Machine

Addressing the fast-fashion industry's demands for small-batch orders and tight turnaround times, SGZJ's Speed Leading Pioneer (N550) operates at a true speed of 7,000 rpm with vibration as low as 110 μm. Fully integrated with MES for digital production management, it delivers high throughput while meeting the clean-stitching requirements of premium fabrics.



Dürkopp Adler 910 Small-area CNC Sewing Unit

Developed and manufactured by DA, this fully digital small-area sewing unit achieves high-speed stitching of up to 2,800 rpm in a compact design. It features intelligent fabric-thickness sensing for automatic material adaptation, an integrated CAD system supporting direct DXF file import, NFC-secured access, and a QONDAC IoT interface, enabling seamless integration into smart factory environments.



Butterfly M51 Household Multi-function Sewing Machine

SG Butterfly launched the all-new M51 for the household sewing market, featuring one-touch backstitching, quick auto-threading, and 11 built-in utility stitches. Designed to meet the growing demand for personalization among sewing enthusiasts, the M51 quickly became a bestseller in the entry-level segment.



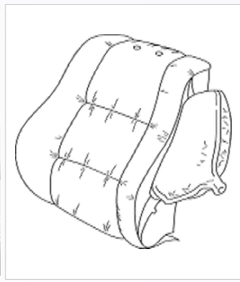
Case Study

Chinese Sewing Power Enables Intelligent Automotive Manufacturing

Mauser 3745 Classic Side Airbag Tear Seam Workstation:

SGG's Mauser Spezial brand, in collaboration with PFAFF Industrial, jointly developed this workstation based on the Powerline PFAFF 2545 machine head. Through concerted R&D efforts, the workstation achieved a breakout success in the domestic airbag sewing machine market with its superior cost-performance, disrupting the competitive landscape in the mid-to-high-end segment.







KSL Automatic Window Sunshade Sewing Production Line:

Independently developed based on KSL technology, this line integrates three core processes—double-side sewing of plastic-strip sunshades, automatic hemmed cross-sewing of sunshade fabric, and automatic fabric roll-up. It innovatively adds automated punching with a proprietary die mechanism, meeting the automotive industry's stringent delivery and quality-consistency requirements.





Case Study

Chinese Sewing Power Enables Intelligent Upgrading in Auto Manufacturing

Richpeace Automatic Heated Seat Cushion Production Line:

Combining three key processes—electric heating wire laying, fully automated tape application, and laser cutting, this line increases the laying machine's electronic control speed from 700 to 900 rpm, successfully positioning Richpeace among industry mainstream suppliers.



Feier Automated Flocking Process:

Implemented a fully automated flocking line covering adhesive application, electrostatic flocking, curing, and loose-fiber removal. Compared with traditional manual flocking, the automated process delivers higher precision and substantially improved efficiency and quality for automotive interior trim. This innovation alone generated approximately RMB 320 million in new project revenue throughout the year, accounting for nearly one-third of total sales and serving as a key engine for business growth.



These advanced technologies and processes have precisely targeted key application areas in automotive manufacturing, addressing industry pain points and providing strong support for cost reduction and efficiency improvement across the automotive supply chain.



Case Study

Mastering Ultra-Thin Fabrics—KSL's Fully Automated Down Jacket Line

KSL's fully automated down jacket production line represents one of the most significant recent advances in sewing equipment for high-end apparel. Instead of cutting fabric panels first and stitching them together afterward, the line flips the sequence: it sews first, then cuts. That single change makes a real difference—less fabric goes to waste, and the finished jackets come out noticeably more precise. The centerpiece of the line is the 360° rotating sewing head in combination with a bobbin changer. It pairs a needle-feed mechanism with thread tension and smart lubrication, all programmable and tuned for the kind of delicate, ultra-light fabrics that high-end down jackets are made from. These materials pucker, slip, and tear easily on conventional machines; the new head was designed specifically to address this challenge. Together, these advances point to where premium garment manufacturing is heading—more automated, more precise, and capable of handling materials that used to demand a skilled human touch.





Deepening Global Presence

Focusing on "Joining Technology to Develop High-quality Productivity", the Company continues to advance its diversified strategy of business expansion and industrial extension. Leveraging its global operations, it actively supports national strategies and facilitates the industrialization of the low-altitude economy.

On April 30, 2025, SGG's subsidiary, SG Investment America Inc., completed the asset acquisition of German general aviation manufacturer Flight Design general aviation GmbH out of insolvency proceedings, including the equity transfer of its core manufacturing plant in the Czech Republic. This acquisition marks another strategic merger for SGG following its acquisition of the productive assets of ICON Aircraft, Inc. in 2024, establishing a synergistic dual-brand structure of "Flight Design in Europe + ICON in North America" in the general aviation industry and a product portfolio that includes two-seat land-based aircraft, four-seat land-based aircraft, and high-end amphibious models, further expanding SGG's footprint in general aviation manufacturing.

At the same time, SGG is accelerating the deep integration of resources across China, Europe, and the United States. Leveraging its strengths and experience in industrial manufacturing, supply chain integration, marketing networks, financing capabilities, global operations, and carbon fiber processing technology, the Company is building a comprehensive ecosystem in the general aviation industry that encompasses R&D, manufacturing, sales, and services.

Case Study

Fast-Tracking Industrial Bases to Localize General Aviation Manufacturing

In May 2025, SGG signed an investment cooperation agreement with the Weihai Torch High-tech Industrial Development Zone Management Committee. Together with Weihai High-tech Venture Capital Partnership (Limited Partnership), the Company established ShangGong Feiren General Aviation (Weihai) Co., Ltd. ("SG Feiren") in the Weihai Torch High-tech Industrial Development Zone. In the industrial ecosystem of the Zone, the Company will develop manufacturing businesses for lightweight aircraft and carbon fiber composite structural components, jointly building a general aviation industry cluster with international competitiveness.



Mr. Cong Peijie, Deputy Director of the Weihai High-Tech Zone Management Committee, and Mr. Li Xiaofeng, Executive Vice President of SGG, Sign the Investment Cooperation Agreement

In September 2025, SG Feiren further established a joint venture with Weihai Guangwei Advanced Energy Material Co., Ltd., named ShangGong Feiren General Aircraft Components (Weihai) Co., Ltd., focusing on the R&D, manufacturing, and sales of carbon fiber composite structural components for lightweight aircraft. The collaboration represents a deep integration of high-end equipment manufacturing and advanced new materials industries, creating a domestically leading R&D and manufacturing base for composite components of civil aircraft.



Flight Design F2 Two-Seat Land-Based Aircraft



ICON A5 High-End Amphibious Aircraft

Across SGG's global operations, its products and technologies have long transcended traditional sewing boundaries — from sewing, embroidery and cutting equipment, to ultrasonic welding and automotive interior/exterior components, to carbon fiber composite structural components and complete light sport aircraft manufacturing. The stitches, ultrasonic welds, and carbon fiber processing may differ in form, but are all based on joining technology.

Guided by a diversified strategy of "joining technology", SGG has extended its core manufacturing capabilities into higher value-added sectors. By strengthening and extending industrial chains via global M&A, it has made strategic expansion across Europe and North America, rapidly accessing high-barrier sectors like composites and aviation.

Intellectual Property and Industry Collaboration

SGG places great emphasis on the management and protection of intellectual property, strictly adhering to applicable laws, regulations, and industry standards in China, Europe, and other regions where it operates. The Company continuously advances its patent management system, establishing a comprehensive process management mechanism that covers patent application, review, processing, and archiving, with clear division of responsibilities and work standards across departments. It has also established a scientific target assessment system for patent applications, complemented by an innovation incentive mechanism. This effectively stimulates the R&D teams' creativity and provides institutional support for strengthening the Company's technological innovation capability.



During project feasibility analysis, the Company conducts patent searches and analyses, verifying relevant patents' PCT international applications and their entry into national phases in advance to mitigate infringement risks from the design outset. Additionally, it emphasizes the application of intellectual property in the early stages of R&D for technical protection.

During the reporting period, the Company was not involved in any litigation or legal disputes related to intellectual property infringement.

As of the End of 2025	
Cumulative valid patents obtained	357
Of which: Invention patents	35
Design	89
Software copyrights	9
Utility model patents	224
New patent applications in 2025	24
Of which: Invention patents	7
Utility model patents	9

In 2025, SGG leveraged its technological expertise and platform advantages as an industry leader to deepen collaboration with industry associations, research institutions, and supply chain partners. It actively participated in formulating and revising national and industry standards, contributing to **4** standard revisions and the development of **2** national standards throughout the year, driving the standardized development of the industry.

Standard revisions

- *Industrial sewing machines—Safety requirements for sewing machines, units and systems* (GB/T 30421-2013)
- *Household sewing machine—General requirements for computer control system* (GB/T 30409-2013)
- "Industrial sewing machine—Computer-controlled cylinder type integrated feeding lockstitch sewing machine" (QB/T 5228-2018)
- "Industrial sewing machine—Computer-controlled high speed needle feeding lockstitch sewing machine" (QB/T 5227-2018)

Standard developments

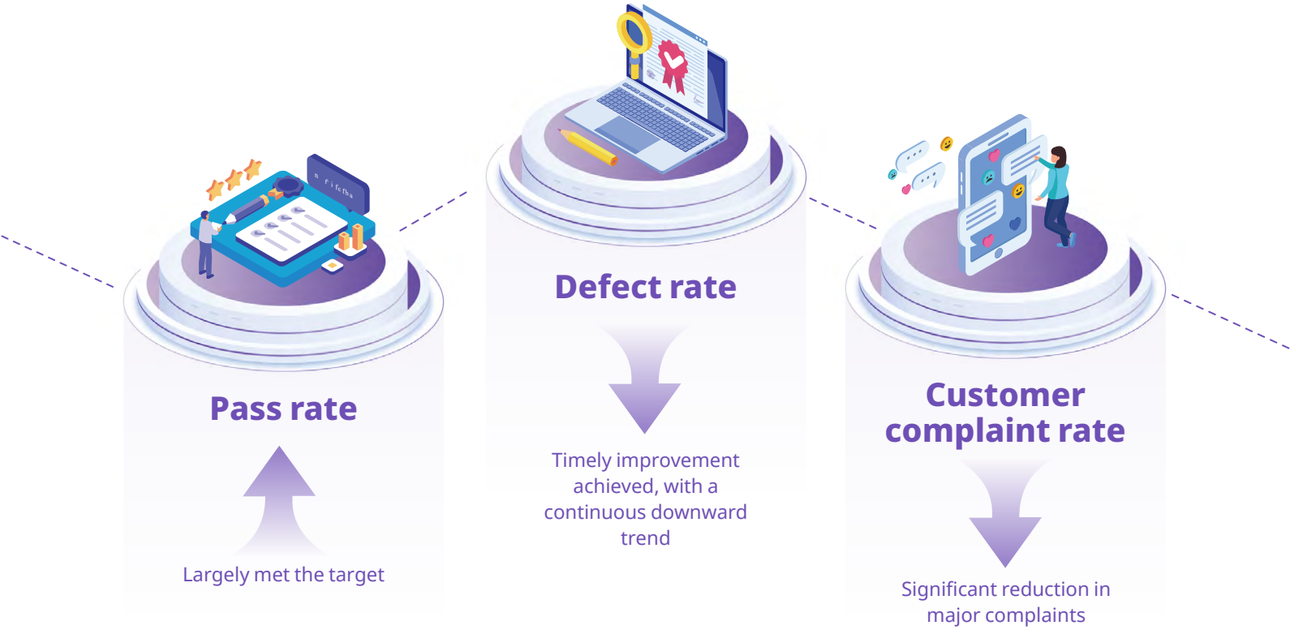
- *Integration of informatization and industrialization management systems – Enhanced capability system - Part 2: Discrete manufacturing*
- *Graphical symbol of the control panel of sewing machinery*



Total Quality Management

For two consecutive years, SGG has implemented Total Quality Management (TQM) across the group, with the strategic goal of achieving "Made in China = Made in Germany". The Company is committed to establishing a quality standard system that integrates globally unified standards with localized adaptations. Through quality control across the entire industrial chain, real-time digital data collection and full-process traceability, as well as a robust organizational support mechanism, SGG ensures comprehensive control of quality risks, highly consistent brand image, and compliant and orderly global operations. As of the end of the reporting period, SGG and its production sites both in China and overseas have all obtained ISO 9001 Quality Management System Certification.





All subsidiaries strictly adhere to SGG policies. If any business segment or production process fails to meet quality standards, production and delivery will be suspended with priority given to corrective actions, firmly upholding the quality baseline. Meanwhile, SGG remains customer-centric, employing systematic quality management methods to continuously enhance the quality, service, and management efficiency. By delivering superior quality, SGG strengthens the foundation for long-term development and improves both profitability and competitiveness.

2025 Annual TQM Progress

SGZJ

- The first-pass yield of complete machines reached **98.4%**.
- Full-process inspection was implemented, including **72** performance checks, **8**-hour run-in tests, and monthly random inspections. Products must pass a **2,000**-hour durability test, with vibration controlled below **55** micrometers (much lower than the industry standard of **150** micrometers).
- BSCI and GSV certifications obtained.



GSV Certification | BSCI Certification

PIZ

- A management ledger was set for measuring instruments to record regular calibration and ensure the accuracy of product inspections. The timely calibration rate of measuring instruments reached **100%** this year.
- A ledger was set to timely monitor and update the quality of parts and follow up on products with abnormal status. The pass rate of self-produced parts this year was **≥95%**.
- To address dimensional deviations in POM-H material caused by temperature variations, temperature-graded processing standards were established, and inspection protocols were enhanced to ensure precision control of key components.
- BSCI certification obtained.

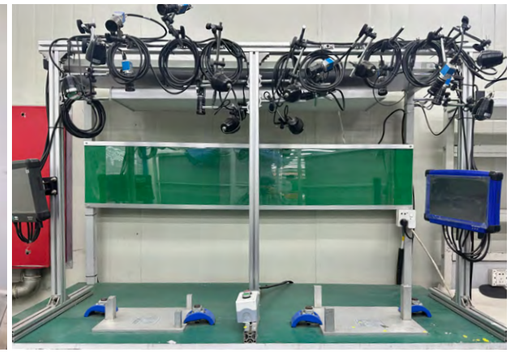
2025 Annual TQM Progress

Feier

- Coating Parts Experience Manual was issued, which summarizes eight major categories of appearance issues and corresponding solutions, effectively preventing major quality problems.
- Spray adhesive robots, snap-fit assembly robots, visual image inspection systems, and automated testing equipment were introduced to reduce quality fluctuations caused by manual operations.
- The annual quality cost rate averaged **2.93%**, representing a year-on-year decrease of **0.51%**; customer complaints improved significantly, with CS1 at zero, and MQR and PR&R decreasing by **2** and **7** cases respectively.
- All **9** factories have obtained IATF 16949 certification, fully complying with the automotive industry's quality management requirements.



