

2025 SUSTAINABILITY REPORT



南方包装集团有限公司
Southern Packaging Group Limited

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About This Report

Scope

Southern Packaging Group Limited (including all subsidiaries, referred to as the “**Group**”, “**we**”, “**our**”, or “**us**”) presents this sustainability report (“**Report**”), which highlights our sustainability initiatives and strategies for the period from 1 January 2025 to 31 December 2025 (“**FY2025**”). Our production facilities are strategically located in China’s economically dynamic areas: Foshan Nanhai, Foshan Gaoming, and Jiangsu Changzhou. The Group’s headquarters are situated at 36 Robinson Road, #20-01 City House, Singapore 068877.

Reporting Framework

This Report has been prepared with reference to the reporting principles and requirements of the Global Reporting Initiative (“**GRI**”) Universal Standards 2021. The GRI Standards were selected as they are recognised as leading global practices for disclosing an organisation’s economic, environmental, and social impacts.

In line with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section A: Mainboard Rules, this Report presents the key elements of a sustainability report on a ‘comply or explain’ basis. Additionally, we are progressively incorporating the disclosure requirements of International Financial Reporting Standards (“**IFRS**”) S2 Climate-related Disclosures, issued by the International Sustainability Standards Board (“**ISSB standards**”), and intend to achieve full compliance by FY2030. The Group is progressively enhancing data collection systems and governance processes to support ISSB-aligned disclosures.

Data Assurance

This sustainability report has not been subject to external assurance. All data and information disclosed herein have undergone rigorous internal verification processes to ensure accuracy. We remain open to pursuing external assurance in future reporting cycles. Additionally, our internal auditor conducted a review of our sustainability reporting procedures in accordance with Rule 711B (3) of the Singapore Exchange Listing Rules.

Feedback

We welcome and value all feedback on this Report. For any queries, comments, or suggestions, please contact us through email at: public@southern-package.com. This Report can be downloaded from the Group’s corporate website at <http://www.southern-packaging.com/en/index.aspx>.

Board Statement

Dear Stakeholders,

On behalf of the Board of Directors of Southern Packaging Group Limited, we are proud to present our sustainability report for the financial year ending 31 December 2025. This report demonstrates our dedication to transparency and ongoing improvement, providing a thorough account of our sustainability initiatives, achievements, and the progress we have made over the past year.

The landscape of the plastic packaging customisation and processing industry is evolving rapidly, shaped by new environmental regulations, growing consumer demand for sustainable solutions, and technological advancements. These shifts bring both challenges and opportunities, requiring us to remain agile and forward-thinking. We anticipate that our performance will continue to be influenced by factors such as fluctuations in raw material prices, changes to international trade regulations, emerging technologies, and shifting market expectations.

To address these developments, the Group will focus on adapting our procurement strategies, bolstering our investment in research and development, and closely monitoring market trends. By embracing flexibility and fostering innovation, we are confident in our ability to manage change and secure sustainable growth for the future.

In addition, the Group will maintain its efforts in marketing and selling the remaining units of Apex Tower, carefully seeking opportunities to maximise value within our property portfolio regardless of prevailing market conditions.

The Board is committed to placing sustainability at the core of our business strategy and governance. We take full responsibility for overseeing the Group's sustainability direction, ensuring that environmental stewardship, social responsibility, and robust governance remain central to our operations. We actively integrate sustainability considerations into our strategic planning and regularly review material environment, social and governance ("**ESG**") topics to ensure alignment with our long-term objectives and stakeholder interests. Major strategic plans—especially those related to sustainability—are subject to rigorous review and approval at Board meetings.

We recognise that our commitment to sustainability is fundamental to the Group's ongoing success. The Board remains focused on reducing our environmental impact, strengthening our corporate responsibility, and delivering enduring value for all stakeholders. We sincerely appreciate the continued support of our stakeholders, and we look forward to working together as we advance on our sustainability journey.

Sincerely,

Board of Directors

Southern Packaging Group Limited

Corporate Profile

Southern Packaging is a distinguished manufacturer specialising in the production of both flexible and rigid packaging solutions for a broad spectrum of industries, including food and beverage, pharmaceuticals, household products, and personal care. As a recognised leader in the global plastic packaging sector, the Group has established a robust international reputation.

With a strategic focus on expanding its presence within the Chinese market, the Group is dedicated to addressing the requirements of the fast-moving consumer goods ("FMCG") packaging segment. The organisation prioritises innovation, consistently exploring advanced production techniques and adopting cutting-edge technologies that facilitate pollution prevention, light protection, and superior sealing capabilities. To support these initiatives, Southern Packaging has assembled an expert management team, technical specialists, and a committed workforce. Furthermore, efforts are underway to strengthen automation, with the aim of optimising costs and boosting operational efficiency.

A steadfast commitment to maintaining a leading position in China's plastic packaging market underpins ongoing investments in research and development, advanced technology, and state-of-the-art equipment, all intended to further elevate product quality.

Vision, Mission and Core Values

Vision

Decorate the world and strive for perfection

Mission

- **To continuously invest in technology in order to meet the emerging needs of the market**
- **To strengthen our quality capability to satisfy different customer needs**
- **To produce safe and environmentally friendly products that would benefit the society**
- **To ensure long term value for our investors**
- **To create a platform for all employees to do their best and ensure constant development**

