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

Sustainability Reporting 2018

Table of Contents

About this Report

Southern Packaging Group Limited (the “Southern Packaging”, “the Company” or together with its subsidiaries, the “Group” or “we” or “us” or “our”) commits our sustainability efforts through our sustainability report, prepared in accordance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B and in accordance with the Global Reporting Initiative (“GRI”) Standards (2016) – Core option. We adopted the GRI framework due to its robust and internationally-recognised benchmark for the disclosure of governance approaches on the environmental, social and economic performance and impacts on organisation.

This report covers information from 1 January 2018 to 31 December 2018 pertaining to our Group’s business, which produces flexible and rigid packaging products used in food, medical, personal grooming and household industries. Our production facilities are strategically located at the most economically vibrant regions in China, Southern and Eastern China. In our second sustainability report, we hope to discuss and explore the Group’s achievements and performance towards Environmental, Social and Governance (“ESG”) factors by comparing results against our performance in FY2017 and setting targets for the Group in FY2019.

In this second sustainability report, our Group has yet to seek external assurance for FY2018.

Contact Point and Feedback

We welcome any feedback and enquiries in relation to this sustainability report, you could reach us at public@southern-package.com.

Chairman Message

Our Group views sustainability as part of the key component in formulating business strategy for the long term growth of our Group. As part of the continued efforts in communicating our sustainability efforts to the stakeholders, we are pleased to present our second sustainability report for the financial year ended 31 December 2018 (“FY2018”), which discusses our efforts and initiatives towards sustainable development.

Our corporate sustainability approach involves formulating a sustainable business model by incorporating environmental, social and governance aspects to achieve long term success of our Group. In order to attain our goals, we have looked at different dimensions covering at economic performance, environment protection and compliance, employment and training and education for our employees.

FY2018 was a challenging year for us as China’s economic growth slowed down and we faced with rapid changes in market demand. In view of these market challenges, we continued to stay committed to our business strategy in this dynamic environment whilst maintaining sustainable development of our Group.

During the year, we worked with the R&D centres of many multinational companies in the Asia-Pacific region and launched new products and projects successfully. As our business continues to evolve and grow, we had expanded our production base to Jiangsu, Eastern China and became one of the largest plastic packaging suppliers in China.

We look forward to embark on more cooperative relationships with our business partners and positively improve our manufacturing competitive advantage.

Corporate Profile

Vision

To be the leading plastic packaging manufacturer in Asia, investing on innovative technology to provide superior quality products to our customer.

Mission

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

As one of the leading producers in Rigid packaging and Flexible packaging products in China, we are listed in the Singapore Stock Exchange (SGX) Mainboard on 12 November 2004, a public company limited by shares, incorporated and domiciled in Singapore with its registered office at 80 Robinson Road, #02-00, Singapore 068898 and principal place of business at No. 9 Foping Four Road, Gui Cheng, Nanhai, Foshan City, Guangdong 528251, People's Republic of China.

Southern Packaging earned positive reviews as one of the leading enterprise in China's plastic packaging industry. We have one of the world's advanced level printing technology and equipment and produce high quality and safe packaging products. Through its large scale production capacity, we are committed to deliver high quality products requirements in the pharmaceutical, food and beverage, personal care industries. Our production facilities strategically located at the most economically vibrant regions in Southern and Eastern China.

Corporate Profile

Core Values

Customer First: We believe that customer loyalty comes from good customer experience. Southern Packaging strives to provide exceptional service and quick response to customer demand and continue to provide customers with packaging solutions.

Green Innovation: The key for constant growth of an enterprise is to have an endless passion for innovation. Southern Packaging is focused on innovation that considers the environment and society thus improving quality of life for our customers.

Pursuit for Excellence: We achieve excellence by enhancing product value, employee value, business value and social value. Excellent quality not only means good product quality, but also high quality service, and healthy living space.

Supply Chain Management

Our principal activities are in the business of manufacturing and sale of flexible and rigid packaging products. Our customers are mainly manufacturers of consumer products in the pharmaceutical, food, beverage and personal care industries, which include Multi-National Companies ("MNC") or subsidiary enterprises of MNCs; Hong Kong based or Hong Kong listed companies and China companies.

Our manufacturing operations consume substantial raw materials include plastic films and resins which are used for the manufacture of our packaging products. In FY2018, total value of our purchases from suppliers were approximately RMB587 million, an increase of 4.3% from FY2017. We aim to source responsibly by establishing relationships with suppliers that possess good work ethics, promotes positive working environment for its employees and practice advocates human rights.