CNSL Snap-fit Assembly Robot



Vision Inspection System

Richpeace

- The Quality Department was established to further strengthen inspection requirements and standard development. With standardized processes, risk management, and continuous improvement mechanisms, product and service quality are ensured to be stable and controlled.

DA

- Two major preventive procedures, including the incoming inspection and product audits, were strengthened to strictly inspect components according to specifications and ensure compliance and consistency.
- Pre-screening and quality confirmation processes were added before product delivery, establishing collaborative mechanisms with core suppliers to resolve deviations at the source.
- Regular functional and performance audits were conducted, and the results were recorded for performing root cause analysis and subsequent corrective measures, which effectively reduced material waste and extended product lifespan.

KSL

- In the incoming inspection phase, quality requirements were continuously updated for drawings, models, and electrical projects to enhance the accuracy of inspection standards, and specialized measurements were conducted for custom components to ensure compliance with specifications.
- Before product delivery, internal acceptance tests were strictly implemented to ensure equipment functionality, performance, and quality meet customer requirements, improving the first-pass yield of Factory/Site Acceptance Tests (FAT/SAT).

Case Study

SGG Held Mid-Year Quality Management Conference for 2025

In July 2025, SGG held its annual mid-year quality management conference. The event was attended by over 150 participants, including members of the group's management team and leaders of domestic and overseas subsidiaries. The conference reviewed the achievements of the first half of the year and laid out plans for further improvement in the second half.

The conference emphasized quality as the foundation of manufacturing enterprises and called on all employees to consistently uphold the principle of "Quality First", integrating quality management into all manufacturing elements—people, machine, material, environment, measurement, method. Guided by market demand and powered by innovation and AI technology, SGG will advance a comprehensive quality management system and continuously improve its products and services, delivering the quality that customers worldwide expect.

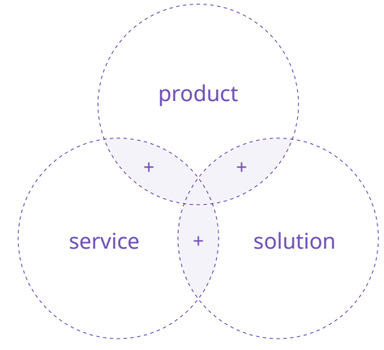




Dr. Zhang Min, Chairman of SGG, Delivers Keynote Speech

Adhering to Customer-Centricity

SGG strictly complies with applicable laws, regulations, and industry standards in China, Europe, and all other regions where it operates, safeguarding customers' rights and interests at every stage of cooperation. As part of this commitment, it continuously improves its internal review mechanism for promotional materials to ensure that all product information is accurate and compliant. Centered on customer needs, SGG is fully advancing its transformation into a service-oriented manufacturer, accelerating the shift from a traditional product manufacturer to an integrated service provider offering "product + service + solution". SGG has built a full-lifecycle service system spanning pre-sales to after-sales, anchored by a closed loop that collects, analyzes, and fulfills customer needs and delivers tailored solutions with precision. Market feedback feeds directly into product R&D, process optimization, and quality control, while rigorous standards are embedded throughout delivery and products are continuously refined—lowering both quality risks and operating costs. Building on this foundation, SGG is expanding value-added offerings, optimizing its profit structure, and deepening industrial-chain collaboration to forge a new development model that integrates manufacturing and services.



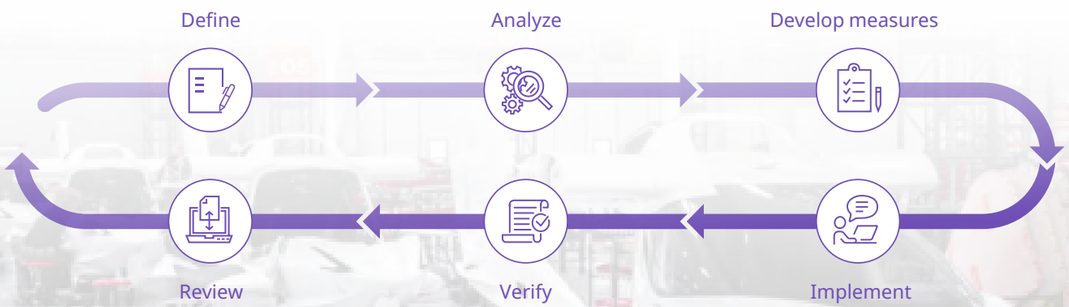
Enhancing Service Quality

To strengthen marketing system

SGG accelerates building a new framework characterized by "internal-external synergy and global expansion" to navigate the volatile international trade environment and intense market competition. It continues to improve its management systems and talent development, with regular training on responsible marketing and customer service. This helps boost service awareness, cross-cultural communication, and business skills, while shifting the sales team from "sales-focused" to "solution-oriented". SGG has also expanded its global marketing team and piloted a localization strategy for marketers — working close to local markets to conduct customer research, develop channels, and make business visits. This enables faster responses to consumer demands and industry trends in Europe and the US. As a result, SGG has built a collaborative marketing network covering both domestic and international markets, committed to delivering high-quality, reliable products and services to global customers and opening up more space for sustainable growth.

To improve after-sales service

SGG puts customer experience first and is building a new framework of "predictive, zero-distance, full-cycle" customer support. The marketing departments work with retail stores and new media platforms to produce instructional videos, helping users prevent common issues and improve self-service. A closed-loop feedback system has been established, using a dedicated log to track customer input. The company strictly follows the PDCA cycle — "define, analyze, develop measures, implement, verify, review" — to record and analyze feedback, progress, and customer ratings, using these insights to drive internal improvements. In addition, a reward-and-penalty system clarifies after-sales responsibilities and creates a tiered response: distributors handle minor issues, the factory addresses major ones, and the OEM takes charge of out-of-warranty machines. This makes responsibilities clear and processes standardized. As a result, repair cycles have been significantly shortened, with most models now completed within 7 days. In 2025, customer satisfaction steadily improved, complaint rates dropped, and positive feedback grew, supporting steady market share expansion.



To enhance customer relationships

The company has taken multiple initiatives, including international exhibitions, brand promotion, customer events, and precision marketing. DA conducts periodic market research and purchases industry reports covering various downstream sectors to identify growth trends and gain market insights. This ensures that product development stays aligned with customer needs and provides strong support for the group's global service ecosystem.



Global Industrial Sewing Machine Market Report and Forecast

Global Apparel Market

World Footwear Yearbook

Technical Textiles—Global Market Analysis, Insights and Forecast

Global Upholstered Furniture Industry Overview

Case Study

DA Advances Digital Marketing to Strengthen Global Market Presence and Customer Reach

Driven by digital transformation, DA systematically advances its marketing and service strategies, strengthens intelligent operations and rapid response capabilities, and continuously enhances service experience and delivers greater value to customers worldwide.

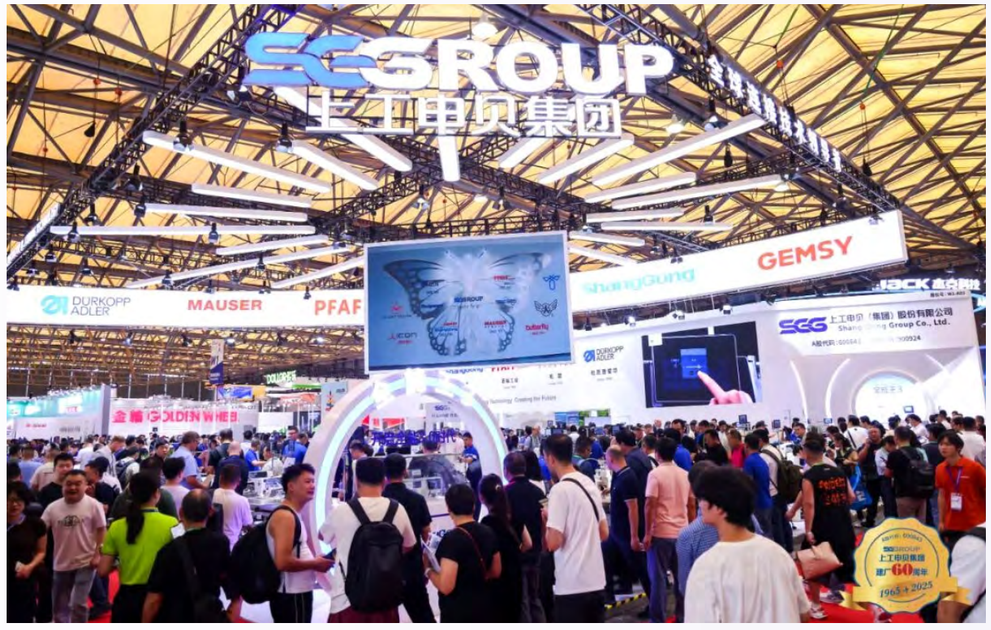
The preparation for the global CRM system (Salesforce) began in mid-2025, with full launch scheduled for 2026. This system will create a digital management framework covering sales, service, and marketing, enabling unified and transparent management of DA Group's global marketing resources, improving cross-regional collaboration, data-driven decision-making, and customer service processes. Additionally, by reducing unnecessary manual work and travel, it supports more sustainable internal operations.

At the same time, DA is implementing the "Modern Marketing" concept by expanding its global social media presence, strengthening digital touch points, and defining a clear AI marketing strategy. This will empower content creation, campaign optimization, and performance analysis, driving scalable and efficient marketing operations.

Case Study

SGG Showcased at CISMA 2025

From September 24 to 27, SGG attended CISMA (China International Sewing Machinery and Accessories Show) under the theme "Six Decades of Craftsmanship, Smart Manufacturing for a New Future". The Group showcased its brands and star products, earning high praise from industry representatives and on-site customers. Three products won the "Theme Demonstration Product Award" for outstanding performance and innovation: the DA 911R-210-10 CNC-controlled automatic sewing unit with a rotating sewing head, the DA 756B-W02 automatic pocket-welting machine with CNC programmable stepper motor, and the Mauser 3745 classic workstation for documented sewing of airbag tearing seams.



Full Lineup of SGG Sewing Equipment Brands at the Exhibition





In-depth Interactions Between SGG Management, Marketing Leaders, and Customers















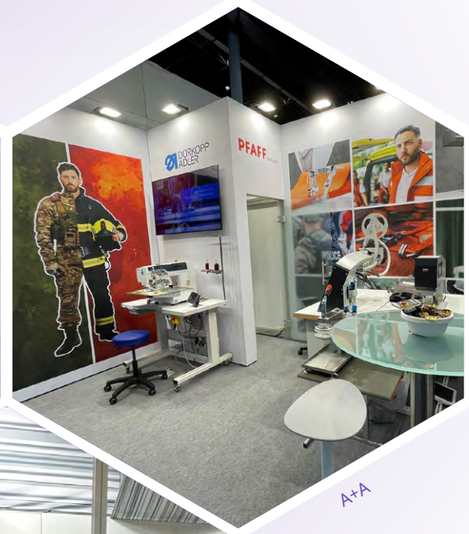
Award-Winning Products



SimacTanningTech



Heimtextil



A+A





Texprocess Americas 2025

Case Study

Feier Hosted Wrapping Process Workshop to Deepen Customer Collaboration

In April 2025, Feier invited Yanfeng Global, a leading Chinese automotive interior company, to co-host a wrapping process workshop. The two sides exchanged insights on process optimization, quality control, equipment upgrades, and inspection methods. As one of Yanfeng's core suppliers, Feier used the workshop as a proactive platform for technical exchange, gaining a deeper understanding of customer needs and engaging the customer in technical collaboration. This helps continuously improve product competitiveness and strengthen the strategic partnership.

Through this technical exchange activity, Feier fully demonstrated its capability for process innovation, earning high recognition from the customer and laying a solid foundation for expanding future cooperation and upgrading services.



Feier and Yanfeng Global Hosted Wrapping Process Workshop

Protecting Customer Privacy

SGG places customer privacy protection at the core of its operations, building a comprehensive information security governance system through both institutional controls and technical safeguards.

On the institutional side

All employees with access to customer information must sign a legally binding confidentiality agreement, which clearly defines the scope of confidentiality, responsibilities, and penalties, establishing accountability from the start. SGG also responds to individual customer needs: if requested, data protection agreement or confidentiality agreement will be signed with the customer, providing a clear basis for privacy protection throughout the entire cooperation cycle.

On the technical side

SGG uses the Kingdee system to assign internal encrypted codes to customers across all business processes, effectively isolating and protecting sensitive information from sales to service.

In addition, DA, SGG's European headquarters, has put in place comprehensive customer privacy protection policies for its subsidiaries, strictly following legal data protection requirements. DA has also published a data protection guide on its official website (covering customer data and contact information): https://www.duerkopp-adler.com/legal-information/privacy-policy/. The guide explains how data is collected, processed, and protected. DA continuously reviews and updates its privacy practices to ensure that personal data is handled securely and in line with applicable laws, maintaining transparency and high standards in its overseas privacy management.

During the reporting period, SGG experienced no data security or customer privacy breaches, and there were no related litigation or disputes, effectively safeguarding long-term customer trust through security and compliance.

Sustainable Supply Chain

Full Lifecycle Management of the Supply Chain

SGG is committed to an efficient, professional procurement system that manages the full lifecycle covering audit and evaluation, selection and admission, risk and misconduct management. This fosters open, fair, and mutually beneficial partnerships.

Supplier admission

The company maintains strict source control with scientifically rigorous supplier admission standards. When selecting partners, SGG prioritizes those with proven systems in quality control, financial management, technical capability, and emergency response, ensuring stable delivery and continuous improvement.

Supplier audit and evaluation

The company has established a regular supplier evaluation system that assesses performance across environmental protection, human rights, and business ethics. Key focus is placed on certifications for environmental, quality, occupational health and safety management systems, as well as social responsibility standards. In daily operations, the company monitors product quality, delivery reliability, and compliance with contractual and sustainability obligations.

Supplier risk management

The Company has established a *Sustainable Procurement Policy and a Code of Conduct for Business Partners*, which set clear compliance rules for suppliers on environmental protection, occupational health and safety standards, human rights, anti-corruption, and business ethics. Suppliers must follow these rules throughout the entire cooperation cycle, building a strong defense line against risks. In practice, the Company takes a risk-based approach, focusing on strategically important or high-risk suppliers. Sustainability is embedded into supplier selection, evaluation, and day-to-day collaboration, helping the Company spot and manage potential risks early.

Supplier training

The Company offers training to suppliers to improve their understanding and management of environmental, labor, and ethical issues. It also strengthens communication with suppliers to learn about their needs and challenges in these areas, and works with them to find solutions.

Supplier anti-corruption

The Company strictly enforces anti-corruption rules and requires suppliers to sign an *Integrity Agreement*, committing to ethical business conduct and rejecting all forms of bribery, kickbacks, and improper benefits. Procurement departments operate with fairness, integrity, and honesty, explicitly banning unethical behavior, and require suppliers to hold their sub-suppliers to the same standards.

Building sustainable supply chain

The Company is committed to establishing long-term, stable strategic partnerships with suppliers to jointly tackle challenges like environmental protection, labor rights, and business ethics. Through deeper collaboration, both sides share resources and risks, continuously strengthening the supply chain's resilience and sustainable competitiveness.