Core values

Quality First, Safety First

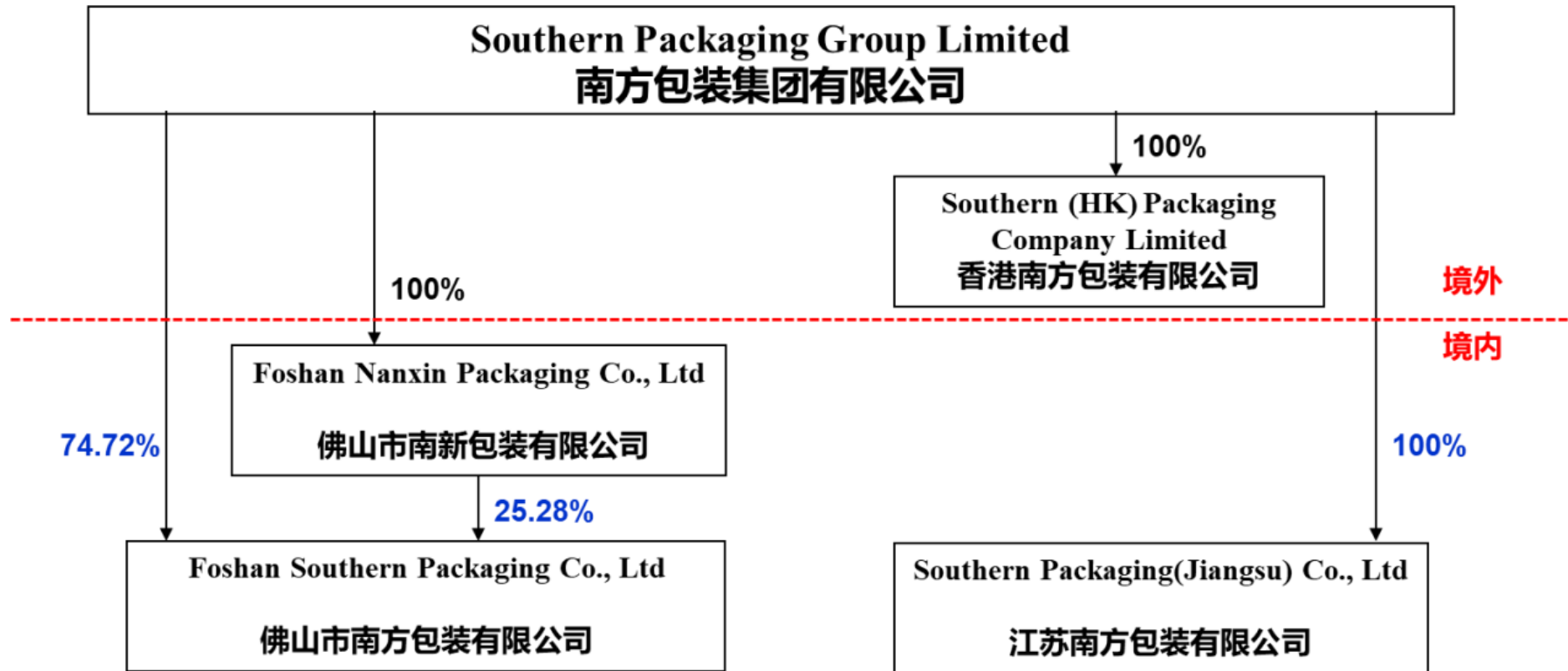
We have a comprehensive quality management programme in place, including quality management system maintenance, process quality control, project quality management and testing centres. This guarantees the quality and safety of the whole supply chain from upstream suppliers, manufacturing, to end customers.

Technology Innovation, Sustainability

The key to the breakthrough development of an enterprise is endlessly innovation. We improve our competitiveness through technological and product innovation. We are committed to promote the environmental

protection development of the global plastic packaging industry, to achieve sustainability and creating a better life for our stakeholders.

Our Group Structure



Supply Chain Management

Our products are distributed to more than 30 countries, predominantly serving multinational corporations. Essential raw materials—including plastic film, resins, adhesives, and printing inks—play a crucial role in our manufacturing operations. In alignment with our procurement policy, we maintain a minimum of two suppliers for each material, selecting partners based on criteria such as cost and quality. The Group conducts regular evaluations of suppliers against various benchmarks, including environmental impact, price competitiveness, delivery reliability, product quality, and after-sales support. Sustainability is integral to our approach, and we assess the recyclability of materials while prioritising suppliers who comply with rigorous quality standards.

In FY2025, our trade purchases amounted to approximately RMB 504 million estimated based on procurement records, reflecting an 7.5% decrease compared to RMB 545 million in FY2024. This corresponds with a similar decrease in the Group's revenue.

Product quality is fundamental to our business success. Our automated inspection systems, supported by advanced tools, control mechanisms, and IT applications, facilitate seamless coordination at every stage of production. Furthermore, our ISO 9001 and ISO 22000/FSSC 22000 certifications from Lloyd's Register of Quality Assurance demonstrate our adherence to legal standards and our dedication to providing high-quality, safe products that consistently meet customer expectations.

Our Sustainability Governance

The Board acknowledges the vital importance of a robust governance framework in safeguarding stakeholder interests and supporting the Group's ongoing growth. Effective corporate governance, transparency, and accountability are regarded as fundamental to protecting long-term shareholder value.

In accordance with Rule 710 of the SGX-ST Listing Manual, our governance practices are fully aligned with applicable regulations, notices, and guidelines issued by the SGX-ST. The Board maintains oversight of the Group's sustainability strategies and initiatives, supported by the Audit Committee, Nominating Committee, and Remuneration Committee. This collaborative structure ensures that sustainability considerations are systematically integrated into business operations and remain consistent with the Group's strategic objectives. The Board conducts regular reviews of all sustainability matters and is committed to providing stakeholders with comprehensive and timely updates. Open and frequent communication is viewed as integral to the Group's sustained success, and both directors and employees are expected to uphold the highest standards of good faith and act in the best interests of the Group. To enhance the Board's capacity in fulfilling its sustainability obligations, all directors have successfully completed the requisite SGX-approved training on sustainability for directors of listed companies.

The Group has implemented a formal sustainability policy, duly approved by the Board, which sets forth our strategy for critical domains such as supply chain management, environmental stewardship, and employee relations. This policy is disseminated throughout all subsidiaries, with management responsible for ensuring operational alignment and overseeing the effectiveness of sustainability programs.

Our dedication to robust corporate governance is demonstrated through comprehensive policies addressing Conflict of Interest, Whistleblowing, and the Code of Business Conduct. Internal control mechanisms have been established to manage financial, operational, compliance, and IT-related risks, safeguarding both shareholder value and the Group's assets.

We are pleased to confirm that no instances of non-compliance with environmental laws or regulations were recorded during FY2025. Looking ahead, we remain focused on monitoring regulatory developments and maintaining compliance across all jurisdictions in which we operate.

Stakeholder Engagement

The Group places significant emphasis on incorporating stakeholders' perspectives into the formulation of corporate strategies that foster sustainable, long-term growth and development. Through ongoing engagement with a broad spectrum of stakeholders—including customers, employees, investors, suppliers, and regulatory authorities—the Group is committed to understanding and addressing their respective interests and concerns. This strategic approach enables effective management of stakeholder expectations and underpins the resilience and sustainability of our business operations.

The following table presents the channels utilised by the Group to engage with key stakeholders during FY2025.

| Key Stakeholders | Engagement Channels | Key Interests of Key Stakeholders |
|---------------------------|--|--|
| Customers | <ul style="list-style-type: none"> Regular interactions Enquiry and feedback channels Strategic partnership on products recyclability and degradability | <ul style="list-style-type: none"> Top-notch customer service Timely delivery After-sales service |
| Employees | <ul style="list-style-type: none"> Annual employee performance appraisal Regular team meetings Employee training | <ul style="list-style-type: none"> Staff rights and welfare Safe working environment Opportunities for personal and career development |
| Investors | <ul style="list-style-type: none"> Regular investor meetings Annual and interim reports Circulars to shareholders | <ul style="list-style-type: none"> Revenue growth and profitability Sustainable shareholder returns Responsible allocation of capitals to ensure sustainable growth |
| Suppliers | <ul style="list-style-type: none"> Product presentations Quote and contract discussions Delivery updates Strategic partnership on products recyclability | <ul style="list-style-type: none"> Timely payments and fair terms High integrity and ethical standards |
| Government and Regulators | <ul style="list-style-type: none"> Participation in industry meetings with regulators Regular reports Participation in discussions | <ul style="list-style-type: none"> Compliance with regulations Timely reporting and resolution of issues |