We compiled a list of approved suppliers whom we have established long working relationship and made frequent purchases from them. We perform periodic supplier assessment to ensure that key requirements such as price competitiveness, delivery time, products quality and after-sales service met our standard. The assessment is performed by taking into consideration the results from the various Business Units. From FY2017 to FY2018, there were no significant changes made to our supply chain management.

Governance and Sustainability Approach

The Board of Directors ("BOD") is in charge of overseeing and monitoring the sustainability efforts that the Group undertakes. BOD guides in the selection and reporting of the economic, environmental, and social topics of this report. BOD has the required competencies and through many years of experience in the industry, it brought invaluable insights to the Group and enables the Group to perform operations efficiently and effectively.

The Board comprises of ten Directors, one of whom is female, Madam Mai Shuying who is our Executive Director. This is recommended under the Code of Corporate Governance 2018 (the "Code"), which is to provide appropriate gender diversity within the Board for holistic and balanced decision-making.

Name	Designation
Pan Shun Ming	Executive Chairman and Chief Executive Officer
Chen Xiang Zhi	Executive Director and Vice Chairman
Pu Jinbo	Executive Director and Deputy Chief Executive Officer
Mai Shuying	Executive Director
Li Yonghua	Executive Director and Chief Operating Officer
Yeung Koon Sang @ David Yeung	Lead Independent Director
Chia Chor Leong	Independent Director
Chung Tang Fong	Independent Director
Tan Jiansheng	Independent Director
Guo Weihai	Independent Director

Key stakeholders needs and concerns are conveyed through formal and informal avenues of communication to our Group. Senior management is responsible for the on-going communication to the BOD and ensures that the needs and concerns of key stakeholders are well-addressed. Our Group made efforts in communicating with the key stakeholders which plays a pivotal role to the Group's value creation strategy.

We see corporate governance as a key foundation towards our Group's success and we stay committed in delivering high standards of corporate governance. In addition, we promote transparency in its policies and procedures. For detailed explanation on corporate governance, please refer to Corporate Governance Report in our Annual Report 2018. For good corporate governance, we have in place established policies such as Conflict of Interest, Whistleblowing polices and Code of Business Conduct as part of our efforts.

Stakeholders and Materiality

We recognise the importance of addressing stakeholders concerns in a timely manner as a form of maintaining our Group's long term growth as well as responsible business development relating to ESG factors. Therefore, we made efforts in communicating with our key stakeholders to address their needs and concerns. We communicate regularly with our stakeholders by providing an open and transparent channel for them to express their concerns, reviewing and considering those concerns and responding them in a timely manner.

Stakeholder Group	How we engage	Key interests
Customers	▪ Daily interactions ▪ Enquiry and feedback channels ▪ Customer survey	▪ Top notch customer service ▪ Additional after sales services
Employees	▪ Annual employee performance appraisal ▪ Regular team meeting ▪ Employee training	▪ Staff right and welfare ▪ Good working environment ▪ Advance employee skills
Investors	▪ Regular investor meetings ▪ Annual and interim reports ▪ Circulars to shareholders	▪ Profitability ▪ Transparency ▪ Timely reporting
Suppliers	▪ Periodic supplier evaluation ▪ Comparison of quotes ▪ Periodic discussion	▪ Compliance with terms and conditions of purchasing policies and procedures ▪ Maintenance of ethical standards
Government and Regulations	▪ Face-to-face meetings ▪ Regular reports ▪ Participation in discussions	▪ Compliance with regulations ▪ Timely reporting and resolution of issues

Stakeholders and Materiality

Through ongoing communication and engagements that we have with our internal and external stakeholders, we have evaluated and identified ESG factors that are of relevance to our business and are of utmost importance to the stakeholders and the Group. We have decided to disclose the factors indicated below for our second sustainability report.

Training and Education

Employment

Economic Performance

Environmental Protection

Environmental Compliance

Training and Education

Period	Number of Trainings	Number of Attendees	Actual Training Hours
2017			
Male	101-200	1,401-1500	4,001-4,500
Female	101-200	801-900	2,001-2,500
2018			
Male	101-200	1,401-2,100	4,001-5,100
Female	101-200	801-1,000	2,001- 2,100

Period	Employee Category	Actual Training Hours
2017	Production	3,001- 3,500
	Research & Development	501 -1,000
	Other	2,001 – 2,500
2018	Production	4,001- 4,500
	Research & Development	400-500
	Other	2,001-2,500

We believe in investing in continued education and upgrading of one's skillset in order to remain relevant in the industry. Orientation programs for new hires, management skills, production management and safety management were some of the trainings provided for FY2018.

In FY2018, our Group has conducted approximately combined 7,000 hours of training for all our employees located at Eastern China and Southern China, which represents approximately 8% increase as compared to FY2017. The average training hours per employee were 4.8 hours and 5.7 in FY2017 and FY2018 respectively.