	In China	Overseas
➤ Number of suppliers signing Code of Conduct (ESG):	**980**	**1,208**
➤ Coverage of suppliers signing Code of Conduct (ESG):	**59%**	**61%**
➤ Number of suppliers receiving training on Code of Conduct (ESG):	**891**	**1,958**
➤ Coverage of suppliers receiving training on Code of Conduct (ESG):	**54%**	**99%**

Equal Treatment of SMEs

SGG follows fair and non-discriminatory procurement practices. Through transparent processes and standardized management, the Company ensures equal opportunities for all suppliers, including small and medium-sized enterprises (SMEs). Supplier selection and evaluation are based on objective criteria such as product quality, pricing, payment terms, and delivery time, ensuring fair and transparent decisions. The Company maintains open communication channels, regularly collects supplier feedback, and responds to their concerns promptly, creating a trusting and collaborative environment. Regarding credit management, the Company makes timely and standard payments as required by contracts and regulations, without any discrimination, upholding integrity and compliance. All suppliers can participate in competitive bidding on an equal footing through standardized procurement procedures.

Environmental

• Governance

SGG has built a global three-tier environmental governance system covering decision-making, management, and implementation, which integrates sustainability into all business operations. The Board of Directors acts as the decision-making tier to set the environmental strategy, overall direction, major decisions, and approves related policies and targets. The management team leads implementation, coordinates business units and subsidiaries worldwide, ensures policy execution, and tracks progress toward goals. Subsidiaries and production sites act as the implementation tier to handle day-to-day environmental compliance and ensure all measures are effectively carried out.

• Strategy

In line with China's carbon peak and neutrality goals, the EU's *European Green Deal, and the European Climate Law*, SGG has made green and low-carbon development a core strategy, integrated across the entire lifecycle of R&D, production, operations, and supply chain. The Company focuses on three pillars: efficient resource use, climate impact reduction, and employees' environmental action. Through equipment upgrades, process optimization, better management, and awareness building, SGG is building a multi-level environmental management system that drives both environmental and business performance. At the same time, SGG leads the industry by encouraging upstream and downstream partners to pursue low-carbon transformation, helping create a greener industrial ecosystem.



Risks and Opportunities

Category	Type	Specific Content	Countermeasure
Risk	Policy compliance risk	As environmental policies tighten globally and in key operating regions, overseas subsidiaries must navigate varying local rules. Non-compliance can lead to penalties and operational disruptions.	Track global policy updates, strengthen the compliance system, provide training on self-audits, and develop region-specific compliance plans for overseas operations.
	Technology risk	Green technology evolves quickly. Lagging behind in R&D or failing to adopt new technologies can affect competitiveness and drive up operating costs.	Increase R&D investment, track technological iterations, and pilot new technologies to enhance application efficiency.
	Operation risk	Pollution from production, energy waste, unstable operation of photovoltaic projects, and weak on-the-ground management all create environmental risks.	Enhance the monitoring system, promote clean production, maintain photovoltaic equipment, and strengthen on-the-ground training and implement job responsibilities.
Opportunity	Policy opportunities	Global and regional green transformation policies offer subsidies and other support.	Align with policy direction, apply for green projects to secure support, and accelerate the implementation of photovoltaic and green technologies.
	Market opportunity	Growing demand for sustainable consumption and industry low-carbon transformation create opportunities for expanding green products and related business.	Increase the development of green products, strengthen brand building, expand related business, and promote the coordinated development of the industrial chain.
	Technological opportunity	The integration of digital and green technologies, along with breakthroughs in eco-friendly materials and energy-saving technologies, helps optimize production and reduce environmental load.	Promote the integrated application of technologies, establish intelligent management platforms, and strengthen the R&D and application of green technologies and materials.

Objectives and Targets

Total investment in environmental protection and energy conservation
RMB **1,430,000**

Direct greenhouse gas emissions (Scope 1)
3,590 tCO_2e

Indirect greenhouse gas emissions (Scope 2)
12,541 tCO_2e

Waste harmless treatment rate
100%

Total electricity consumption
23,322,766 kWh

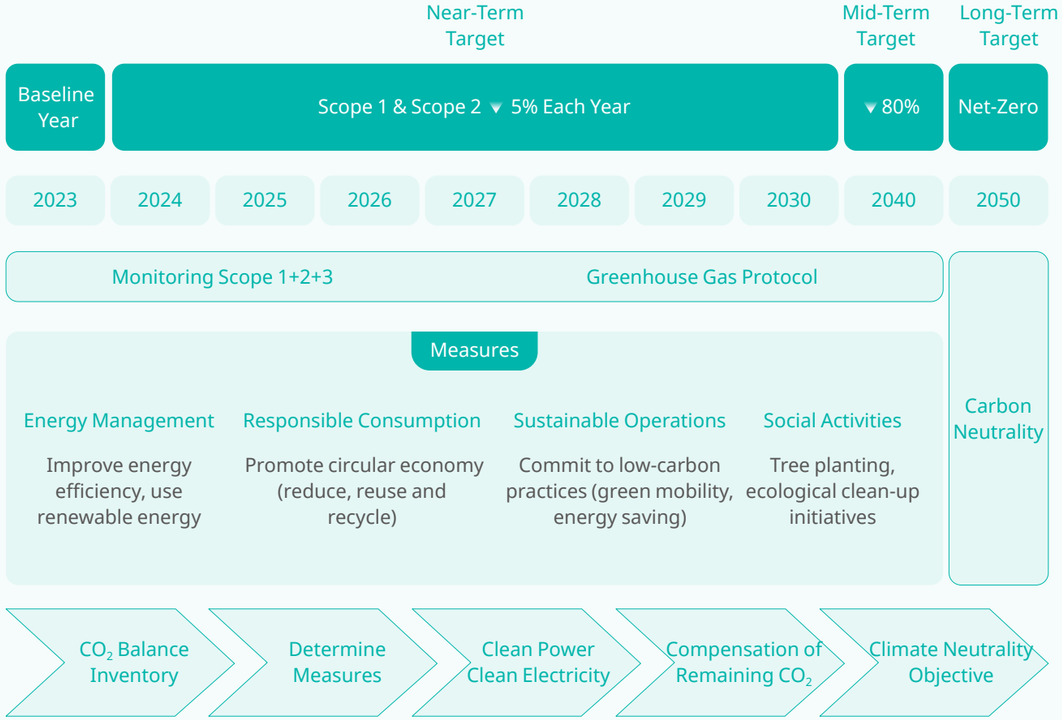
Total water consumption
131,331 tons

Climate Change Response

Using 2023 as the baseline, the Company has set a phased emission reduction target system: a 5% annual reduction in Scope 1 and Scope 2 emissions in the short term; an 80% cut by 2040 for the medium term; and net-zero emissions by 2050 as the long-term goal. This strategy aligns closely with EU climate neutrality targets, demonstrating the Company's strong commitment to global climate action.

In 2025, direct greenhouse gas emissions (Scope 1) from SGG headquarters and major global production sites totaled 3,590 tCO_2e, and indirect emissions (Scope 2) amounted to 12,541 tCO_2e. Total Scope 1 and 2 emissions dropped by **6%** compared to the previous year, reflecting the Company's commitment to its climate action plan and steady progress on its carbon reduction path.

SGG Climate Action Roadmap



With this goal in mind, the Company identifies climate-related physical and transition risks across its production, operations, and supply chain. It has established a closed-loop management process of "identify, assess, respond, and monitor" to ensure business resilience and sustainable development.

Risk	Details	Countermeasure
Physical risk	Extreme weather conditions (e.g., heatwaves, heavy rain, typhoons) damage production facilities and disrupt supply chains, affecting production schedules and delivery capabilities.	Improve emergency response plans for extreme weather, run regular drills, and strengthen the disaster resilience of factories and logistics hubs; upgrade protection standards for key production equipment and storage facilities, and stock emergency supplies like flood control and cooling materials.
	Abnormally high temperature decreases energy efficiency of production equipment, increases energy consumption and production costs, and impacts the working conditions and safety of employees.	Optimize factory temperature and humidity control systems with energy-efficient cooling and ventilation equipment to reduce energy use during extreme heat. Upgrade workplace facilities, arrange work schedules reasonably, and protect employee health while maintaining productivity. Integrate equipment energy consumption monitoring into daily management to quickly identify abnormal usage points.
Transition risk	Stricter domestic and international policies (carbon tariffs, carbon emission allowance, green trade barriers) are raising product compliance costs and affecting market competitiveness.	Advance energy-efficient production and transportation to reduce the carbon footprint across the product lifecycle and meet compliance requirements. Strengthen policy research and tracking to add environmental value to the products. Promote supply chain collaboration, guide suppliers to adopt low-carbon equipment and transport, reducing supply chain emissions and avoiding green trade barriers.
	With the trend toward sustainable consumption, customers are demanding more low-carbon products. Slow progress on carbon emission reduction may result in loss of market share.	Disclose carbon reduction progress transparently to strengthen the environmentally responsible brand image. Increase R&D investment in low-carbon products and integrate eco-design concepts into product development to better meet customers' needs. Establish a customer feedback mechanism to dynamically adjust carbon reduction strategies, enhancing customer loyalty and market competitiveness.

Opportunity	Details	Countermeasure
Policy and market opportunity	Policy support for green manufacturing and low-carbon transformation, coupled with the global trend of sustainable consumption, has created broad market opportunities for eco-friendly products and technologies.	Leverage low-carbon transportation and energy-saving practices, develop benchmark eco-friendly products and expand target markets (governments, green enterprises, etc.). Apply for green manufacturing and low-carbon transformation projects to secure policy subsidies and resource support. Provide sustainable supply chain and low-carbon transport solutions to develop ESG services as a new growth driver.
Operational efficiency opportunity	Initiatives such as optimizing green packaging, improving transportation route algorithm, and promoting energy-saving equipment can reduce carbon emissions while lowering resource consumption and logistics costs.	Increase the utilization of reusable containers, thereby reducing packaging material costs and waste disposal expenses. Enhance transportation algorithms to optimize fixed routes and modal mix (replacing road transportation with sea and rail transportation), improving transport efficiency while cutting fuel consumption and emissions. Expand the deployment of energy-efficient equipment to lower energy intensity across production, reducing long-term operating costs and enhancing profitability.
Technological innovation opportunity	The demand to address climate change is driving innovation in low-carbon technologies, digital energy and carbon management, and other fields, as well as enhancement of technological barriers and core competitiveness.	Increase R&D investment in low-carbon production processes and explore the use of degradable, highly recyclable materials. Upgrade the digital energy and carbon management system to enable precise modeling and intelligent decision-making, thereby improving carbon reduction efficiency, building a "digital intelligence + low-carbon" core competency and leading the industry's green transformation.

Developing Eco-Design Products

All business segments of SGG prioritize energy efficiency, eco-friendliness, and low emissions. They embed resource conservation and circularity into R&D and design, developing high-performance, eco-friendly products that offer global customers more resource-efficient solutions. Meanwhile, the Company is expanding the use of its material joining technology in environmental protection applications, leveraging core processes to support the low-carbon industrial ecosystem.

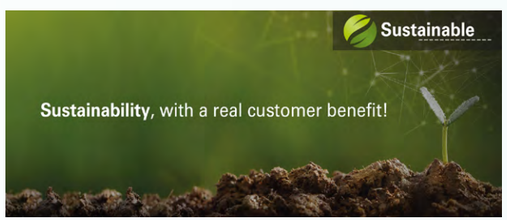
Case Study

Better Change, with Every Connection

➤ Higher Power, Less Energy Use: Butterfly JHQ-6032 Pro Household Sewing Machine

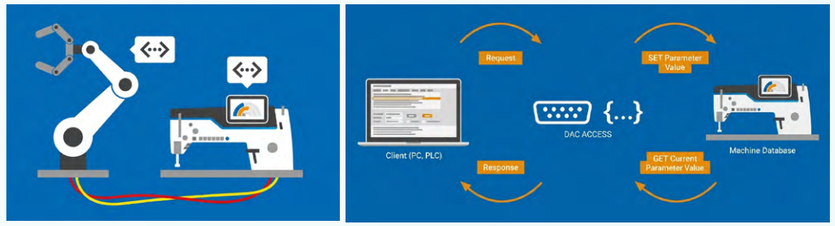
Co-developed by SG Butterfly and DA, this model features a DC high-voltage motor and an industry-first dual-belt torque amplification structure. It easily penetrates 16 layers of denim, breaking the power limits of traditional household sewing machines. Based on structural optimization and control algorithm upgrades, it delivers significantly higher power output with lower energy consumption. The motor's **energy efficiency is improved by approximately 35.7%**, and its weight is reduced by about 51.6%, combining lightweight design with extended service life. This brings low-carbon, eco-friendly principles naturally into daily sewing experiences.





➤ Smart Connectivity, Sustainable Manufacturing: DA Introduces DAC Access Digital Interface

DAC Access transforms individual sewing machines from standalone "islands" into intelligently coordinated "nodes" within automated production lines. This interface enables seamless device-to-system integration, allowing real-time read/write of core parameters including stitch length, thread tension, presser foot pressure, sewing speed. It also uses data-driven precision control to reduce material waste and rework caused by manual tuning errors. This helps downstream companies improve energy efficiency, lower costs, and boost productivity.



➤ Dual Breakthroughs of PFAFF in Green Welding

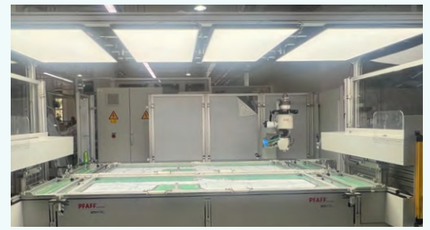
As a global market leader in textile welding solutions, **PFAFF pioneered the ECO energy-saving mode for hot-air welding**. This mode instantly cuts power consumption when idle, reducing operational carbon emissions and improving the machine's sustainable performance.

Welding is an eco-friendly and sustainable method for joining textile materials. In 2025, PFAFF launched the new single-head ultrasonic welding unit — the PFAFF 8317i — for the fast-growing environmental filtration industry. Designed for processing pleated filter cartridges made of thermoplastic and synthetic materials, it delivers efficient, precise process solutions for the environmental protection sector.



➤ KSL S-110 HV Airbag Workstation with Vision System

To meet the production needs of large-format automotive airbags requiring a "glue application before sewing" process, we have developed a model with a vision system and automatic bobbin changing. It accurately detects glue width and automatically generates a centered sewing path, reducing the glue width from 9 mm to 6 mm, **cutting glue usage by approximately 1/3**. This lowers chemical consumption and environmental impact at the source. The model also features a horizontal hook system with an integrated automatic bobbin changing function, further improving production efficiency and operational stability. This innovative solution not only ensures airbag sewing quality but also provides a more material-efficient and productive manufacturing path for automotive safety components.