Materiality Assessment

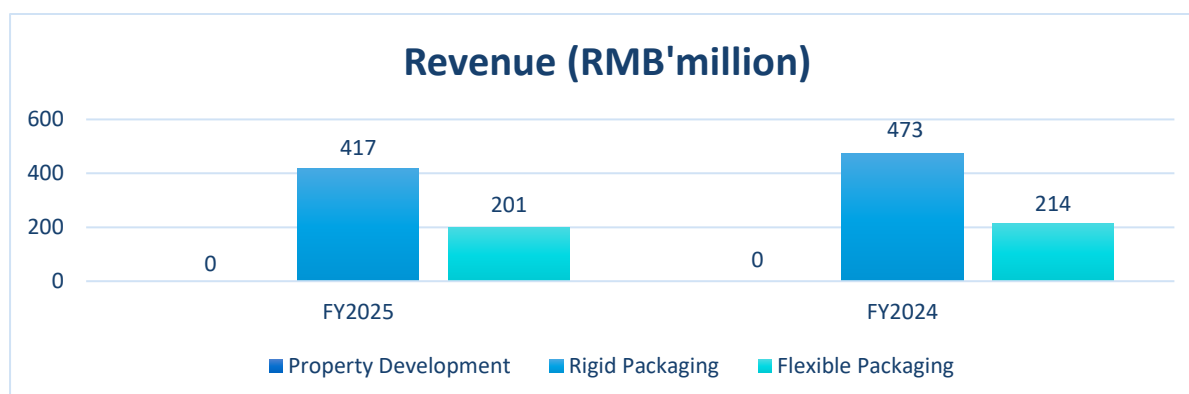
The Group has completed a review of its material topics, taking into account feedback received from stakeholder engagements. For FY2025, it has been determined that the four material topics identified in FY2024 continue to be pertinent to our business and stakeholders. Consequently, no additional topics have been introduced for FY2025.



Economic Performance

Performance

The Group's revenue decreased by RMB 69.6 million from **RMB 687.9 million in FY2024** to **RMB 618.3 in FY2025**. The decrease of sales is mainly due the decrease in domestic demand. Further details and breakdown of our economic value generated by business segments for both FY2025 and FY2024 are stated in the following table below.



| Total Operating Income (RMB' Million) | FY2025 | FY2024 |
|---------------------------------------|--------------|--------------|
| Revenue | 618.3 | 687.9 |
| Add: Other operating income | 12.3 | 15.0 |
| Total | 630.6 | 702.9 |

The Group's breakdown of economic value distributed for both FY2025 and FY2024 are stated in the following tables below.

| Expenses (RMB' Million) | FY2025 | FY2024 |
|---|--------|--------|
| Operating costs and employee wages ¹ | 618.4 | 683.2 |
| Interest expense | 18.58 | 20.78 |

¹ This includes cost of sales, distribution expense, and administrative expense

| | | |
|-----------------------------|--------|------|
| Tax expense (credit) | (0.70) | 7.86 |
|-----------------------------|--------|------|

The Group's interest expense decreased by RMB 2.20 million, primarily attributable to the lower bank borrowing interest rates.

Taking the difference between economic value generated and economic value distributed, the Group's economic value retained is stated below.

| Economic Values (RMB' Million) | FY2025 | FY2024 |
|---------------------------------------|---------------|---------------|
| Economic Value Generated | 630.6 | 702.9 |
| Economic Value Distributed | 636.3 | 721.8 |
| Economic Value Retained | -5.7 | -18.9 |

The Group is focused on forging strategic partnerships with new multinational corporate clients. Concurrently, we are dedicated to developing innovative products and expanding our production capacity in the near term. We also maintain a strong commitment to enhancing operational efficiency by strategically utilising technology and R&D capabilities to reduce costs and improve productivity.

For more details on the Group's economic performance, please refer to our Annual Report FY2025.

Our Targets:

The Group has the following targets for improving our economic performance.

| | |
|------------------------------|--|
| Short-term | Our goal is to strengthen market development and expand the sales revenue of our advantageous projects in segmented markets, such as high-end pharmaceuticals, health food and dairy products, and sauce packaging markets. At the same time, we aim to further enhance our company's research and development innovation capabilities, improve our gross profit margin through timely innovation of new products, and enhance our overall profit performance. |
| Medium- and Long-term | Enhance our core competitiveness, focus on strengthening R&D development and innovation, and jointly develop with market-leading brand customers to form broader strategic cooperation, in order to achieve longer-term and more stable sustainable development. |

Employment

Employees play a pivotal role in sustaining the organisation's competitive advantage and product excellence. A comprehensive human capital strategy has been implemented, incorporating equal opportunity initiatives designed to attract and retain skilled professionals from a wide array of backgrounds. Competitive remuneration and benefits are provided, inclusive of social and health insurance, healthcare coverage, parental leave, and annual leave entitlements.

Employee health and wellbeing are promoted through provisions such as social insurance, housing fund contributions, paid leave, safe work environments, and the supply of requisite equipment. The Group facilitates career development through structured training programs and promotes physical health by ensuring regular medical examinations and access to healthcare services.

Performance

We had a total of 1,048 employees as of the end of FY2025 (FY2024: 1,069 employees), of which 412 are permanent staff. Further breakdown of our employees is listed below.

| Gender | FY2025 | FY2024 |
|--------------|--------------|--------------|
| Male | 617 | 587 |
| Female | 431 | 482 |
| Total | 1,048 | 1,069 |

| Region | FY2025 | FY2024 |
|----------------|--------------|--------------|
| Singapore | 7 | 10 |
| Eastern China | 308 | 291 |
| Southern China | 733 | 768 |
| Total | 1,048 | 1,069 |