During the reporting year, all employees received annual appraisal on their performance by their superior to assess their performance. Clear objectives and goals were reiterated to align with our Group's strategy. Rewards were accorded to deserving employees who made significant contributions to the success of our Group.

Moving forward, we hope to continue to invest the efforts in trainings and to maintain the average hours of training per employee. We also strive to continue to facilitate trainings to our employees in those areas which could enhance the skills of our production workers and quality of our products and services to customers.

Employment

We believe job creation could stimulate healthy economic growth in the region that our Group operates in. We adopt a holistic approach in our hiring policy. In essence, we extend opportunities to everyone, without any discrimination. We offer competitive remuneration package to our employees by matching with the industry average or above the average in the country that we operate in. In long run, our employment strategy and practice also take into consideration of better skill-matching, increased productivity resulted from production automation initiatives, business's growth strategy and performance.

We employ people from all walks of life, bringing a diverse experience and background to the Group. During this reporting period, we have employed more than 1,200 of employees, comprises 53% of males and 47% of females. In addition to basic safe working environment, we provide employee benefits such as social and health insurance, health care, parental leave and annual leave to our employees who are all on full time basis.

We have disclosed certain employment related information below, which illustrate our efforts in providing contribution on societal aspect in the regions which our operations located. Moving forward, we hope to continue to align our employment strategy and efforts to our business performance and targets, and to enhance the working environment for all our employees.

Employment

Gender	FY2017 Number of Employee	FY2018 Number of Employee
Male	701-800	600-700
Female	601-700	500-600

Region	FY2017 Number of Employee	FY2018 Number of Employee
Singapore	11-20	1-10
Southern China	1,001-1,100	901-1,000
Eastern China	201-300	201-300

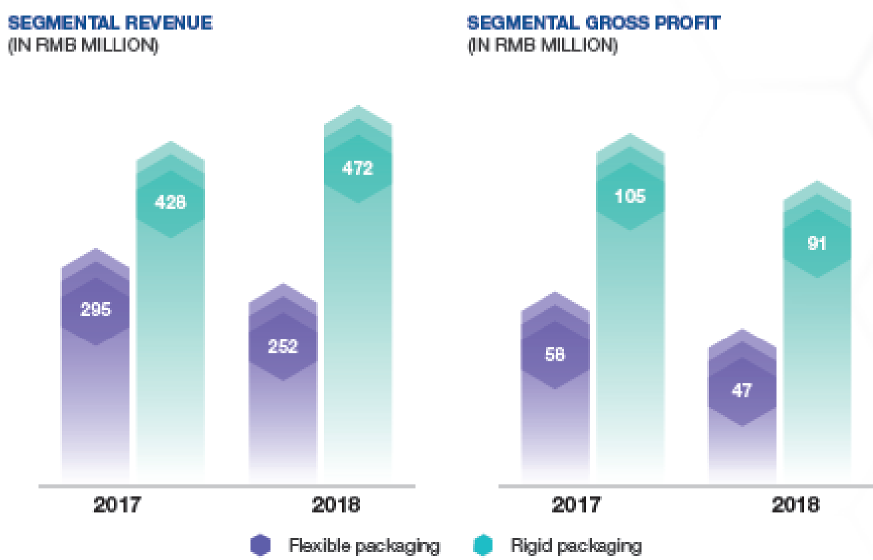
Function	FY2017 Number of Employee	FY2018 Number of Employee
Management and Supervisory	501-600	501-600
Research and Development	51-100	51-100
General Worker	801-900	601-700

Period	FY2018 New Hires		
Region/ Gender	Male	Female	Total
Singapore	-	-	-
Southern China	299	249	548
Eastern China	81	68	149

Period	FY2018 New Hires			
Region/ Age Group	Under 30 Years Old	30-50 Years Old	Over 50 Years Old	Total
Singapore	-	-	-	-
Southern China	271	273	4	548
Eastern China	103	46	-	149

Economic Performance

In FY2018, the sales revenue increased by RMB 1million, up 0.2% or approximately RMB 723 million from FY2017. The increase was due to a recent investment in rigid packaging where this segment increased sales revenue by 10.3% despite decreased in revenue in flexible packaging segment. The graph below shows a summary of the economic performance in FY2017 and FY2018. For detailed economic performance of our Group, please refer to Operations and Financial Review of our Annual Report 2018.