➤ Sonotronic "GREEN SONICS"

Sonotronic provides environmentally friendly, energy-efficient material joining solutions for the automotive, packaging, and industrial textiles industries. The iSONIC ECO TM ultrasonic welding machine, featuring a compact modular design and an all-electric stepper drive system, operates 100% electrically with 0% compressed air. This results in a maintenance-free product with low operating costs and low environmental impact. Equipped with a touchscreen, it enables freely programmable motion profile, and allows operators to precisely visualize and manage all welding parameters, ensuring high process stability and product consistency while reducing scrap and rework rates. Compared with traditional thermal processes, ultrasonic technology **consumes only 1/4 of the electricity, cutting carbon emissions by about 75%**. It starts instantly without preheating, produces no plastic combustion residues or harmful gases, and minimizes environmental pollution risks at the source.

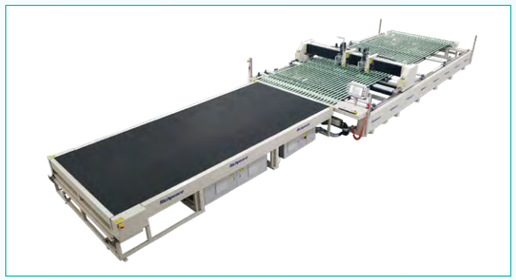


Case Study

Richpeace Enters the Wind Power Sector, Powering Clean Energy Growth

Richpeace has developed a series of fully automated processing systems for wind turbine blades. In 2025, the company launched three models, the blade quilting machine, the integrated blade cutting-and-sewing machine, and the spar cap sewing machine, targeting specialized processes in wind power structural component manufacturing and expanding the application of material joining technology in the clean energy sector.

Together, these three models cover key stages of wind turbine blade production, significantly improving the sewing efficiency and process consistency of composite materials. They provide the equipment foundation for lightweight, high-strength blade manufacturing, driving innovation in environmental industry.



Richpeace Wind Turbine Blade Quilting Machine (Dual-Head)

Practicing Low-Carbon Operations

In 2025, SGG focused on three core areas — energy management, pollution prevention, and energy-efficient office practices — coordinating sustainability efforts across its enterprises. Through technological innovation, management optimization, and business model upgrades, SGG strives to deliver synergistic gains in both environmental and economic performance.

Energy Management and Circular Economy

SGG is building an energy-saving and carbon reduction system centered on clean energy substitution, efficient energy use, and resource recycling, driving continuous improvement in energy consumption structure.

Clean energy usage

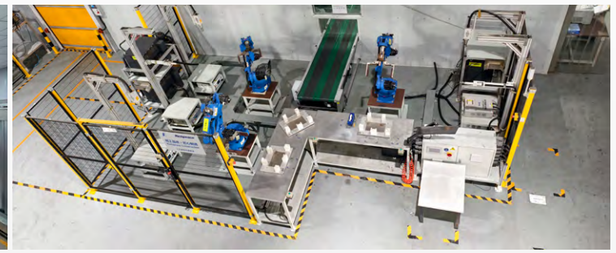
SGG and its subsidiaries have pursued site-specific renewable energy projects. SGZJ's rooftop solar project — covering 16,643 m² with a capacity of 2,143.44 kWp — generated 2.4638 million kWh in 2025, supplying 726,000 kWh of renewable power to the national grid. **Clean energy accounted for 41% of its total annual electricity use**. At Feier, PV installations generated 485,500 kWh in 2025, meeting 9% of its electricity needs. The subsidiary also replaced 2 diesel forklifts with 4 electric ones, achieving full electrification of on-site transport equipment.

Energy-saving technological improvements

The Company has reduced energy consumption through equipment upgrades and process optimization. At PIZ, replacing its air compressors with variable-frequency models cut daily electricity use from 612 kWh to 393 kWh, **saving 219 kWh per day**. At Feier, heat circulation pumps were installed in the wrapping workshop to recirculate heat from drying ovens, and insulation boxes were added at workstations to concentrate heat from hot air guns, improving the working environment while lowering energy use. The introduction of automated equipment, including automatic foam spraying robots, adhesive spraying robots, and plasma surface pretreatment systems, **reduced carbon emissions by 2–10 tons per unit per month**, increased product qualification rates by 16–30%, and lowered environmental pollution.



Feier Wrapping Hot Press Equipment



Feier Plasma Workstation

Resource recycling

The Company has built a circular economy model based on the principles of "reduction, reuse, and recycling". SGZJ added low temperature emulsified fluid treatment equipment, processing 50.5 tons of waste emulsified fluid in 2025 and producing 7.5 tons of concentrate, an 85% concentration rate, reducing hazardous waste volumes. PIZ optimized cutting fluid use, **saving 5 tons of water per month**, and improved its production process by recycling fine grinding wastewater for rough grinding, saving 2 liters of fresh water and reducing hazardous waste by 2 liters per cycle. Feier recycled 4 tons of injection molding sprue material, crushing it to produce 4,000 Type 380 reusable containers for internal recycling. Shensy scaled up the use of biodegradable and recyclable packaging, established a closed-loop system for packaging recovery and reverse logistics, and achieved a **solid waste recovery rate of over 90%**.

Lower-impact packaging

The Company continuously improves its product packaging system. It has unified and simplified packaging designs, prioritized recyclable and biodegradable materials, and significantly cut the use of plastic and composite packaging, improving resource efficiency while ensuring transport safety. The company has also innovated in packaging design and usage, promoting the reuse of collapsible containers, incorporating material control reviews into new project packaging design, and reducing packaging input through higher loading rates. Internal material handling has been streamlined to further lower packaging use. The company also requires suppliers to use eco-friendly inks, promotes lightweight and reusable packaging, and has significantly increased the share of e-commerce parcels without secondary packaging, driving green transformation across the upstream and downstream value chain.

Green supply chain

The Company systematically advances carbon reduction through transport optimization and supply chain collaboration. For transportation, it uses algorithms to optimize routes, prioritizing fuel-efficient, congestion-free paths to reduce idle emissions. While ensuring on-time delivery, it prioritizes sea and rail over high-energy modes, building a low-carbon transport system. On supply chain collaboration, the Company extends environmental requirements across all segments, actively guiding suppliers to adopt energy-efficient equipment and low-carbon transport methods. It requires consolidated shipments to reduce delivery frequency, creating a coordinated carbon reduction effort across the product lifecycle. For warehouse management, DA has upgraded its spare parts warehouse at its headquarters in Bielefeld with an advanced vertical storage system, significantly improving storage efficiency, optimizing picking processes, and reducing energy consumption and internal transport distances, making global parts logistics more efficient and sustainable.

From R&D to production, and from factories to the supply chain, SGG is committed to continuously reducing the environmental impact of its operations and the entire product lifecycle. This further strengthens the Company's proactive role in global climate governance to achieve high-quality and sustainable development.

Pollution Prevention and Control

SGG strictly complies with applicable laws and regulations in China, Europe, and other regions where it operates, embedding environmental management requirements into its production operations. The Company has established comprehensive governance policies and risk control methods covering waste gas, noise, solid waste, and wastewater. Its production sites implement full process pollutant and waste management systems, achieving compliant discharges and efficient waste disposal through institutional measures, technology upgrades, and refined operations. Routine environmental monitoring is also conducted, with regular testing and reporting on key indicators such as waste gas, wastewater, and noise, ensuring that discharge metrics meet relevant industry standards.

As of the end of the reporting period, SGG and its major production sites both in China and overseas have obtained ISO 14001 Environmental Management System Certification. In 2025, the Company did not experience any environmental pollution incidents or significant administrative penalties.



Waste gas management

The Company has implemented targeted measures to manage waste gas emissions based on the characteristics of each production and operational process. Relevant subsidiaries have installed monitoring systems in waste gas pipelines to enable real-time tracking, ensuring full traceability and compliance. By replacing equipment with new energy alternatives and upgrading waste gas purification devices, the Company strictly controls vehicle exhaust and VOC emissions from warehousing. In addition, point source and fugitive emissions are managed separately, with optimized collection and treatment processes to ensure that point source emissions meet relevant standards, enabling precise control over total emissions.

Wastewater management

The Company follows the principle of combining source reduction with end-of-pipe treatment. Relevant subsidiaries have cut wastewater discharge significantly by optimizing production processes and improving water use procedures. Industrial wastewater is strictly controlled and prevented from being discharged off site, while domestic sewage is pretreated in septic tanks and then routed to municipal wastewater treatment systems for compliant disposal. A routine wastewater testing mechanism is in place, with monthly testing of domestic sewage to prevent exceedances upfront. The Company also promotes water recycling in production, for example, circulating cooling towers enable closed-loop cooling systems, substantially reducing water waste. In addition, ongoing improvements in wastewater treatment infrastructure support the recovery and reuse of water from processes such as warehouse cleaning, driving efficient water use.

Waste management

The Company has established a waste management system covering segregation, recycling, safe disposal, and reuse. All production sites strictly classify waste and apply differentiated treatment for non-hazardous and hazardous waste, **achieving a 100% safe disposal rate**, with all waste disposed of through compliant channels. Hazardous waste follows dedicated storage and handling procedures; after temporary storage in professional facilities, it is transferred to licensed operators for proper disposal. Domestic waste is collected and removed by municipal sanitation departments, preventing uncontrolled stacking and dumping of solid waste at the source.

Energy-Efficient Office

The Company educates employees on the importance and practical methods of energy saving, carbon reduction, and resource recycling through various communication formats, and has established a dedicated energy-efficient office management system to promote energy-saving and low-carbon operations across all scenarios and processes.

Paperless office

Digital tools such as OA and ERP systems are used across all production sites and offices, encouraging electronic documents and online meetings to reduce paper consumption and carbon footprint. During the reporting period, SGG's domestic operations completed 174,283 electronic approvals via the OA system, **cutting carbon emissions by 15,685 kg**. DA has achieved paperless operations in both workshops and offices using the MES-MPDV system and tablet terminals. Shensy has adopted electronic transport agreements and online document workflows, **reaching a paperless rate of 90%** and reducing office paper consumption by over 25% year-on-year.

Energy-saving office facilities

LED lighting with motion sensors, office equipment with standardized power-saving modes, and water-saving devices are installed across production sites and offices to reduce energy and water consumption. In 2025, DA completed an office renovation with new lighting, an optimized heating system, and improved window insulation, boosting overall office energy efficiency. Shensy has formulated the *Energy-Saving Office Management Measures*, incorporating energy saving and emission reduction targets into the departmental performance appraisal system, resulting in a 9.5% year-on-year decrease in office-related carbon emissions and **100% coverage of energy-efficient lighting** in 2025.

Lower-emission employee commuting

Transportation allowances and other low-carbon mobility measures are implemented to increase the share of eco-friendly commuting and reduce commute-related emissions.

The Company also fosters a low-carbon office culture via regular training programs and awareness campaigns, embedding low-carbon and resource-saving principles into daily work and encouraging employee participation.

Protecting the Ecological Environment

SGG has prioritized ecological protection and biodiversity conservation as core strategic sustainability goals. Guided by respect for nature and the pursuit of harmonious coexistence, the Company fully integrates ecological responsibility across all operations, including production, supply chain management, and community engagement, to minimize the ecological footprint throughout the product lifecycle.

In raw material procurement, we work with supply chain partners to establish eco-friendly cooperation standards, ensuring traceable sources and compliance with ecological requirements. We firmly reject materials originating from ecologically fragile areas or from illegal logging, and promote shared ecological responsibilities across the value chain.

We adhere to a "zero ecological disturbance" principle. Before initiating any new construction or expansion projects, we conduct rigorous ecological impact assessments, prioritize biodiversity-friendly designs, and when necessary, adjust project plans to avoid ecologically sensitive areas.

Guided by the concept of "co-construction and shared benefits", we actively organize distinctive public welfare activities, such as thematic training, science outreach, and hands-on experiences, to strengthen employees' awareness of ecological protection and biodiversity. Community-based ecological initiatives engage employee volunteers in ecological restoration work, helping to revive local ecosystems, enhance biodiversity, and promote green development. These efforts mobilize broader social participation in ecological conservation, aiming for harmonious coexistence between corporate growth and the natural environment while addressing global biodiversity and ecological challenges.



Case Study

Birdhouse Building Volunteer Activity

On July 22, 2025, DARO organized a birdhouse building workshop where employee volunteers from different departments assembled wooden nest boxes strictly following local bird nesting habits.

On August 9, 2025 (International Zoo and Park Day), employee volunteers installed the nest boxes for local bird species in nearby woodlands at locations scientifically selected based on vegetation and bird activity patterns. The project earned high praise from local authorities and communities, supporting bird conservation and inspiring neighboring businesses and residents to join biodiversity efforts.



August 9th - International Zoo and Park Day

Case Study

"World Environment Day" Volunteer Activity

On June 5, 2025, DARO launched a "World Environment Day" activity during which employees voluntarily cleaned outdoor areas around the factory, removed litter and discarded materials to eliminate environmental hazards, and replaced withered and damaged plants with healthy fir saplings suited to the local climate to enhance the green vegetation coverage.

This activity improved the ecological environment of the factory while deepening employees' understanding of "how small actions—like planting trees—drive significant ecological progress" through personal involvement. This collaborative volunteer model strengthened teamwork and reinforced sustainable development as a shared, conscious practice among employees in their daily work.



5 June 2025 - World Environment Day

Social

• Governance

SGG has established a social responsibility management mechanism with each entity responsible for implementation. Social contribution and employee development (including training, career advancement) as well as employee activities are integrated into corporate governance. The Company cultivates responsible employees through a diversified, group-wide management mechanism. It formulates clear action plans for advancing social contribution to ensure effective implementation. This provides a solid foundation for both the Company and its employees to engage in social responsibility efforts.

• Strategy

SGG regards social responsibility as a key strategic pillar, closely integrating business growth, employee development, and social value to achieve shared progress for the Company, its people, and society. By addressing local community needs, SGG builds a responsible corporate image and encourages industry-wide fulfillment of social responsibilities to help foster a harmonious social environment.



Risks and Opportunities

Category	Type	Specific Content	Countermeasure
Risk	Public welfare activity risk	During public welfare activities, issues such as unreasonable resource allocation and poor coordination may arise, affecting the actual effectiveness of social contributions.	Establish a coordination mechanism for public welfare activities, clarify resource allocation procedures and the responsibilities of each party, and conduct thorough pre-activity planning and resource estimation to ensure rational resource deployment.
	HR management risk	Intensified industry competition may limit corporate resource investment in employee training and career advancement, affecting workforce quality and individual growth.	Prioritize investment in core employee development (training and promotion), allocate resources reasonably to balance talent cultivation with other priorities, supporting individual growth.
Opportunity	Policy opportunities	The state places increasing emphasis on corporate social contributions, providing enterprises with broader platforms and policy support for engaging in related activities.	Actively align with national policies, proactively seek policy support and resource advantages, and leverage the policy-driven platforms to expand channels for social contribution and enhance its effectiveness.
	Market opportunity	Growing demand for high-quality skilled professionals creates more opportunities for employees to apply their expertise gained through training and to realize personal value.	Optimize training content to strengthen practical skills and professional competence based on societal demand, build platforms for expertise application, and guide them in making full use of their strengths.