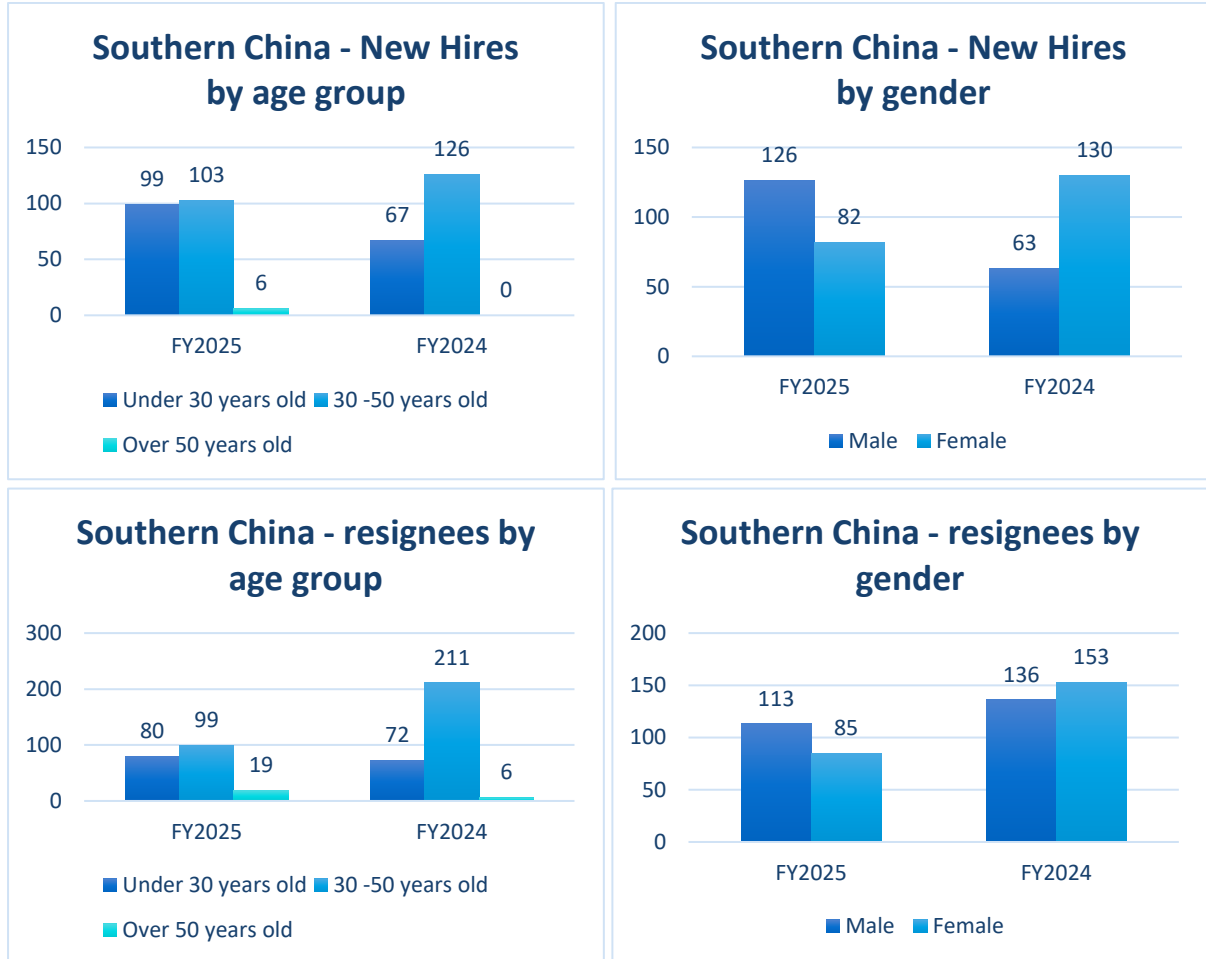
| Functions | FY2025 | FY2024 |
|----------------------------|--------------|--------------|
| Management and Supervisory | 189 | 213 |
| Research and Development | 25 | 38 |
| General Workers | 834 | 818 |
| Total | 1,048 | 1,069 |

| Age group | FY2025 | FY2024 |
|--------------------|--------------|--------------|
| Under 30 Years Old | 157 | 134 |
| 30 – 50 Years Old | 720 | 831 |
| Over 50 Years Old | 171 | 104 |
| Total | 1,048 | 1,069 |

New Hires and Employee Turnover²

Southern China Operations

In Southern China, our new hire rate³ increased from 22.3% in FY2024 to 27.1% in FY2025, and our employee turnover rate⁴ decreased from 33.4% in FY2024 to 25.8% in FY2025. A breakdown of our employee new hires and employee turnover by gender and age group are as follows:



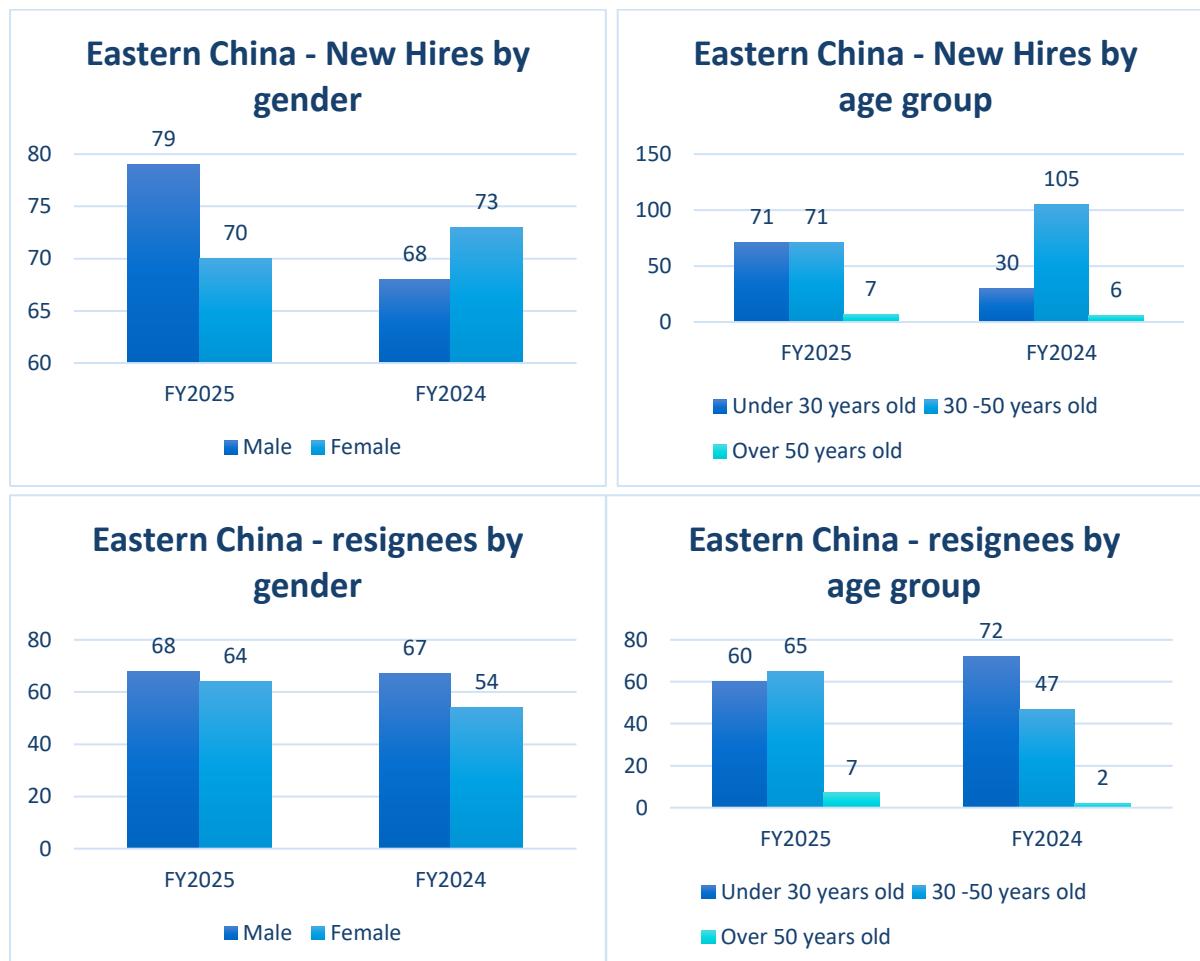
² FY2024 new hire and employee turnover rates are restated due to a change in calculation formula.

