

Business Expansions to Fulfill Growing Consumer Demand

SCGP pursues continuous growth through Merger and Partnership (M&P), which enlarges the customer base and enables the creation of value-accretive synergy across operations. The expedition of organic expansions to increase production capacity has also led to the enhancement in packaging solution capabilities, to serve growing customer demands.

In 2023, SCGP successfully executed 3 Merger and Partnership (M&P) deals in Italy, the UK, and Vietnam, along with 2 organic expansions in the Netherlands and Thailand. Moreover, there are 2 ongoing expansion projects in Thailand and Vietnam. Meanwhile, SCGP has also entered into a strategic partnership to create world-class sustainable innovation in renewable materials. Specific details are as follows :

1. Merger and Partnership (M&P)

■ Italy (Medical Supplies and Labware, Roletto) : SCGP acquired an 85% stake in Bicappa Lab S.r.L. (Bicappa), a specialist in pipette tips, with an investment of approximately Baht 125 million. This strategic transaction is through a subsidiary of SCGP, Deltalab, S.L. (Deltalab), which specializes in medical supplies and labware. This would strengthen Deltalab with distinguished capability of its primary supplier of pipette tips, a premium margin product in Deltalab's labware portfolio. This M&P investment provides Deltalab with access to valuable expertise in conductive polymer injection technology (For auto-pipetting) and advanced automated operations. Moreover, this advancement will open up new opportunities to expand sales of other medical supplies and labware products to Bicappa's client base. The current capacity of Bicappa is 12 plastic injection mold production lines. Bicappa's financial performance was consolidated from November 2023 onward.

■ The United Kingdom (Flexible Packaging, Stockport) : The acquisition of 100% of Law Print & Packaging Management Limited (Law Print), a prominent packaging solution provider, was completed with an investment of approximately Baht 475 million. This transaction would enlarge SCGP sales channels and customer networks with focus on the premium market of fast-growing pet food manufacturers in the UK

and across Europe. This forward integration enables SCGP to supplement its customer's network with Law print's existing and future clients. Additional benefit will be on synergies via cross-selling of other SCGP's consumer packaging products to multinational companies (MNC) clients. Law Print's financial performance was consolidated from November 2023 onward.

■ Vietnam (Fiber Packaging, Dong Nai) : SCGP acquired a 70% stake in Starprint Vietnam Joint Stock Company (SPV), a leading offset folding carton manufacturer, with a total investment of approximately Baht 987 million. This transaction emphasizes SCGP's commitment to meet Vietnam's rising packaging consumption. The M&P will further enhance SCGP's packaging solutions portfolio with expanded production in folding carton, and extend the portfolio with new capabilities to produce rigid box, which will enable SCGP to serve the fast-growing and high-margin aesthetic display packaging segments. The combined capacity of SPV encompassed 16,500 tons of offset printing per year and 8 million pieces of rigid boxes per year. SPV's performance will consolidated from January 2024 onward.

2. Organic Expansion

■ The Netherlands (Packaging Materials Recycling, Alblasserdam) : A facility expansion and relocation project for international recycling business, from Dordrecht to Alblasserdam, nearby Rotterdam port, under Peute Recycling B.V. (Peute) was completed. The project would improve transportation efficiency, double the sourcing and processing capacity of recovered paper to 2 million tons per year and recovered plastic to 0.2 million tons per year, while also enabling SCGP to significantly improve the fulfillment of recycling materials to global customers. This project started commercialization in November 2023.

■ Thailand (Flexible Packaging, Samutsakorn) : SCGP has enlarged its consumer and performance packaging business under Prepack Thailand Co., Ltd. (Prepack). The capital expenditure for this project was part of the total investment in asset acquisition project in December 2022 from Cyberprint Group Co., Ltd. (Cyber),

a multi-type printing and packaging service provider in Thailand, with the amount of Baht 450 million. This expansion not only boosts Prepack's production capacity by approximately 26 million square meters per year, or an increase of 6% over existing capacity, but also extends the customer network by tapping into Cyber's rapidly growing customer segments in pet food and health supplement products. The additional capacity also enables SCGP to fulfill the evolving needs of customers related to on-the-go urban lifestyles. Completion of main facility and support systems were in the third quarter of 2023. The installation of printing machines is currently ongoing.

The 2 ongoing organic expansions are as follows :

- Thailand (Fiber Packaging, Samutprakan and Samutsakorn) : SCGP is expanding corrugated containers capacity in response to surge in domestic demand. This project incorporates the latest available technology of production and printing capabilities, including robotic, automation and attractive printing application. This will add 75,000 tons per year of production capacity, which is equal to 9% of total fiber packaging capacity in Thailand, with an investment of Baht 2,450 million. The project is strategically located at the center of customers' production hubs, making it a pivotal factor in accommodating growing customer orders while improving cost competitiveness in logistics. Currently, the corrugator building has been completed while installation of machinery is ongoing with an expected start-up in the first quarter of 2024.
- Vietnam (Packaging paper, North Vietnam) : A new production base in the northern region of Vietnam under Vina Kraft Paper Co., Ltd. (VKPC) will support the packaging market growth driven by rising demand of industrial & export sectors, and surge in FDI as a result of investment promotion policy.



This project will add packaging paper capacity of 370,000 tons per year or an increase of 75% from existing capacity with capital expenditures amounted to Baht 11,793 million. Approval of Environmental Impact Assessment (EIA) was already completed while the land preparation process is ongoing. Nevertheless, further investment in the project is currently under review amid the latest development of demand and supply condition in the region. Final investment decision is expected by the end of 2024.

3. Joint Development Agreement (JDA)

- SCGP has entered into a joint development agreement with Origin Materials, a NASDAQ-listed technology company, to develop sustainable innovation “Bio-based Plastic” from Eucalyptus woodchips to capture emerging growth in renewable materials globally. This partnership would also strengthen integration along SCGP's value chain. Proof-of-concept, technology verification, and pilot testing stages have been completed. The project is currently progressing towards the study of yield enhancement and identifying potential partners and markets.