Objectives and Targets

Employment contract signing rate
100%

Total number of employees
4,819

Training sessions conducted
615

Trade union representative conference establishment rate
100%

Major work safety accidents
0

Fatal work-related accidents
0

Total external donations
RMB **120,000**

People-Oriented Commitment

In 2025, SGG advanced various initiatives in talent development, rights protection, diversity and inclusion, personal growth, health and safety, and employee care, continuously strengthening its talent pool as a core driver of its long-term, sustainable development.

Protection of Employee Rights and Interests

Improving rights protection framework

Internal rules and regulations are continuously enhanced, with employee conduct standards, job responsibilities, and work procedures clarified to ensure transparent and well-guided rights protection.

Strengthening compliance and respecting employees' legal rights

Employment contract processes—including signing, performance, and amendments—are standardized, with reasonable probation periods and advance notice provided for renewals or terminations; wage withholding, late or insufficient salary payments, and social insurance non-compliance are strictly prohibited; resignation procedures are standardized and exit interviews are conducted to maintain workforce stability; and working time regulations are strictly observed, ensuring employees' rights to paid leave on statutory holidays as well as rest days, annual leave, marriage leave, and maternity leave. Overseas subsidiaries offer flexible work arrangements and support remote work to improve work-life balance and reduce commuting time and costs.

Preventing and resolving disputes for harmonious employee relations

A workplace dispute prevention mechanism has been established to regularly identify potential risks in employee relations, and dedicated mediation channels have been set up to resolve disputes fairly and transparently.

Optimizing support for employees' health and safety protection

Job-specific PPE is distributed to frontline workers on a quarterly basis, along with high-temperature allowances during summer; an annual health check-up is arranged for employees to enable early detection and intervention of potential illnesses; and assistance is provided to those suffering from illnesses, especially serious diseases, to reduce their medical financial burden.

Promoting fair development and employee fulfillment

The Company is committed to upholding the principles of gender equality, ethnic equality, and equal pay for equal work; valuing workforce diversity, actively recruiting employees with disabilities, and providing work accommodations to build an inclusive workplace; organizing employee training to support skill development and personal growth; fostering an open, progressive, excellence-driven, and socially responsible corporate culture.

Employee Career Development

SGG views employee growth as critical to business progress and value creation. Through a diversified training system and a fair, transparent promotion mechanism, employees align personal aspirations with company development.

• Fair Competition and Promotion

SGG strictly complies with applicable laws, regulations, and industry standards in China, Europe, and all other regions where it operates, conducting personnel management in accordance with labor standards and job qualification requirements; adopts open recruitment and merit-based selection, rejecting all forms of employment discrimination; implements a transparent promotion mechanism with clear criteria, procedures, and full disclosure to ensure equal opportunities for all employees; and prohibits any irregular or unfair practices, ensuring recognition of employees' capabilities and contributions.



• Extensive and Diversified Training

SGG closely aligns its training initiatives with its development strategy and talent needs, integrating systematic planning with targeted execution. At the start of each year, the HR Department leads the formulation of an annual training plan and budget proposal, coordinating resource allocation, while overseeing implementation by continuously monitoring training delivery across departments. Training covers key areas such as workplace safety, rules and regulations, fire protection and self-rescue, vocational skills, and leadership development. For vocational skills, the focus is on enhancing practical abilities and job adaptability through specialized training in sales techniques, parts inspection, career development, and basic product knowledge. Targeted instruction and hands-on practice help employees strengthen job-related competencies. In leadership development, SGG leverages premium external resources, such as the China Europe International Business School (CEIBS), to deliver training on advanced management concepts, practical methodologies, and cutting-edge industry insights, continuously elevating the comprehensive management and decision-making capabilities of mid-level managers.

In 2025, SGG organized 417 training programs domestically, with 5,839 participants, and 198 programs overseas, with 1,737 participants.

In 2025

SGG organized **417** training programs domestically

with **5,839** participants

198 programs overseas

with **1,737** participants

• Strengthening Talent and Organizational Development

The Company prioritizes attracting and developing technical talents and globally-minded management professionals. Tailored career development paths are designed based on employees' career stages, supported by a dual-channel system enabling horizontal diversification and vertical promotion. This system helps new graduates integrate quickly and build competence, provides core employees with platforms to deepen expertise and explore cross-disciplinary growth, and strengthens leadership and strategic vision among mid-level managers to cultivate a robust management pipeline.

In 2025, the Company introduced the *Guidelines on the Brand-Based Performance Accountability System*, which directly links team rewards to above-target profit. This closely ties employees' value creation to the Company's development, boosting motivation and fostering mutual growth.



SGZJ Conducts New Employee Onboarding Training

• Improving Incentive Mechanism

Each year, the Company organizes the global "Annual Excellence Awards" activity, recognizing outstanding individuals and teams in R&D, production, technology, management, and other fields. A dedicated awards ceremony is held during the annual work conference to ensure every contribution is acknowledged. In 2025, awards were presented to employees and teams across the Group. Domestic operations: 8 outstanding employees, 6 outstanding teams, 3 innovative employees, and 2 innovative teams. Overseas operations: 8 outstanding employees, 1 outstanding team, 2 innovative employees, and 1 innovative team.



Dr. Zhang Min, Chairman of SGG, Presents Awards to the Representative of an Outstanding Team

In 2025

In 2025, awards were presented to employees and teams across the Group.

Domestic operations:

8 outstanding employees **6** outstanding teams **3** innovative employees **2** innovative teams

Overseas operations:

8 outstanding employees **1** outstanding team **2** innovative employees **1** innovative team

Case Study

DA Honored as an Outstanding Training Company for Dual Vocational Education

In September 2025, DA received the 2024/2025 Award for Outstanding Training Performance from the IHK Ostwestfalen zu Bielefeld. The award honors companies excelling in vocational training and talent development. As a leader in sewing technology, DA has invested consistently in nurturing next-generation professionals through a well-established apprenticeship program that blends theoretical knowledge with practical experience. Key highlights include:

Structured dual vocational training framework

Apprentices rotate through departments such as mechanical engineering, electronics, assembly, and quality assurance, gaining a holistic understanding of industrial sewing machine technology.

Experienced mentorship

Senior technicians and engineers provide dedicated guidance, ensuring knowledge transfer and upholding German engineering excellence.

Modern training facilities

DA's headquarters in Bielefeld (DABI) is equipped with advanced training workshops, with the latest CNC machines, digital measurement systems, and assembly stations.

Career development pathways

Upon completion of the apprenticeship, outstanding trainees are offered formal positions with clear paths to specialized technical or management roles.

International training collaboration

In 2024, two mechatronics apprentices from China participated in hands-on training at DABI. This has facilitated the cross-border transfer of technical expertise and deepened China-Germany cooperation in skills development and industrial upgrading.

Through investment in high-quality vocational training, DA strengthens its own technical capabilities and continuously cultivates talent for local industrial ecosystem, supporting the continuation and renewal of the manufacturing workforce.


AUSZEICHNUNG

Das Unternehmen

Dürkopp Adler GmbH
Potsdamer Str. 190
33719 Bielefeld

wird hiermit für herausragende Ausbildungsleistungen im

Prüfungsjahrgang 2024/2025

geehrt.

Bielefeld, 26. September 2025

Jörn Wahl-Schwentker
Präsident

Petra Pigott-Ruther
Hauptgeschäftsführerin

Employee Welfare and Care

SGG prioritizes employee well-being as a cornerstone of its people-centric philosophy, deepening efforts across three key areas: hardship assistance, care services, and cultural activities, to enhance fulfillment and job satisfaction of employees.

In 2025, the Company continued to support employees facing urgent challenges, focusing on practical solutions for financial or personal difficulties. The SGG trade union actively contributed to the "Employee Well-being Fund" and enrolled in the Shanghai Federation of Trade Unions' mutual medical aid program, offering multi-tiered protections such as critical illness support and hospitalization allowances to ease burdens on affected families. A dynamic screening mechanism has been established to identify employees in need, complemented by holiday greetings and regular visits to provide timely aid during illnesses or sudden life changes. Additionally, free health checkups were extended to **12 migrant workers**, demonstrating the Company's equal respect for, and commitment to, all workers.

The Company provides regular support tailored to the needs of vulnerable groups and timed around key occasions. Every summer, the SGG trade union runs a "Heatwave Relief" program. In 2025, **it reached over 200 employees across 8 units with total funding of RMB 19,000**, and also made home visits to 3 employees in need. The Company prioritized care for model workers—active, retired, and senior—conducting 10 visits in summer, 10 during the Double Ninth Festival, and 12 over other holidays. It also streamlined the allowance application process for the model workers, providing financial assistance to 1 worker with severe difficulties and 8 with special hardships.

Furthermore, SGG actively delivers employee care through seasonal occasions and themed activities, incorporating cultural traditions to foster year-round engagement. International Women's Day: Themed events are held to celebrate and honor the contributions of female employees. Labor Day: Frontline workers are recognized for their spirit of dedication. Traditional Festivals: Cultural events are held during the Dragon Boat Festival and the Mid-Autumn Festival to promote folk customs and enrich employees' cultural life. Children's Day: Parent-child activities are organized to strengthen the bond between employees' families and the Company. Additional initiatives such as a sports day, health lectures, and wellness programs support employees' physical and mental well-being while strengthening their sense of belonging and connection to the Company.

Case Study

DA Honors Female Employees on International Women's Day

On International Women's Day 2025, DA sent appreciation letters signed by the Management Board to every female employee, thanking them for their outstanding contributions across all areas of operations, including R&D, production, engineering, and administration. The letters recognized women's role in driving innovation and growth, encouraged their career advancement, and reflected the Company's commitment to diversity, inclusion, and individual value.


Celebrating DAE Power — Happy International Women's Day!

Dear employees,

Happy International Women's Day!

Managing Directors:

Case Study

SGG's Dragon Boat Festival Handcraft Making Activity

For the Dragon Boat Festival, SGG organized a hands-on workshop where employees made wellness massage hammers—an activity blending folk tradition, employee health, and the Company's own heritage in sewing craftsmanship, creating a vibrant festive atmosphere. A professional handicraft instructor was invited to design and lead the session, explaining the hammers' therapeutic benefits, the acupoints they target, and precautions for use, and guiding employees as they crafted hammers filled with mugwort and cassia seeds—offering both health benefits and symbolic meaning for the festival. Employees took part enthusiastically, sharing folk stories and learning about traditional culture while gaining a practical tool for relieving fatigue and felt the warmth and thoughtfulness behind the Company's efforts to weave cultural heritage into employee care.



SGG Organizes Dragon Boat Festival Health Handcraft Making Activity

Case Study

SGG's 2025 Health Run Activity

On May 18, 2025, SGG held its annual Health Run activity at Jiabei Country Park in Shanghai. Nearly a hundred employees from 9 corporate teams took part, with many young participants bringing fresh energy to the event. Runners competed with enthusiasm and gave their best throughout the race. The Health Run not only offered employees a chance to relax, interact, and connect, but also strengthened team cohesion—showcasing their healthy, positive, and resilient spirit.





SGG Health Run Activity—"Join Forces for New Heights"

DARO Holds a "Messages for Mom and Dad" Parent-Child Activity on Children's Day, Strengthening Family Bonds of Employees and Reflecting the Company's Commitment to Employee Family Care and Work-Life Balance



DARO Organizes a Christmas Event Centered on "Gratitude, Sharing, and Reunion", Fostering Employee Belonging and Team Cohesion Through Festive Collaboration



Occupational Health and Safety

In its operations, SGG places the highest priority on employees' occupational health and safety, implementing a range of management measures. These include continuously improving its work safety system within a clear long-term management structure and set of standards; advancing 6S practices to enhance on-site management; conducting regular training on safety and occupational hazard prevention; strengthening hazard prevention, identification, and rectification; and reinforcing emergency drills and response capabilities. Together, these efforts build a work safety framework defined by full employee participation, whole-process control, and comprehensive coverage.

In 2025, 453 occupational health and safety training sessions were conducted across domestic and overseas entities, with 2,392 participants. As of the end of the reporting period, SGG and its major production sites both in China and overseas have obtained ISO 45001 Occupational Health and Safety Management System Certification.

In 2025

453
occupational health and safety training sessions in China and overseas

with
2,392 participants

Improving Systems

SGG drives the standardization of work safety across its factories. Tailored to each entity's specific operational characteristics and regional regulatory requirements, the Company has developed a differentiated, well-structured, and systematic safety management model, achieving comprehensive control and closed-loop management of work safety.

During the reporting period, PIZ issued 41 standardized documents covering 13 areas, including target responsibilities, education and training, operational safety, and hazard identification, establishing a clear and well-structured internal system for work safety management. Richpeace revised and improved its safety regulations and operating procedures, implemented whole-process safety control, upgraded work safety facilities and signage in strict accordance with standards, and strengthened on-site protection to prevent safety risks.





Advancing 6S Management

SGG adopts 6S as the unified standard for production site management. A dedicated 6S inspection team, established by the Group headquarters, coordinates the overall implementation, while each factory takes full responsibility for execution—defining clear area owners, assigning designated staff for routine upkeep, carrying out daily spot checks and weekly inspections, and conducting regular performance evaluations. On site, materials and tools are kept in their designated positions, all areas are clearly marked with unobstructed pathways, and non-conforming products and items awaiting processing are kept in separate designated zones, ensuring an orderly, standardized workplace. All employees receive regular 6S training, with targeted retraining based on issues found during inspections to drive continuous improvement.



6S Results Showcase at PIZ



Strengthening Safety Education and Risk Prevention

Safety education

Each factory runs regular training to strengthen employees' safety awareness. Guided by key safety priorities, the training covers safety directors, management staff, and frontline employees. Core modules include work safety laws, job-specific procedures, occupational hazard prevention, and emergency response, delivered through lectures, hands-on drills, and case studies to sharpen risk identification skills.

Occupational health risk prevention

The Company truthfully informs employees of potential occupational hazards, health effects, and protective measures when signing employment contracts or changing job assignments, and documents this information in the contracts. In strict compliance with local occupational safety regulations, the Company conducts regular job-risk assessments, provides compliant PPE, develops SOPs, and reduces exposure to hazardous substances through process optimization. It also commissions qualified third-party agencies to regularly test and evaluate workplace hazards and arranges occupational health examinations for employees in affected positions, achieving whole-process monitoring and management of occupational hazards.





SGZJ Conducts Regular Occupational Hazard Monitoring and Employee Safety Training

Safety hazard rectification

The Group headquarters has established a regular inspection mechanism under which special safety inspections and routine patrols are conducted on key areas such as equipment operation, fire-fighting facilities, emergency exits, and on-site operating procedures. For identified hazards, a closed-loop management process of "inspection, rectification, review, and closure" is strictly implemented to ensure effective rectification and tangible outcomes. Overseas factories engage third-party agencies to perform regular occupational safety and environmental audits. Based on identified safety risks and management gaps, targeted rectification plans are developed to promptly eliminate hazards and ensure that all production and operational activities remain in compliance.