³ Computed based on number of new hires for the reporting period divided by headcount as of the end of the reporting period

⁴ Computed based on number of resignees for the reporting period divided by headcount as of the end of the reporting period

Eastern China Operations

In Eastern China, our new hire rate decreased from 52.0% in FY2024 to 51.2% in FY2025, and our employee turnover rate increased from 44.6% in FY2024 to 45.4% in FY2025. A breakdown of our employee new hires and employee turnover by gender and age group are as follows:



The high turnover rates for Southern and Eastern China are mainly due to the majority of new hires and resignees being temporary/contract employees.

Our Targets:

The Group has the following targets for improving our labour force.

| | |
|-------------------|---|
| Short-term | To maintain the employee turnover rate at or below 38% moving forward. |
| Long term | To improve employee welfare and provide a platform for employees to achieve their full potential and contribute to the Group's success. |

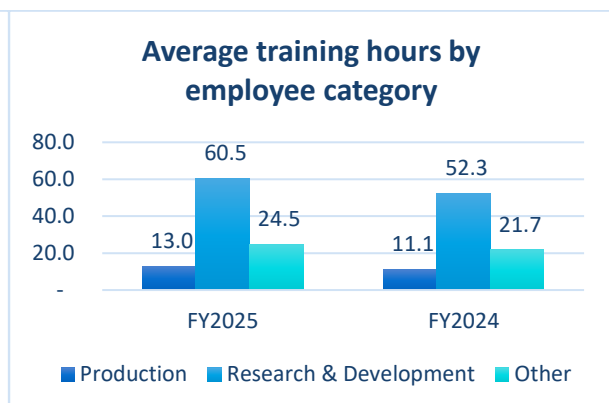
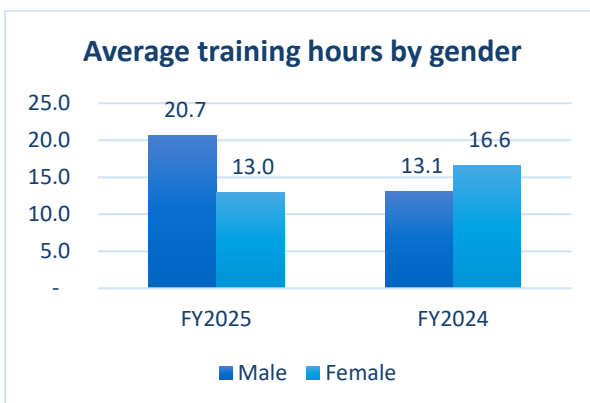
Training and Education

The Group views its employees as key to business success and ongoing growth. Our competitiveness and service quality depend on employee skills, so we support continuous learning and adaptability. We foster an inclusive, collaborative workplace and offer training that includes internal courses, hands-on experience, product safety, and industry updates, ensuring our staff stay current and professionally supported.

Performance

In FY2025, there was an increase in our total training hours for our workforce as compared to last year. With an average of 16.2 training hours per employee, we also met the FY2024 target of at least an average of 8.0 training hours per employee. The breakdown of our training hours is stated below.

| Category | Total training hours | | Total headcount | |
|-----------------------------|----------------------|---------------|-----------------|--------------|
| | FY2025 | FY2024 | FY2025 | FY2024 |
| By Gender | | | | |
| Female | 8,047 | 7,686 | 617 | 587 |
| Male | 8,939 | 8,013 | 431 | 482 |
| Total | 16,986 | 15,699 | 1,048 | 1,069 |
| By Employee Category | | | | |
| Production | 10,846 | 9,095 | 834 | 818 |
| Research & Development | 1,512 | 1,989 | 25 | 38 |
| Other | 4,628 | 4,615 | 189 | 213 |
| Total | 16,986 | 15,699 | 1,048 | 1,069 |



Our Targets:

The Group has the following targets for improving our efforts in training and education.

| | |
|-------------------|---|
| Short-term | To provide regular training sessions for all employees with a minimum of average training hours of 8.0 hours per employee. |
| Long term | To develop a comprehensive training programme which covers all essential skills required for employees at different levels in the organisation. |

Environmental Protection

The Group is dedicated to contributing significantly to a decarbonised future by refining internal processes and implementing active measures to reduce its carbon footprint. This commitment is consistent with the Government's strategy for a low-carbon economy and underpins the Group's continuous initiatives to improve operational efficiency in support of overarching environmental goals.

Energy

To address the environmental effects of electricity use, the Group has launched energy-saving measures throughout its offices and production sites. These steps include adopting energy-efficient devices, installing advanced Volatile Organic Compounds ("**VOC**") treatment systems imported from Europe, and encouraging employees to follow energy-saving practices.

The VOC treatment equipment efficiently controls exhaust emissions produced during flexible packaging manufacturing, helping the Group meet the Emission Standards of Air Pollutants for Printing Industry GB 41616-2022. This standard sets the NMHC emission limit at no more than 70 mg/m³.

Water

The Group recognises the critical importance of minimising water consumption and pollution while upholding production quality standards. Due to the significant water requirements inherent in the production process, targeted initiatives have been implemented to preserve water quality and investigate alternative sources, thereby supporting continued operational effectiveness.

1. **Source Control Measures:** The Group adopts a proactive approach by rigorously screening suppliers and selecting environmentally responsible, low-pollution raw materials. This strategy mitigates potential wastewater contamination at its origin. Additionally, production processes such as printing and laminating are optimised to maximise raw material efficiency, curtail waste, and limit excess wastewater resulting from operational errors.
2. **Preventative Maintenance:** Systematic maintenance procedures for production equipment - including inspections of pipes, valves, and associated components - are conducted regularly to prevent material leakage into wastewater systems, thus lowering the risk of water pollution.
3. **Technological Investment:** To enhance water stewardship, the Group is considering the phased replacement of existing open cooling towers with either closed cooling tower systems or plate heat exchangers. This transition aims to protect water quality, reduce water loss, and enable more effective water treatment and reuse.