12 MONTHS ENDED 31 DECEMBER 2018
(IN RMB MILLION)

	2018	2017
Revenue	724	723
Gross Profit	137	163
Net Profit	(2)	26
Total Assets	988	1,004
Total Liabilities	441	454
Shareholders' Equity	547	550
Cash and cash equivalents	79	129
Earning per share (cents)	(3)	37

Through the use of technical and service innovation, we aim to restore and enhance the market share of our Group. Our investment in automation production lines in Jiangsu production base had visible results in reducing the cost of production. Moving ahead, we will follow the changes of the market closely to maintain our Group's market competitiveness and seek the best return for our supportive shareholders.

Environment Protection

Energy Conservation

The increased concern on climate change and environmental pollution is one of the key challenges that the world faces. At our offices and production facilities, our energy conservation measures include using energy-efficient equipment and devices by installing energy efficient LED lighting to help us to reduce the electrical consumption and adopting a treatment equipment to eliminate harmful emission during our production of flexible packaging. Additionally, we constantly communicate to and remind our employees on switching off electrical appliances when not in use as part of our efforts.

Water Management

Irregular rainfall patterns due to the climate change made us realise the importance of water conservation for future generations. Whilst we put in effort in sourcing for alternative water supplies, we maintain the quality of water, ensuring that its of suitable quality for the purpose of the production.

The table below illustrates the total electricity, water and natural gas consumed by our Group in FY2017 and FY2018. Having ultimate objective to minimise our carbon footprint on the environment, we will continue to monitor our usage and strive to explore ways to moderate consumption of key resources throughout our production cycle.

Resources	Total Consumption in FY2017	Total Consumption in FY2018
Electricity	64,570,000 KWh	70,169,448 KWh
Water from public water utilities	280,235 ton	379,609 ton
Natural gas	1,960,000 m^3	1,797,498 m^3

Our consumption of electricity and water is mainly for the production of rigid packaging products, which contributed to approximately 65% of total Group's revenue in FY2018. The increase in consumption of both resources in FY2018 was attributed to additional production activities in producing rigid packaging products, as a result of increase of approximately 10% sales revenue in Fy2018 as compared with FY2017. Natural gas is mainly used for producing our flexible packaging products. The decline in consumption in FY2018 is in line with the drop of revenue from flexible packaging products at approximately 15%.

Environmental Compliance

The Group is committed to create a green environment by implementing measures and initiatives in our production and operations. As mentioned earlier, we imported advanced volatile organic compound (VOC) treatment equipment from Europe in order to eliminate the harmful emission caused by the production of flexible packaging. Although this would increase the energy cost of production, the Group believes that it would be beneficial in the long term for the environment.

We follow closely on the relevant rules and regulations that the business operates in. In FY2018, there were no major incidences involving significant fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations. We aim to maintain this zero incidence record through continuance adherence to the industry regulations.

GRI Content Index

GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
102-1 Name of the organisation	1
102-2 Activities, brands, products, and services	3
102-3 Location of headquarters	3
102-4 Location of operations	3
102-5 Ownership and legal form	3
102-6 Markets served	3
102-7 Scale of the organisation	10-12
102-8 Information on employees and other workers	10-11
102-9 Supply chain	5
102-10 Significant changes to the organisation and its supply chain	Nil
102-11 Precautionary principle or approach	Not applicable
102-12 External initiatives	Not applicable
102-13 Membership of associations	Not applicable
102-14 Statement from senior decision maker	2
102-16 Values, principles, standards, and norms of behaviour	4
102-18 Governance structure	6
102-40 List of stakeholder groups	7
102-41 Collective bargaining agreements	Not applicable
102-42 Identifying and selecting stakeholders	7
102-43 Approach to stakeholder engagement	7
102-44 Key topics and concerns raised	7-8
102-45 Entities included in the consolidated financial statements	Annual Report 2018 – Investments in subsidiaries
102-46 Defining report content and topic boundaries	1
102-47 List of material topics	8
102-48 Restatements of information	Nil
102-49 Changes in reporting	Nil
102-50 Reporting period	1
102-51 Date of most recent report	26 December 2018
102-52 Reporting cycle	1
102-53 Contact point for questions regarding the report	1
102-54 Claims of reporting in accordance with the GRI Standards	1
102-55 GRI content index	15-16
102-56 External assurance	1

GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
103-1 Explanation of the material topic and its boundaries	7-14
103-2 The management approach and its components	7-14
103-3 Evaluation of the management approach	7-14
201-1 Direct Economic value generated and distributed	Annual Report 2018 – Consolidated Statement of Comprehensive Income
302-1 Energy consumption within the organisation	13
303-1 Water withdrawal by source	13
307-1 Non-compliance with environmental laws and regulations	14
401-1 New employee hires and employee turnover	11
401-2 Benefits provided to full-time employee that are not provided to temporary or part-time employees	10
404-1 Average hours of training per year per employee	9
404-2 Percentage of employees receiving regular performance and career development reviews	9