Enhancing Emergency Response Capabilities

In 2025, SGG's operations strengthened emergency management with locally tailored measures. They improved emergency response plans and conducted regular drills covering high-risk scenarios (such as electric shock and fire) and natural disasters such as typhoons and floods, enhancing response speed and handling capacity to protect both employees and company property.

SGZJ, located in a typhoon-prone area, issued its Flood and Typhoon Emergency Plan in June 2025. The plan covers the entire process from prevention and monitoring, emergency response, rescue and recovery, to post-disaster restoration—closing gaps in natural disaster response and strengthening the site's disaster preparedness. PIZ established an emergency rescue team, improved its emergency supply records, and implemented regular spot checks to ensure that emergency supplies remain ready for use, enabling orderly and efficient response in emergencies. Richpeace developed targeted emergency plans for potential risks such as work safety accidents and environmental incidents, and strengthened employees' skills in evacuation, self-protection, and emergency response through hands-on drills. In strict accordance with local laws and regulations, DA designated auxiliary firefighters and trained first aiders, engaged external experts to provide specialized training, and conducted regular comprehensive testing of alarm systems to ensure the efficient operation of its emergency response.

Case Study

DARO's Fire Evacuation Drill

On April 28, 2025 (the World Day for Safety and Health at Work), DARO organized a fire evacuation drill in which all employees responded promptly and assembled in an orderly manner at the sound of the alarm. The drill tested the feasibility and effectiveness of the emergency response plan and sharpened employees' firefighting and evacuation skills. That same day, DARO held a dedicated safety and health session focusing on preventive controls for job-related risks and the importance of occupational health examinations, further raising employees' awareness of safety and occupational health protection.



Fire Evacuation Drill



First Aid Training

Engaging in Public Welfare Initiatives

SGG actively fulfills its role as a corporate citizen, continuously contributing to the harmonious development of society. We mobilize internal public welfare resources, encourage all employees to participate in volunteer services and acts of kindness, and foster an atmosphere of "everyone doing good, everyone giving love". We deepen community engagement and invest in educational support, cultural initiatives, and regional development to deliver lasting social value as a responsible corporate citizen.

Each entity develops diverse public welfare programs based on its own resource strengths and local conditions. SGG makes annual donations to the Pudong Branch of the Shanghai Charity Foundation, supporting targeted assistance across the city and easing livelihood difficulties for people in need—**contributing RMB 100,000** in 2025. Feier has taken part annually in the "Love under the Blue Sky" one-day charity campaign organized by the Fengxian Branch of the Shanghai Charity Foundation, **donating RMB 20,000** for rural revitalization and local livelihood support. Shensy, drawing on its logistics operations, provides free daily supplies to frontline workers at key points such as logistics hubs and transport stations, embedding public welfare services into its operation to meet workers' practical needs.

In 2025, SGG fulfilled its social responsibilities by **making external donations totaling RMB 120,000**, bringing warmth and care to communities through concrete actions and demonstrating its dedication to public welfare.

Case Study

DARO's World Book Day Donation Activity

On April 23, 2025 (World Book Day), DARO launched a book donation campaign to share knowledge and bring warmth to the community.

Employees responded enthusiastically, carefully selecting and voluntarily donating their personal books—including literary works and technical titles, 184 volumes in total—to the library of the Avram Iancu Technical High School in Târgu Mureș. The donation gave teachers and students access to a wealth of knowledge resources, helping local young people broaden their horizons and inspiring their growth.

Through this activity, each book carried care and opened a window to the world for young readers, while every participant became an advocate for knowledge sharing and education.



World Book Day Donation Activity

Case Study

Community Talent Development Through School-Enterprise Cooperation

SGG actively builds platforms for school-enterprise cooperation. Leveraging its advanced manufacturing technologies and industrial resources, SGG collaborates with local educational institutions to develop multi-level, varied forms of industry-education integration, nurturing a new generation of technical talent.

On May 12, 2025, SGG's headquarters welcomed participants of the ninth "Shanghai Artisan Workshop," organized by Shanghai Artisan Institute—a body jointly established by the Shanghai Federation of Trade Unions and Shanghai Open University to cultivate highly skilled professionals who combine craftsmanship with innovation. The workshop featured thematic lectures on high-end equipment manufacturing and site visits to observe intelligent manufacturing technologies, providing a learning platform for participants to exchange skills, share experiences, and spark ideas. By turning corporate resources into high-quality educational assets for the community, SGG drives the development of skilled talent and supports skills transfer and innovation across the industry.



"Shanghai Artisan Workshop" Participants' Visit to SGG Headquarters

DARO received student groups of various ages, including local primary and secondary students, high schoolers from Hungarian dual-education partner schools, and engineering students from the George Emil Palade University of Medicine, Pharmacy, Science, and Technology of Târgu Mureș (UMFST). Guided by DARO staff, students toured production workshops to observe and experience the complete manufacturing process of industrial sewing machine parts – from raw material intake to finished product. This classroom-to-factory experience sparked young people's interest in STEM and technical careers.



DARO's Precision Measuring Instruments Workshop Under UMFST's "Corporate Classroom" Program

DARO also hosted a workshop on precision measuring instruments for university students under UMFST's "Corporate Classroom" program. Through hands-on training, students used precision tools such as vernier calipers, micrometers, and depth gauges, completing learning tasks through friendly competition to enhance their technical and engineering skills.

By both welcoming visitors in and reaching out to the community, we give back to our communities with a spirit of openness and sharing, continuously deepening our diverse practices in industry-education talent development.

Practice Section

Governance

• Governance

The Company has established a corporate governance structure consisting of the Shareholders' Meeting, the Board of Directors, and the management, in strict compliance with relevant laws, regulations, and the regulatory requirements for listed companies. Under the Board of Directors, four special committees have been set up, the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, each of which has clearly defined authority and operates in a standardized manner, providing professional support for scientific decision-making. The Company has also developed an internal control system covering its domestic and overseas operations to ensure that all business activities are lawful, compliant, and risk-controlled.

• Strategy

The Company pursues high-quality development through modernized governance, focusing on "efficient decision-making, strong execution, and effective oversight". It continuously improves systems, processes, compliance, and risk prevention. Globally, it balances unified standards with local adaptation to ensure compliant and orderly cross-border operations. In investor relations, it upholds the principles of fairness, justice, openness, and transparency to effectively protect the rights and interests of shareholders, especially minority shareholders. On business ethics, it has built a clean governance and risk prevention system to maintain an image of integrity and trustworthiness.



Risks and Opportunities

Category	Type	Specific Content	Countermeasure
Risk	Compliance risk	Differences in laws and regulations across multiple countries may lead to penalties or reputational damage if compliance management is inadequate.	Establish a dedicated overseas compliance mechanism, conduct regular compliance training and audits, and engage local professional firms for support.
	Related-party transaction risk	Unfair pricing or non-compliant approval procedures of related-party transactions may harm the interests of the Company and its minority shareholders.	Strictly implement the related-party transaction management system, require independent directors to conduct prior reviews, and ensure fair and transparent transactions.
	Integrity risk	Key personnel may misuse their authority for personal gain, leading to corruption incidents.	Improve the anti-fraud system, establish a whistleblower protection mechanism, and conduct regular integrity awareness campaigns and job rotation for key positions.
Opportunity	Governance improvement opportunity	Regulatory authorities are raising governance requirements for listed companies, driving them to strengthen internal controls, transparency, and investor confidence.	Proactively benchmark against best practices, optimize governance structures, disclose information in a timely manner, and improve ESG ratings.
	International development opportunity	A global footprint helps diversify regional market risks, acquire advanced technology and management expertise, and enhance international brand influence.	Deepen Sino-German collaboration, promote technology localization and talent internationalization, and build global resource integration capabilities.

Objectives and Targets

Number of internal directors on the Board of Directors
3

Board meetings held
7

Number of proposals reviewed at board meetings
36

Number of general meetings held
3

Number of proposals reviewed at general meetings
14

Number of information disclosure documents issued
114

Implementing Compliance Governance

SGG continuously improves its internal management system centered on the *Articles of Association*, with the Shareholders' Meeting as the highest authority, the Board of Directors as the decision-making body for business management, and the management responsible for day-to-day operations. This establishes a modern corporate governance structure with clearly defined responsibilities, well-delineated functions, and effective checks and balances. The Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee under the Board of Directors strengthen decision-making and execution efficiency, supporting the Company's standardized operation and stable development in all aspects.

In 2025, the Company convened 3 general meetings (14 proposals deliberated) and 7 board meetings (36 proposals deliberated), all with standardized and efficient decision-making procedures, further consolidating its governance foundation for strategic implementation and compliant operations.

Investor Relations and Information Disclosure

The Company values communication and interaction with investors, has revised and improved the *Investor Relations Management System*, and adheres to the principles of fairness, justice, openness, transparency, and equality, effectively protecting investors' right to know and legitimate rights and interests. In terms of protecting the rights and interests of small and medium-sized investors, the Company actively expands channels for their participation in governance, supporting their attendance at general meetings either in person or via online means to exercise their voting rights. For major matters that may affect the interests of small and medium-sized investors, separate vote counting is implemented to ensure their legitimate rights and interests are fully protected.

In 2025, the Company held a total of 3 results briefings (21 investor questions replied) and answered 39 questions via the SSE e-Interaction platform, continuously strengthening communication with the capital market.

The Company discloses information to all investors truthfully, accurately, completely, timely, and fairly as per relevant procedures, and responds promptly to stakeholder concerns to enhance understanding and trust. To strengthen insider information management, the Company revised the Registration Management System for Insider Information Informants in December 2025, further clarifying the scope of insider information informants and their confidentiality responsibilities, enhancing awareness of compliance in information disclosure, and effectively preventing risks of non-compliance in information disclosure.

In 2025, the Company published 114 information disclosure documents, including 4 periodic reports and 110 interim reports. During the reporting period, the Company had no penalty due to information disclosure issues.

In 2025

the Company held a total of
3 results briefings

investor questions replied
21

answered
39 questions
via the SSE e-Interaction platform

the Company published
114
information disclosure documents

Standardizing Related-Party Transactions

To strictly regulate related-party transactions and effectively protect the legitimate rights and interests of the Company and all shareholders, SGG has clearly defined the scope of related-party transactions, review procedures, information disclosure requirements, and recusal mechanisms in accordance with the *Related-Party Transaction Management System, Articles of Association*, and *Rules of Procedure for the Shareholders' Meetings* to ensure that transaction decisions are made in a standardized and orderly manner.

During the reporting period, all related-party transactions of the Company were based on normal operational needs, constituted routine commercial activities, followed market principles with fair pricing, and complied with proper procedures and disclosure requirements. Independent directors reviewed major transactions, made comments, and confirmed they served the Company's overall interests, effectively protecting shareholders' rights.

Conducting Business with Integrity

SGG strictly complies with applicable laws, regulations, and industry standards in China, Europe, and all other regions where it operates, continuously improves its anti-corruption and business ethics management system covering both domestic and overseas operations, clarifies management standards and behavioral guidelines in fair competition, conflicts of interest, and trade secret protection to enhance compliance awareness in daily operations.

In terms of key risk prevention and control, the Company has further improved its integrity commitment and whistleblowing complaint handling mechanisms, with focus on strengthening integrity supervision in critical positions such as customer interactions and financial transactions. It also regulates employee conduct in dealings with external parties, effectively preventing risks related to interest transfers, related-party transactions, and unfair competition.

DA strictly follows the *Guidelines for Avoiding Conflicts of Interest*, requiring all its subsidiaries to implement uniform compliance requirements. Key employees are organized to sign compliance declarations, proactively disclosing any personal, financial, or business relationships that may affect independent judgment. Regular compliance training and awareness programs are conducted to ensure that key business decisions on supplier selection, contract negotiations, and personnel appointments are made solely in the interest of the Company. In 2025, DA, PFAFF Industrial, KSL, and Sonotronic established whistleblowing systems designed in accordance with the *EU Whistleblowing Directive*, providing employees with a safe and anonymous channel to report violations. All reports are followed up by dedicated compliance personnel, and any verified misconduct is promptly corrected, providing an important oversight mechanism for compliance management.

During the reporting period, the Company had no violations related to corruption, bribery, conflicts of interest, fraud, or other forms of unfair competition. Through institutional constraints and cultural guidance, SGG has embedded integrity and compliance as a shared value and a conscious behavior among all employees, fostering a clean and upright business environment for high-quality development and global governance.



Optimizing Risk Control

The Company regards a well-established internal control system as key to strategic execution and stable operations. It continuously improves mechanisms for operational oversight, risk identification and rectification, steadily enhancing its risk prevention capabilities and internal control management levels, while its operational resilience continues to strengthen.

Strengthening Internal Control Management

The Audit Office of SGG, as the primary function for internal control and risk management, strictly adheres to the *Internal Control Management System* and uses closed-loop management as a key tool to ensure the appropriateness, adequacy, and effectiveness of internal controls. For internal control system development, the Company revised the *Working System of Independent Director* and the *Management System for Preventing Controlling Shareholders, Actual Controllers and Other Related Parties from Misappropriating Company Funds*, and improved more than **20 internal control systems** including the *Working System of Board Secretary* and the *External Guarantee Management System* in 2025 to further clarify the authorities and responsibilities of governance entities and strengthen the mechanism for constraining the behavior of key minority actors.

In terms of audit execution, the Audit Office performed **20 special audits** based on the characteristics of SGG's domestic and overseas operations and key risk areas in 2025, including 9 engineering project audits, 3 economic responsibility audits for outgoing general managers, and 8 audits of high-risk business cycles such as inventory management, sales expenses, and overdue accounts receivable. These audits thoroughly analyzed the design and operational effectiveness of internal controls in each business process, identifying system gaps and execution deviations. Potential issues were identified and rectified promptly to effectively enhance risk prevention capabilities.

During the reporting period, the Audit Office conducted independent internal control testing for SGG and its 31 domestic and overseas branches and subsidiaries as per the requirements in the 2025 Internal Control Evaluation Work Plan, comprehensively reviewing the soundness of internal control systems, the effectiveness of their implementation, and the adequacy of risk management at each entity. An internal control evaluation report was prepared and submitted to the Audit Committee and the Board of Directors for review to continuously improve the Company's governance standards.



Comprehensive Risk Management

SGG has established a comprehensive risk management system covering strategic, operational, financial, and regulatory risks. It sets reasonable risk tolerance levels, systematically carries out risk identification, assessment, and response, dynamically monitors various risks in daily operations, promptly develops and implements response plans, and continuously improves the proactiveness and effectiveness of risk prevention and control.

In 2025, the Company focused on two major operational risks in domestic operations: inventory management and accounts receivable. Regarding issues in inventory management, the Company strengthened approval controls over inbound/outbound processes, improved implementation of the inventory count system, and increased oversight to ensure the accuracy and reliability of inventory data. Regarding issues in accounts receivable management, the Company optimized its collection procedures, developed targeted collection plans, and employed a variety of methods to effectively improve the efficiency of receivable collection. Based on a standardized risk reporting system, the Company achieved integrated sharing and dynamic tracking of risk information, accurately identified high-risk areas, to ensure that potential risks are resolved promptly and effectively.