Performance

The Group's total consumption and usage comparison of electricity, water and natural gas for FY2025 and FY2024 are stated in the following table. In FY2025, our electricity consumption

decreased, while our natural gas and water consumption increased slightly. However, the intensities increased across all consumptions due to a smaller revenue in FY2025.

| Resources | FY2025 | FY2024 ⁵ | Changes between FY2025 and FY2024 |
|---|---------|---------------------|-----------------------------------|
| Consumption of electricity (GJ) | 243,320 | 260,949 | -6.8% |
| Consumption of natural gas (GJ) | 40,781 | 40,411 | +0.9% |
| Consumption of water from public water utilities (tonnes) | 252,895 | 249,140 | +1.5% |
| Revenue generated (RMB'million) ⁶ | 618.3 | 687.9 | -10.1% |
| Intensity Ratios | | | |
| Electricity intensity ratio ⁷ | 393.5 | 379.3 | +3.7% |
| Natural Gas intensity ratio ⁸ | 66.0 | 58.7 | +12.4% |
| Water intensity ratio ⁹ | 409.0 | 362.2 | +12.9% |

Our Targets:

The Group has the following targets for improving our efforts in environmental protection.

| | |
|-------------------|--|
| Short-term | Please refer to the Metrics & Targets section of the Climate-related Disclosures section. |
| Long term | To gradually reduce overall electricity, water and natural gas consumption by establishing the energy utilisation mechanism to optimise emissions reduction. |

⁵ FY2024 electricity and natural gas consumption have been restated in GJ in alignment with ISSB disclosure requirements, Intensity figures are also restated due to previous calculation errors.

⁶ The sales of property development did not attribute to the changes in the consumption level of electricity and water. Hence, this value excluded revenue from the sales of property development.

⁷ Ratio is calculated by consumption of electricity (GJ) divided by revenue generated (RMB'million)

⁸ Ratio is calculated by consumption of natural gas (GJ) divided by revenue generated (RMB'million)

⁹ Ratio is calculated by consumption of water from public water utilities (tonnes) divided by revenue generated (RMB'million)

Climate-related Disclosures

In FY2025, the Group continues to regard climate change as a critical strategic priority. We are committed to further enhancing transparency and equipping stakeholders with comprehensive insights into our management of climate-related risks. As we progress towards our net-zero emissions target, we will deepen the integration of climate risk management across our operations and refine our strategies to address evolving climate challenges. These ongoing initiatives reflect our strong commitment to sustainability and our responsibility to minimise environmental impact while pursuing long-term business growth.

In compliance with SGX regulations, we are transitioning from the TCFD framework to the ISSB standards, which offer a more comprehensive and globally consistent approach to sustainability disclosures. This report represents our initial year of alignment with ISSB standard disclosures, which we target to fully implement by FY2030 in accordance with SGX requirements.

Governance

The Board holds ultimate responsibility for overseeing all climate-related matters, while senior management is charged with the identification, assessment, and management of climate-related risks and opportunities. Regular meetings between the senior management team and the Board facilitate updates and thoughtful discussions on climate issues.

To further strengthen this governance framework, senior management has established a dedicated Climate Risk Management Committee. This committee supports the Board in making well-informed decisions regarding climate risk management and ensures their effective implementation. Its remit includes the development and oversight of climate risk strategies, encompassing the continuous identification and evaluation of climate-related risks that may impact the Group. Specific climate risk management objectives will be defined, with a monitoring system implemented to track progress against these targets. Furthermore, strategies and measures will be regularly refined in response to monitoring insights and evolving conditions within the external sustainability landscape.

Strategy

During FY2023, we conducted a comprehensive review of climate-related risks and opportunities most pertinent to our business activities. In order to address these factors effectively, we established clear timeframes for short-, medium-, and long-term planning:

- **Short-term:** 1 to 2 years
- **Medium-term:** 3 to 5 years
- **Long-term:** Over 10 years

These intervals were determined following a thorough assessment of the Group's operations and with the recognition that climate-related challenges typically develop over extended periods.

Climate-related risks

| Type and Name of Climate Risk | Scope (by sector) | Timeframe | Risk Description | Potential (Financial) Impacts | Risk Mitigation |
|--|---|--------------------------|--|---|---|
| Transition Risk – Market Poor management of electricity usage | By sector; All sectors are evenly affected. | Short-term and Long-term | Poor electricity management presents an increased risk of operational disruptions. The need to make changes for operational hours can directly impact worker productivity and overall output. Furthermore, the risk of not adhering to laws and regulations governing maximum and minimum energy usage levels may bring about potential legal and operational impacts. | Operational disruptions and failure to comply with regulations will result in increased productivity, monetary, and manpower costs. Over time, the necessity of investing in automation or energy storage systems will further increase the Group's operational expenses. | <ul style="list-style-type: none"> • Conduct thorough audits to identify the most energy-intensive processes to find measures to effectively reduce electricity usage. • Adopt variable-frequency equipment and optimise production scheduling to reduce power waste. • Optimise production processes to be more flexible in energy usage. • Engage with energy providers to negotiate better rates for off-peak usage and to understand any potential incentives. • Careful management and clear communication regarding electricity usage policies are imperative to maintain smooth operations and regulatory compliance for employees. |

Southern Packaging Group Limited

| Type and Name of Climate Risk | Scope (by sector) | Timeframe | Risk Description | Potential (Financial) Impacts | Risk Mitigation |
|--|---|---------------------------|---|---|--|
| Transition Risk – Market Production of poor-quality recycled plastic products | By sector; All sectors are evenly affected. | Medium-term and Long-term | In striving to meet the evolving demand for recycled plastic products, the Group faces several risks. These include potential inconsistencies in the quality and availability of recycled raw materials, which could significantly disrupt production processes and compromise the final product's quality. Furthermore, adopting new processing technologies or modifying existing equipment poses transition risks due to unfamiliar processes. Additionally, ensuring compliance with environmental and safety standards for recycled plastic products presents a significant challenge. | The cost of the transition to utilise recycled materials to produce recycled products may result in various additional costs when compared to current operations costs, impacting profit margins. | <ul style="list-style-type: none"> • Establish stable partnerships with suppliers to ensure the quality and supply of recycled materials. • Strengthen production process control to ensure that the performance of recycled plastic products meets standards. • Analyse the costs of recycled plastics against traditional plastics to set clear cost control targets. |

Climate-related opportunities

| Type and Name of Climate Opportunity | Scope (by sector) | Timeframe | Opportunity Description | Potential (Financial) Impacts | Management Approach |
|--|---|---------------------------|---|---|---|
| Resource efficiency Effective Electricity Use | By sector; All sectors are evenly affected. | Short-term and Long-term | The group can effectively manage electricity usage by making use of more off-peak hours. Additionally, the Group can prioritise investments in energy-efficient technologies and processes. Demonstrating all this commitment to energy conservation not only aligns with sustainability goals but also enhances the company's brand reputation as a leader in environmental stewardship. | Using electricity during off-peak hours and utilising more energy-efficient technologies and processes more effectively can significantly reduce energy costs. | <ul style="list-style-type: none"> • Train employees to adapt to new operational schedules and to understand the importance of energy management. • Optimise production scheduling to reduce electricity waste. • Negotiate with power companies to lower electricity prices. |
| Products and services Increased consumer demand for more recycled plastic | By sector; All sectors are evenly affected. | Medium-term and Long-term | By offering recyclable plastic products, the Group can effectively distinguish itself from competitors while meeting the growing demand for environmentally friendly solutions in the market. In the long term, optimised recycling processes have the potential to significantly reduce raw material costs, provided that innovative processes are developed and implemented effectively. Moreover, there are promising opportunities for collaboration with both upstream and downstream enterprises within the supply chain to explore and develop applications for recyclable plastics, further enhancing the | We may receive tax benefits or subsidies from the government to support measures promoting sustainable practices. The ability to meet shifting consumer demands will improve our revenue and profitability. | <ul style="list-style-type: none"> • Educate customers on the value and benefits of recyclable plastics and enhance product recognition through marketing campaigns. • Continuously monitor relevant environmental regulations and policies to ensure compliance and capitalise on opportunities arising from policy changes. |

Southern Packaging Group Limited

| Type and Name of Climate Opportunity | Scope (by sector) | Timeframe | Opportunity Description | Potential (Financial) Impacts | Management Approach |
|--------------------------------------|-------------------|-----------|--|-------------------------------|---------------------|
| | | | company's sustainability efforts and market competitiveness. | | |

Scenario Analysis

The resilience of our organisational strategy is evidenced by our capacity to adapt and respond effectively to diverse climate-related scenarios, thereby safeguarding the Group's sustained growth in the face of emerging challenges. Our approach to strategic resilience, particularly within a 2-degree or lower climate scenario, is detailed as follows:

1. **Adaptability:** The Group demonstrates agility in modifying operational strategies and production processes in alignment with evolving climate trends and policy developments. This includes transitioning to environmentally responsible materials and technologies, reducing carbon emissions and energy consumption, and advancing product sustainability.
2. **Risk Management:** We are proficient in identifying and evaluating risks associated with climate change, encompassing both physical risks (such as those arising from extreme weather events affecting production and supply chains) and transitional risks (including changes in carbon taxation and environmental regulations). Through emergency preparedness and comprehensive risk mitigation measures, we strive to minimise potential disruptions to our operations.
3. **Innovation Drive:** The Group maintains a strong commitment to research and development, investing in innovative, eco-friendly materials and packaging solutions to address rising market demand for sustainable products. This dedication to innovation underpins our competitive differentiation and delivers continued value to our customers.
4. **Market Adaptability:** In response to the growing demand among consumers and businesses for sustainable and environmentally conscious products, the Group promptly adapts product portfolios and market strategies, thereby enhancing overall market competitiveness.
5. **Collaboration and Partnerships:** We engage proactively with suppliers, customers, government agencies, and non-governmental organisations to collectively address climate change challenges. These collaborations provide critical resources and support, further reinforcing our ability to manage climate-related risks effectively.

Climate Scenario Mitigation Measures:

Scenario One: Global Warming Intensifies

- Boost investment in R&D to develop heat-resistant packaging materials that can withstand higher transportation and storage temperatures.
- Improve energy efficiency in production processes and reduce greenhouse gas emissions.
- Increase reliance on renewable energy sources such as solar and wind power to lessen dependence on fossil fuels.

Scenario Two: Frequent Extreme Weather Events

- Strengthen supply chain resilience by diversifying suppliers to minimise reliance on any single source.
- Establish emergency plans, including backup production lines and temporary storage facilities, to mitigate the impact of sudden weather disruptions.

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- Collaborate with governments and industry bodies to share risk information and jointly address the challenges posed by extreme weather.

Scenario Three: Stricter Carbon Taxes and Environmental Regulations

- Proactively adapt to evolving policies by reducing carbon emissions to avoid potential increases in carbon taxes.
- Enhance monitoring and research on environmental regulations to ensure compliance with the latest legal requirements.
- Promote the circular economy by increasing the use of recyclable and biodegradable materials to reduce our environmental footprint.

Scenario Four: Growing Consumer Demand for Sustainable Products

- Strengthen R&D and promote the use of sustainable packaging materials to meet the rising market demand for environmentally responsible products.
- Engage in continuous communication with customers to understand their expectations for sustainable packaging, providing tailored solutions.
- Highlight the Group's commitment to sustainability in marketing and branding to attract environmentally conscious consumers.

Conclusion:

By focusing on adaptability, strengthening risk management, driving innovation, responding to market demands, and enhancing collaboration, the Group's organisational strategy demonstrates robust resilience in the face of a 2-degree or lower climate scenario. Through the mitigation measures outlined above, we are prepared to effectively respond to climate-related challenges, reduce risks, capitalise on opportunities, and achieve sustainable development over the long term.

Risk Management

The Group has put in place a formal climate risk management policy (“气候风险管理制度”). This policy assigns responsibility to the climate risk management committee for continually identifying and assessing both physical and transition climate-related risks.

Under this policy, each subsidiary must create its own climate risk management strategies with input from the committee, tailored to its unique situation. Subsidiaries are expected to implement specific actions to lower energy use and emissions, such as boosting energy efficiency and increasing the use of renewable energy.

At the Group level, the policy prioritises stronger supply chain oversight, ensuring that suppliers adhere to environmental standards. It also encourages developing and promoting low-carbon products to address growing demand for sustainable options. The policy underlines enhancing the Group’s readiness for extreme weather by improving disaster prevention at facilities and setting up emergency response plans. Additionally, it calls for the creation of a climate risk management indicator system to regularly collect and analyse relevant data for proactive risk management.

Finally, the Group is required to provide regular updates on its climate risk management efforts to external agencies, following all relevant regulations.

Metrics and Targets

Scope 1 and 2 carbon emissions

Greenhouse gas (“GHG”) emissions have been calculated in accordance with the GHG Protocol Corporate Standard, as established by the World Resources Institute and the World Business Council for Sustainable Development. FY2023 has been designated as the baseline year for tracking and assessing progress in our GHG emissions performance going forward.

The tables below provide an overview of the Group’s total GHG emissions from FY2023 to FY2025. The operational control method was utilised as the basis for our consolidation approach. Scope 1 emissions arise from the consumption of natural gas within our operations, while Scope 2 emissions pertain to electricity purchased for operational purposes.

| GHG Emissions (Scope 1) produced ¹⁰ | | | |
|--|----------------|----------------|----------------|
| Source: | FY2025 | FY2024 | FY2023 |
| Natural Gas (tCO ₂ e) ¹¹ | 2,401.0 | 2,379.2 | 2,900.1 |
| Total | 2,401.0 | 2,379.2 | 2,900.1 |

¹⁰ Scope 1 emissions for FY2023 and FY2024 have been restated to apply local emissions factors, replacing the previously used GHG Protocol factors. This adjustment improves the accuracy and relevance of the emissions data by better reflecting local operating conditions and energy profiles.