In terms of risk management for overseas operations, the Company continuously monitors relevant laws and regulations in the European Union and the countries and regions where it operates. It regularly conducts internal control reviews of overseas invested enterprises to ensure that cross-border operations are compliant and orderly, meeting the regulatory requirements for listed companies, legal norms of the host country, and international business ethics standards. In addition, the Company assigns executive directors or senior officers to oversee overseas invested enterprises in line with the Management Measures for Overseas Invested Enterprises, ensuring that their economic operations, finance, fund management, and outbound investments remain fully compliant.

During the reporting period, the Company's overseas operations faced significant market risks, including a sharp decline in orders and sustained pressure on operating performance. For this, the Company implemented various measures to reduce costs and improve efficiency. In terms of production layout, the Company optimized its human resource structure and promoted the cost gradient transfer of product manufacturing. Each production site simultaneously implemented measures such as process optimization, parts localization, and short-time work schemes, further promoting a rational allocation of global production capacity. In procurement and inventory management, the Company adopted centralized procurement and bidding mechanisms, strengthened supply chain coordination and inventory turnover, and tightly controlled operating costs. In internal management and budget control, a flat organizational structure was constructed to enhance management efficiency; and budget constraints were reinforced through detailed budget management to improve the efficiency of fund utilization. By reducing redundant expenditures and improving operational efficiency, the Company alleviated operating difficulties and strengthened its resilience and risk resistance capability to withstand industry cycles.

In addition, the Company has incorporated geopolitical risks into its proactive risk management. As it positions itself in new markets and expands its business, it carefully evaluates compliance, cultural, economic, and political factors to reduce risk exposure and steadily improve operational quality and efficiency.

Risk Identification

The Company collects internal and external information, including macro policies, industry trends, and operating conditions, and systematically identifies potential risks in key business processes, maintaining a continuously updated risk database. By regularly reviewing risks in strategy execution, market changes, financial structure, and compliance requirements, the Company monitors in real time the impact of changes on its risk profile, informing subsequent assessment and response.

Risk Assessment

Based on the likelihood of risk occurrence and the degree of impact on business objectives, the Company conducts both qualitative and quantitative assessments of identified risks, prioritizing them by risk level and order of handling. Based on the analysis of the conformity and completeness of existing systems, the Company screens and identifies risks that are of higher levels but have inadequate control measures. A list of key risk matters is then formed for the primary focus of risk control.

Risk Response

For each risk in its database, the Company conducts an in-depth analysis of the business processes involved, key control points, responsible parties, and triggering factors, and develops tailored response plans. Combining manual oversight with system-based controls, it prevents risks proactively. Drawing on its register of key risks, the Company reviews and establishes supporting management systems to form systematic and standardized risk controls.

Supervision and Improvement

The Company conducts full-process supervision and evaluation of the overall risk management, effectiveness of specific measures, and results of responses to major risks. For significant risks, the Company promptly reviews their impact and post-event remediation, identifies system gaps and execution deviations, and proposes recommendations for continuous improvement. Through audit supervision, internal control evaluation, and rectification tracking mechanisms, the Company continuously optimizes its risk management system.

Safeguarding Information Security

SGG has established an information security governance system for all business activities and processes in strict accordance with applicable laws, regulations, and industry standards in China, Europe, and all other regions where it operates.

Optimizing the data governance framework

The Company conforms to information security and data protection guidelines, establishes a tiered authorization management mechanism, and strictly restricts data access rights, ensuring that information processing is standardized and controllable. Through institutionalized and standardized data control, the Company continuously strengthens customer trust and ensures transparency and security in cooperative communications.

Deepening digitalization

Digitalization serves both as an engine for operational efficiency and as an important vehicle for information security governance. From administration to production, all entities adopt a unified system architecture, standardized data flows, and consistent process controls to fundamentally enhance information security.



To better support unified security management, SGG launched an ERP system upgrade project. Using the Kingdee platform, the Company restructured its information systems and further strengthened data security controls:

Building a group-level data management architecture:

An integrated "parent – subsidiary" application model links data across domestic and overseas entities, thus enabling data interconnectivity while applying tiered access control on a unified platform.

Creating a closed-loop approval process:

The core internal approval process is managed end-to-end within the ERP system and integrated with the OA system, generating complete operational records and audit trails to enhance process transparency and traceability.

Standardizing production data collection:

Through a warehouse barcode system and a workshop process reporting system, logistics and production data collection has been shifted from manual entry to systematic, automated management to reduce operational risks and ensure data integrity and accuracy.

Addressing industry-specific business security needs:

ERP functions such as project cost assessment, sales and purchase price management meet varied business requirements while keeping sensitive commercial data within a standardized system environment.

Through the coordinated rollout of digital system upgrades and supporting policies, the Company has enhanced its information security controls at the architectural level, laying a solid foundation for data security governance. During the reporting period, the Company recorded no information security or privacy violations.

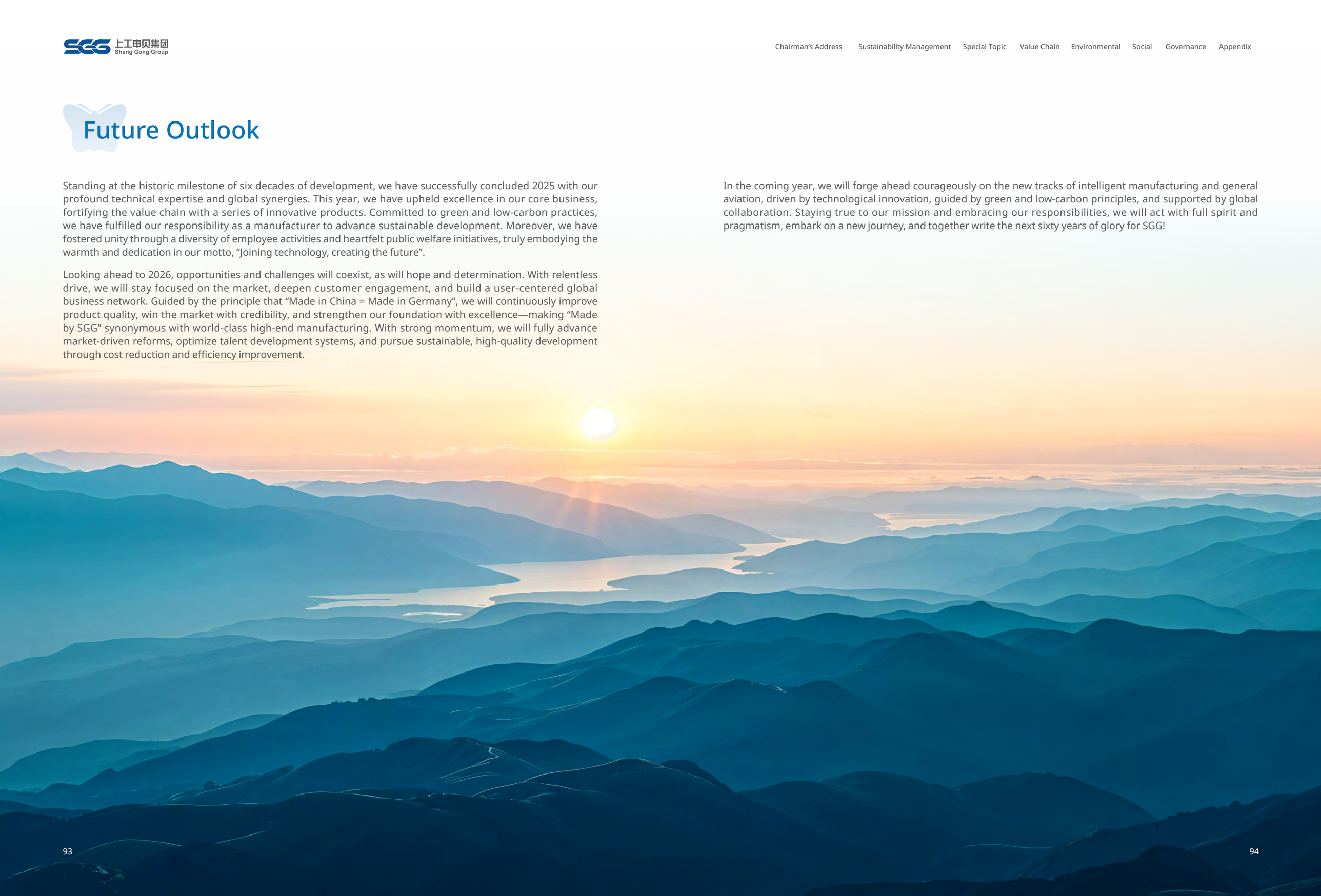


Future Outlook

Standing at the historic milestone of six decades of development, we have successfully concluded 2025 with our profound technical expertise and global synergies. This year, we have upheld excellence in our core business, fortifying the value chain with a series of innovative products. Committed to green and low-carbon practices, we have fulfilled our responsibility as a manufacturer to advance sustainable development. Moreover, we have fostered unity through a diversity of employee activities and heartfelt public welfare initiatives, truly embodying the warmth and dedication in our motto, "Joining technology, creating the future".

Looking ahead to 2026, opportunities and challenges will coexist, as will hope and determination. With relentless drive, we will stay focused on the market, deepen customer engagement, and build a user-centered global business network. Guided by the principle that "Made in China = Made in Germany", we will continuously improve product quality, win the market with credibility, and strengthen our foundation with excellence—making "Made by SGG" synonymous with world-class high-end manufacturing. With strong momentum, we will fully advance market-driven reforms, optimize talent development systems, and pursue sustainable, high-quality development through cost reduction and efficiency improvement.

In the coming year, we will forge ahead courageously on the new tracks of intelligent manufacturing and general aviation, driven by technological innovation, guided by green and low-carbon principles, and supported by global collaboration. Staying true to our mission and embracing our responsibilities, we will act with full spirit and pragmatism, embark on a new journey, and together write the next sixty years of glory for SGG!



Appendix

Key Sustainability Performance Indicators

1 Socio-economic Value Contribution

Item	Unit	2023	2024	2025
Total Assets	RMB('0,000)	589,563.94	633,083.97	681,134.89
Total Loans	RMB('0,000)	114,176.71	147,479.83	187,107.22
Asset-Liability Ratio	%	39.26	49.73	54.16
Operating Income	RMB('0,000)	379,008.18	441,108.73	435,116.18
Employee Expenses	RMB('0,000)	88,534.52	109,492.90	108,097.02
R&D Expenses	RMB('0,000)	14,874.54	15,941.40	15,904.94
Year-over-year Growth Rate in R&D Spending	%	29.36	7.17	-0.23
Total R&D Expenditures as a Percentage of Revenue	%	3.92	3.61	3.66
Interest Expense	RMB('0,000)	5,138.70	6,221.51	6,251.64
Tax Payment	RMB('0,000)	19,595.07	17,861.28	17,618.35
External Donations	RMB('0,000)	21.00	26.80	12.00
Net Profit	RMB('0,000)	10,914.94	-24,265.17	-13,504.96
Net Assets	RMB('0,000)	358,085.41	318,415.25	312,241.21
Social Contribution Value per Share (Based on Weighted Average Shares)	RMB	1.72	1.52	1.68

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

2 Compliance Governance

Item	Unit	2023	2024	2025
Number of Internal Directors on The Board	Person(s)	3	3	3
Number of External Directors on The Board	Person(s)	3	3	3
Number of Independent Directors on The Board	Person(s)	3	3	3
Number of Board Meetings Held	Time(s)	11	8	7
Number Of Topics Reviewed by The Board	Item(s)	38	32	36
Number of General Meetings Held	Time(s)	2	2	3
Number of Proposals Reviewed at General Meetings	Item(s)	16	11	14
Responses to Stakeholder Inquiries	Time(s)	33	139	60
Number of Information Disclosure Documents Released	Copies	113	143	114
Number of Periodic Reports	Copies	4	4	4
Number of Interim Reports	Copies	109	139	110
Number of Violations Related to Commercial Bribery	Cases	0	0	0
Number of Violations Related to Embezzlement	Cases	0	0	0
Number of Cases Involving Unfair Competition that Resulted in Litigation or Significant Administrative Penalties	Cases	0	0	0

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

3-1 Resources and Energy Consumption (in China)

Item	Unit	2023	2024	2025
Total Investment in Environmental Protection and Energy Conservation	RMB	/	595,000	402,292
Total Petrol Consumption	Liters	91,694	445,456	62,093
Total Diesel Consumption	Liters	/	69,395	17,539
Total Natural Gas Consumption	KWh	/	3,356,014	3,711,624
Total Electricity Consumption	KWh	7,588,308	14,587,172	14,074,294
of which: Total Clean Energy Usage （Solar Energy）	KWh	/	893,712	2,313,674
Total Photovoltaic Power Generation	KWh	/	/	3,039,719
Total Water Consumption	Tons	67,675	86,820	106,859
Total Office Paper Consumption	Kg	5,196	6,042	9,016

*2023 Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace;

*2024 & 2025 Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace, Feier;

*Natural gas consumption is calculated based on an average calorific value of 10.5 kWh/m³;

*"/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

3-2 Resources and Energy Consumption (Overseas)

Item	Unit	2023	2024	2025
Total Investment in Environmental Protection and Energy Conservation	Euro	/	48,407	124,692
Total Petrol Consumption	Liters		27,336	40,441
Total Diesel Consumption	Liters		62,192	71,278
Total Natural Gas Consumption	KWh		12,450,963	13,552,564
Total Electricity Consumption	KWh		9,165,241	9,248,472
Total Water Consumption	Tons		23,194	24,472
Total Office Paper Consumption	Kg		10,571	7,619

*2024 & 2025 Data Scope: DA, DARO, MIBO, PFAFF Industrial, KSL, Sonotronic (Germany);

*The 2024 total water consumption data did not include Sonotronic (Germany);

*"/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

4-1 Waste Management (in China)

Item	Unit	2023	2024	2025
Total Non-Hazardous Waste Generated	Tons	898.93	1,431.80	1,875
Total Hazardous Waste Generated	Tons	105.54	304.98	93.32
Hazardous Waste Harmless Disposal Rate	%	100	100	100
Total Wastewater	Tons	/	58,246.40	68,383.63
General Solid Waste	Tons	/	655.82	795.62
Total Recycled Waste	Tons	/	359.64	719.77
Waste Recycling Rate	%	/	21	37
Renewable Resources Consumption	Tons	/	0.12	100
Number of Environmental Incidents	Cases	0	0	0
Number of Penalties Due to Pollutant Emissions	Cases	0	0	0
Number of Penalties Due to Environmental Incidents	Cases	0	0	0

*2023 Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace;

*2024 & 2025 Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace, Feier;

* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

4-2 Waste Management (Overseas)