¹¹ Emissions were calculated using the Chinese Academy of Environmental Planning, Beijing Normal University, Sun Yat-Sen University, China City Greenhouse Gas Working Group. China Products Carbon Footprint Factors Database(2022)[R]. Beijing, 2022

| GHG Emissions (Scope 2) produced | | | |
|---|-----------------|-----------------|-----------------|
| Source: | FY2025 | FY2024 | FY2023 |
| Purchased electricity from national grid ¹² (tCO ₂ e) | 38,546.0 | 41,338.7 | 38,925.0 |
| Total | 38,546.0 | 41,338.7 | 38,925.0 |

| GHG Emissions intensity | | | |
|--|-------------|-------------|-------------|
| | FY2025 | FY2024 | FY2023 |
| Total Scope 1 and 2 GHG Emissions (tCO ₂ e) | 40,947.0 | 43,420.0 | 41,458.3 |
| Revenue (RMB 'millions) | 618.3 | 687.9 | 691.6 |
| GHG Emissions intensity ratio (tCO₂e / RMB' million) | 66.2 | 63.1 | 59.9 |

In FY2025, Scope 1 emissions from natural gas had a marginal increase while Scope 2 emissions from purchased electricity declined as compared to FY2024. This resulted in a decrease in the total Scope 1 and Scope 2 emissions from FY2024 to FY2025.

When compared against the FY2023 baseline, the Group recorded a reduction in both Scope 1 and Scope 2 emissions. Consequently, total emissions in FY2025 also decreased as compared to baseline emissions.

In response to the global emphasis on addressing climate change, both governmental authorities and consumers increasingly expect organisations to measure and reduce their GHG emissions. Accordingly, we recognise the significance of understanding our carbon footprint and have committed to actively managing it. Our climate-related targets, detailed in the table below, have been thoroughly evaluated for both practicality and feasibility, ensuring the company can make consistent and substantive progress in mitigating climate impacts.

| Time Horizon | Targets | Progress on targets |
|--------------|---|--|
| Short-term | <ul style="list-style-type: none"> Continue to review and refine the Group's carbon emissions inventory by periodically assessing the Group's direct and indirect greenhouse gas emissions and updating the emissions inventory with more representative and locally applicable emissions factors where appropriate. | <ul style="list-style-type: none"> Updated the emissions factors used for the Group's carbon emissions calculations with reference to the China Products Carbon Footprint Factors Database (2022), so as to better reflect local emissions factors and improve the accuracy and relevance of the Group's emissions inventory. |
| | <ul style="list-style-type: none"> Develop and implement detailed emissions reduction plans based on the Group's carbon emissions inventory, including equipment | <ul style="list-style-type: none"> Completed the initial retirement and replacement of certain high energy-consuming equipment during the year. New equipment was introduced |

¹² Emission factor applied is derived from the China Ministry of Ecology and Environment published 2022 grid emission factor at <https://climatecooperation.cn/climate/mee-released-notice-on-the-management-of-ghg-emissions-reporting-for-power-generation-sector-from-2023-to-2025/>

| Time Horizon | Targets | Progress on targets |
|--------------|---|---|
| | <p>upgrading, process optimisation and other operational improvement measures to reduce energy use and emissions.</p> | <p>in the workshop to improve the efficiency of waste gas treatment and support lower energy consumption in operations.</p> |
| | <ul style="list-style-type: none"> • Provide climate-related and sustainability training for employees and continue to strengthen awareness of climate change, energy conservation and sustainable development across the Group. | <ul style="list-style-type: none"> • Sustainability-related training continue to be conducted at the departmental level during the year to strengthen employees' awareness of climate change, environmental protection and sustainable development. |
| | <ul style="list-style-type: none"> • Conduct regular energy audits and site inspections across production workshops, warehouses and office areas to identify energy-saving opportunities and implement practical energy efficiency measures. | <ul style="list-style-type: none"> • Conducted on-site inspections of production workshops, warehouses and office areas to review equipment operating conditions, identify areas of energy waste and support follow-up energy-saving and operational improvement actions. |
| Medium-term | <ul style="list-style-type: none"> • Reduce the Group's greenhouse gas emissions intensity by 5% relative to the FY2023 baseline year. | <ul style="list-style-type: none"> • Compared with the FY2023 baseline year, the Group recorded a 2.1% decrease in absolute greenhouse gas emissions and a 0.3% decrease in emissions intensity, reflecting initial progress toward the medium-term reduction target. |
| | <ul style="list-style-type: none"> • Improve energy efficiency in production and operating processes by 5% through equipment upgrades, process optimisation and enhanced monitoring of energy consumption. | <ul style="list-style-type: none"> • Collected and reviewed key energy consumption data, including electricity, natural gas and fuel usage, and conducted site inspections to identify areas of low energy utilisation efficiency. Based on the findings, the Group has commenced process optimisation and equipment improvement measures. |
| | <ul style="list-style-type: none"> • Assess and progressively increase the use of cleaner and alternative energy sources where operationally and commercially feasible. | <ul style="list-style-type: none"> • The Group continued to review opportunities to reduce energy consumption through production and material optimisation. During the year, certain material changes, including changes in ink usage, contributed to lower energy consumption in selected processes. |

| Time Horizon | Targets | Progress on targets |
|-------------------------|---|---|
| | <ul style="list-style-type: none"> • Increase the use of recycled, reusable or lower-impact materials in products and packaging, where feasible and consistent with customer and quality requirements. | <ul style="list-style-type: none"> • The Group continued to operate systems for the recycling and reuse of products and packaging materials, and will continue to assess opportunities to increase the use of recycled and lower-impact materials where practicable. |
| <p>Long-term</p> | <ul style="list-style-type: none"> • Reduce the Group’s greenhouse gas emissions intensity by 10% relative to the FY2023 baseline year. | <ul style="list-style-type: none"> • The Group recorded a 2.1% reduction in absolute greenhouse gas emissions and a 0.3% reduction in emissions intensity compared with the FY2023 baseline year, representing initial progress towards its long-term emissions reduction pathway. |
| | <ul style="list-style-type: none"> • Continue to improve product recyclability and work towards increasing the proportion of products that can be recycled after use. | <ul style="list-style-type: none"> • The Group continued to review product design and material selection with reference to recyclability considerations. Progress remains ongoing. |
| | <ul style="list-style-type: none"> • Strengthen supplier environmental management and work towards increasing the proportion of suppliers that comply with the Group’s environmental standards and expectations. | <ul style="list-style-type: none"> • The Group continued to engage suppliers on environmental expectations and will progressively strengthen supplier environmental management and compliance monitoring. Progress remains ongoing. |

GRI Content Index

| | |
|-------------------------|--|
| Statement of Use | Southern Packaging Group Limited has reported the information cited in this GRI content index for the period 1 January 2025 to 31 December 2025 with reference to the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

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