Item	Unit	2023	2024	2025
Total Non-Hazardous Waste Generated	Tons	1,220	1,092	1,567
Total Hazardous Waste Generated	Tons	147	111	91
Hazardous Waste Harmless Disposal Rate	%	> 98	> 98	> 98
Total Wastewater	Tons	/	17,403	6,857
Total Recycled Waste	Tons	/	768	446
Waste Recycling Rate	%	/	64	52
Number of Environmental Incidents	Cases	0	0	0
Number of Penalties Due to Environmental Incidents	Cases	0	0	0

*2023 Date Scope: DA, DARO, MIBO

*2024 & 2025 Data Scope: DA, DARO, MIBO, PFAFF Industrial, KSL, Sonotronic (Germany);

* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

5-1 Climate Change Actions (in China)

Item	Unit	2023	2024	2025
Total Greenhouse Gas Emissions (Scope 1&2)	tCO_2e	/	9,843.06	8,488.31
Direct Greenhouse Gas Emissions (Scope 1)	tCO_2e		1,948.89	871.69
Indirect Greenhouse Gas Emissions (Scope 2)	tCO_2e		7,894.18	7,616.62

*Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace, Feier;

* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

5-2 Climate Change Actions (Overseas)

Item	Unit	2023	2024	2025
Total Greenhouse Gas Emissions (Scope 1&2)	tCO_2e	9,480.88	7,389.96	7,642.63
Direct Greenhouse Gas Emissions (Scope 1)	tCO_2e	2,604.95	2,521.63	2,718.73
Indirect Greenhouse Gas Emissions (Scope 2)	tCO_2e	6,875.93	4,868.33	4,923.90

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

6-1 Workplace Safety (in China)

Item	Unit	2023	2024	2025
Number of Safety Incidents	Cases	/	5	4
Number of Workdays Lost Due to Occupational Injuries	Days		385	136
Occupational Health and Safety Training	Session(s)		47	22
Investment in Occupational Health and Safety	RMB		/	25,200
Number of Participants in Occupational Health and Safety Training	Person(s)		1,222	1,044
Occupational Health and Safety Training Coverage Rate	%		100	100
Safety Emergency Drills Conducted	Time(s)		13	11
Number of Participants in Safety Emergency Drills	Person(s)		893	936
Safety Hazard Rectification Rate	%		99	99.6

*Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace, Feier;

* Occupational Health and Safety Training Coverage Rate=Number of employees who participated in occupational health and safety training / Total number of employees required to undergo training*100%;

*Safety Hazard Rectification Rate= Number of rectifications completed during the reporting period / Number of safety hazards identified*100%;

* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

6-2 Workplace Safety (Overseas)

Item	Unit	2023	2024	2025
Number of Safety Incidents	Cases	/	9	16
Number of Workdays Lost Due to Occupational Injuries	Days		286	214
Occupational Health and Safety Training	Session(s)		111	431
Investment in Occupational Health and Safety	Euro		/	118,357
Number of Participants in Occupational Health and Safety Training	Person(s)		1,148	1,348
Occupational Health and Safety Training Coverage Rate	%		/	71

*Data Scope: DA, DARO, MIBO, PFAFF Industrial, KSL, Sonotronic (Germany), Flight Design;
* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

7-1 Supplier Management (in China)

Item	Unit	2023	2024	2025
Number of Major External Suppliers	Units	/	1,299	1,661
Number of Supplier Evaluations	Time(s)		373	672
Number of Suppliers Signing Code of Conduct (ESG)	Units		788	980
Coverage Rate of Suppliers Signing Code of Conduct (ESG)	%		61	59
Number of Suppliers Receiving Training on Code of Conduct (ESG)	Units		335	891
Coverage Rate of Suppliers Receiving Training on Code of Conduct (ESG)	%		26	54

*Data Scope: SGG Headquarters, SGZJ, PIZ, Richpeace, Feier;
*Number of Major External Suppliers: excluding group companies;
* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

7-2 Supplier Management (Overseas)

Item	Unit	2023	2024	2025
Number of Major External Suppliers	Units	/	2,723	1,980
Number of Supplier Evaluations	Time(s)		1,086	1,725
Number of Suppliers Signing Code of Conduct (ESG)	Units		631	1,208
Coverage Rate of Suppliers Signing Code of Conduct (ESG)	%		23	61
Number of Suppliers Receiving Training on Code of Conduct (ESG)	Units		1,356	1,958
Coverage Rate of Suppliers Receiving Training on Code of Conduct (ESG)	%		50	99

*Data Scope: DA, DARO, MIBO, PFAFF Industrial, KSL, Sonotronic (Germany);
* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

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

Item	Unit	2023	2024	2025
Total Number of Employees	Person(s)	1,717	3,263	3,433
Employment Contract Signing Rate	%	100	100	100
Number of Direct Employees	Person(s)	1,607	3,151	2,650
Number of Dispatched Employees	Person(s)	110	112	783
Number of Male Employees	Person(s)	1,210	2,070	2,249
Number of Female Employees	Person(s)	507	1,193	1,184
Number of Ethnic Minority Employees	Person(s)	28	112	157
Number of Employees with Disabilities	Person(s)	15	24	32

Item	Unit	2023	2024	2025
Number of New Employees	Person(s)	280	608	1,129
Number of New Male Employees	Person(s)	/	407	786
Number of New Female Employees	Person(s)	/	201	343
Number of New Employees with Disabilities	Person(s)	2	9	11
Age Structure				
< 30 Years Old	Person(s)	306	503	591
30-49 Years Old	Person(s)	1,120	2,274	2,293
≥50 Years Old	Person(s)	291	486	549
Job Category				
Production	Person(s)	/	2,214	2,050
Sales	Person(s)		314	94
R&D	Person(s)		275	305
Finance	Person(s)		194	78
Administrative	Person(s)		229	310
Material Control/Warehouse	Person(s)		14	241
Purchasing	Person(s)		18	38
Quality Control	Person(s)		5	317
Education Level				
Doctor	Person(s)	390	2	1
Master	Person(s)		36	30
Bachelor	Person(s)		464	471
Associate	Person(s)	541	921	743
High School or Below	Person(s)	786	1,840	2,188

Item	Unit	2023	2024	2025
Employee Rights				
Average Days of Paid Leave per Employee	Days	7	9	8
Employee Health Insurance Coverage Rate	%	100	100	100
Trade Union Representative Conference Establishment Rate	%	100	100	100
Trade Union Medical Aid Amount	RMB('0,000)	2.49	2.31	2.10
Trade Union Living Aid Amount	RMB('0,000)	4.52	3.94	3.34

*2023 Data Scope: SGG headquarters and DAP HK, SGZJ, PIZ, Richpeace, Shensy;

*2024 & 2025 Data Scope: SGG headquarters and DAP HK, SGZJ, PIZ, Richpeace, Shensy, Feier;

*The data on trade union representative conference establishment rate, medical aid and living aid amount do not include DAP HK and Shensy;

* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

8-2 Employment Profile and Rights Protection (Overseas)

Item	Unit	2023	2024	2025
Total Number of Employees	Person(s)	1,851	1,572	1,386
Employment Contract Signing Rate	%	100	100	100
Number of Male Employees	Person(s)	1,518	1,292	1,113
Number of Female Employees	Person(s)	333	280	273
Number of Employees with Disabilities	Person(s)	64	61	51
Number of New Employees	Person(s)	227	86	85
Number of New Male Employees	Person(s)	/	69	58
Number of New Female Employees	Person(s)	/	17	27
Number of New Employees with Disabilities	Person(s)	/	1	8

Item	Unit	2023	2024	2025
Age Structure				
< 30 Years Old	Person(s)	228	146	120
30-49 Years Old	Person(s)	826	683	587
≥50 Years Old	Person(s)	797	743	679
Job Category				
Technical & Production	Person(s)	1,439	1,170	959
Sales	Person(s)	181	183	186
R&D	Person(s)	122	108	122
Finance & Administration	Person(s)	109	111	119
Education Level				
Doctor	Person(s)	/	3	4
Master	Person(s)		111	118
Bachelor	Person(s)		124	175
Vocational Education or Diploma	Person(s)		1,257	1,018
Secondary Education or Below	Person(s)		77	71
Employee Rights				
Average Days of Paid Leave per Employee	Days	27	25	24
Employee Health Insurance Coverage Rate	%	100	100	100
Number Of Employees Eligible for Trade Union Membership	Person(s)	1,851	1,572	1,386

*2023 & 2024 Data Scope: DA, DARO, MIBO, DAPs, PFAFF Industrial, KSL, Sonotronic (Germany, Spain, and the U.S.);
*2025 Data Scope: DA, DARO, MIBO, DAPs, PFAFF Industrial, KSL, Sonotronic (Germany, Spain, and the U.S.), ICON, Flight Design;
* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

9-1 Employee Training (in China)

Item	Unit	2023	2024	2025
Number of Training Programs	Program(s)	85	183	417
Number of Employees Trained	Person(s)	817	984	5,839
Total Training Expenses	RMB	149,323	557,204	1,147,027
Per Capita Training Expense	RMB	183	566	196
Total Training Time	Hours	/	1,744	94,598
Per Capita Training Time	Hours	/	0.5	27.6
Percentage of Employees Receiving Regular Performance and Career Development Evaluations	%	100	100	100
Percentage of Male Employees Receiving Regular Evaluations	%	100	100	100
Percentage of Female Employees Receiving Regular Evaluations	%	100	100	100

*2023 Data Scope: SGG headquarters and DAP HK, SGZJ, PIZ, Richpeace, Shensy;
*2024 & 2025 Data Scope: SGG headquarters and DAP HK, SGZJ, PIZ, Richpeace, Shensy, Feier;
*Per Capita Training Expense= Total Training Expenses/Number of Employees Trained
*Per Capita Training Time= Total Training Time/Total Number of Employees;
* "/"Indicates that the indicator was not tracked for the year, and is therefore not disclosed.

9-2 Employee Training (Overseas)

Item	Unit	2023	2024	2025
Number of Training Programs	Program(s)	112	145	198
Number of Employees Trained	Person(s)	1,147	870	1,737
Total Training Expenses	Euro	114,123	112,652	86,922

Item	Unit	2023	2024	2025
Per Capita Training Expense	Euro	99	129	50
Total Training Time	Hours	29,252	10,145	10,916
Per Capita Training Time	Hours	15.8	6.5	7.9
Percentage of Employees Receiving Regular Performance and Career Development Evaluations	%	100	100	100
Percentage of Male Employees Receiving Regular Evaluations	%	100	100	100
Percentage of Female Employees Receiving Regular Evaluations	%	100	100	100

*2023 & 2024 Data Scope: DA, DARO, MIBO;

*2025 Data Scope: DA, DARO, MIBO, DAPs, PFAFF Industrial, KSL, Sonotronic (Germany), Flight Design.

10 Technological Innovation

Item	Unit	2023	2024	2025
Number of Patent Applications	Item(s)	27	27	24
Number of Patents Held	Item(s)	389	333	357
Invention Patents	Item(s)	27	30	35
Utility Model Patents	Item(s)	277	214	224
Design Patents	Item(s)	82	80	89
Software Copyrights	Item(s)	3	9	9
Number of System Certifications or Qualifications	Item(s)	20	29	21

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

11 Customer Service

Item	Unit	2025
Customer Complaint Response Rate	%	100
Security Incidents Involving the Leakage or Theft of Customer Personal Information	Cases	0
Financial Amounts Involved in Incidents of Customer Personal Information Leakage or Theft	RMB('0,000)	0
Violations of Laws and Regulations Related to Marketing and Publicity	Cases	0

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

Independent Assurance Report

Shang Gong Group Co., Ltd.

Assurance Report on Corporate Sustainability (ESG) Report

For the Year Ended December 31, 2025

ENGLISH TRANSLATION OF ASSURANCE REPORT ON CORPORATE SUSTAINABILITY (ESG) REPORT FOR THE YEAR ENDED DECEMBER 31, 2025

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

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, 2025
(English Translation for Reference Only)

Xin Kuai Shi Bao Zi [2026] No. ZA12514

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, 2025 and for the year then ended (the "2025 Key Data") in the Corporate Sustainability (ESG) Report (the "ESG Report") prepared by Shang Gong Group Co., Ltd. ("SGG").

Key Data

The 2025 Key Data in the ESG Report prepared by SGG for the year ended December 31, 2025 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 2025 Key Data and we have not performed any procedures with respect to earlier periods or other information other than our work scope.

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

Criteria

The criteria used by SGG to prepare the 2025 Key Data (the "Criteria") are set out in the Notes of Key Performance of the ESG Report.

Responsibilities of Management

Management of SGG is responsible for preparing the 2025 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 2025 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 2025 Key Data are, in all material respects, in accordance with the Criteria.

Our assurance procedures include evaluating whether the 2025 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 (Zhejiang) Co., Ltd., PFAFF Industrial Sewing Machine (Zhangjiagang)

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Co., Ltd., Tianjin Richpeace AI Co., Ltd., Shanggong Feier Auto Parts Co., Ltd., Dürkopp Adler GmbH, PFAFF Industriesysstem und Maschinen GmbH, Minerva Boskovice a.s., S.C. Dürkopp Adler S.R.L., KSL Joining Technology GmbH, Sonotronic GmbH, (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 2025 Key Data;
3) Performing analytical procedures;
4) Understanding and testing internal controls in relation to the 2025 Key Data;
5) Inspecting, on sample basis, supporting documents and records in relation to the 2025 Key Data; and
6) Recalculating the 2025 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 2025 Key Data selected from SGG's ESG Report for the year ended December 31, 2025 have not been prepared, in all material respects, in accordance with the Criteria.

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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, 2025, 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

Certified Public Accountant of China:

Certified Public Accountant of China:

Shanghai, China April 24, 2026

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Reader Feedback

Thank you for reading the *Shang Gong Group Corporate Sustainability (ESG) Report 2025*. To offer you and other stakeholders more valuable insights, improve oversight of our sustainability efforts, and boost our social responsibility performance, we welcome your valuable comments and suggestions on this report.

1. What is your overall assessment of Shang Gong Group's Sustainability Report?

□ Excellent □ Good □ Average □ Below Average □ Poor

2. How would you rate Shang Gong Group's performance in fulfilling environmental, social, and governance (ESG) responsibilities?

Environmental responsibility: □ Excellent □ Good □ Average □ Below Average □ Poor

Social responsibility: □ Excellent □ Good □ Average □ Below Average □ Poor

Corporate governance: □ Excellent □ Good □ Average □ Below Average □ Poor

3. Do you believe this report effectively reflects the influence of Shang Gong Group's social responsibility practices on sustainability?

□ Very effectively □ Quite effectively □ Moderately effectively □ Not very effectively

□ Not at all effectively

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

Clarity: □ Excellent □ Good □ Average □ Below Average □ Poor

Accuracy: □ Excellent □ Good □ Average □ Below Average □ Poor

Completeness: □ Excellent □ Good □ Average □ Below Average □ Poor

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

□ Yes □ Average □ No

6. Do you have any other comments or suggestions regarding Shang Gong Group's sustainability work and this report?