



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

Sustainability Report 2021

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ABOUT THIS REPORT

Southern Packaging Group Limited (the “Company” or “Southern Packaging”, together with its subsidiaries, the “Group”, “we”, “our”, “us”) is pleased to present our fifth Sustainability Report, for the financial year ended 31 December 2021.

This report is prepared with reference to the Global Reporting Initiative (“GRI”) Standards – Core Option and in accordance with the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules 711A and 711B – Sustainability Reporting Guide and the relevant SGX Practice Notes. We adopted the GRI reporting framework for its robust regime and internationally recognised sustainability reporting framework. The GRI content index and relevant references are provided at the end of this report.

In this report we hope to discuss and explore the Group’s sustainability strategies, achievements and performance throughout the financial year, with focus on economic, environmental, social and governance (“EESG”) aspects.

We welcome feedback on any aspect of our sustainability performance from our stakeholders. You may share with us your insight and feedback pertaining to this sustainability report at public@southern-package.com.

BOARD STATEMENT

The Group's Board of Directors (the "Board") is pleased to present our sustainability report, which encapsulates our belief that sustainability is an essential element of the Group. When formulating our business model, we strive to incorporate economic, environmental, social and governance ("EESG") aspects and impacts into our business strategy and thus ensure the Group's continuous growth and success.

The packaging manufacturing industry faced significant challenges on profitability with the on-going COVID-19 pandemic in year 2021. This is further exacerbated by the increase in prices of the raw materials and fierce competition in the consumer goods market. The Group is determined to stay competitive and flexible by implementing continuous innovation initiatives, balancing the constant growth of our enterprise while also considering the environment and society to achieve our overall objective of improving the quality of life for our consumers.

There were some COVID-19 cases reported in Guangzhou and Foshan (Nanhai district) towards the end of May 2021, the location where our flexible production facilities are situated. The lockdown measures implemented by the local government authorities as a result of the increase in the COVID-19 cases reported in Guangdong province and other parts of China has no doubt affected our business operations. The Group continues to implement prevention and control measures in ensuring the safety of our staff and workforce.

The Group's first property development project (i.e. APEX Tower), consisting of two main buildings and four subsidiary buildings which is located in Sanlong Bay, Sanshan district has been completed during FY2021 and the sale permits have been obtained for the project. During the FY2021, the Group managed to partially dispose of units in APEX Tower, which contributed to 9.3% of the total revenue of the Group. The Board is heartened at this positive start to our development in the property development business segment.

BOARD STATEMENT (CONT'D)

We wish to express our appreciation to our dedicated stakeholders for their continuous support throughout the years, especially during these unprecedented and challenging times. We look forward to your continuous participation and support in our journey towards building a sustainable future.

CORPORATE PROFILE

As one of the leading producers in rigid packaging and flexible packaging products for use in the food, medical, personal grooming and household industries in China, Southern Packaging serves the global food and beverage, pharmaceutical, household and personal care industries with enthusiasm.

The Group is a public company limited by shares and was listed on the Singapore Stock Exchange (“SGX”) Mainboard on 12 November 2004. It is incorporated and domiciled in Singapore with its registered office at 80 Robinson Road, #02-00, Singapore 068898. Our production facilities are based in Foshan Nanhai, Foshan Gaoming and Jiangsu Changzhou.



Foshan Nanhai Base



Foshan Gaoming Base



Jiangsu Changzhou Base

The Group is led by a highly qualified management team, a group of talented technical staff, and a skilled workforce. We have also developed our capabilities with automated equipment to continue pursuing production automation and intelligent information operations to improve the operational efficiency, while staying committed to our strategy and business model in achieving the Group’s long-term goals.

After winning the “China Package Technology Innovation and Sustainable Development Award 2020” hosted by the MSUCCESS Media Group, we further enhanced our presence by participating in the 56th China (Guangzhou) International Beauty Expo held in March 2021 to showcase our cosmetic and other plastic packaging products. Thanks to the exposure gained at such expos, we have successfully introduced and launched various products and packaging solutions, while also promoting collaborations with different brands, enterprises and material suppliers on their packaging solution requests.

CORPORATE PROFILE (CONT'D)

We aim to maintain our status as one of the top brands in China's plastic packaging industry by continuously investing in research and development (R&D), technology and equipment. Through this, we hope to expand our production capacity and maintain high product quality.



Core Values

Quality and Safety First

- We have a comprehensive quality management programme, which includes quality management system maintenance, quality control processes, project quality management and testing centres.
- We seek to guarantee the quality and safety of the whole supply chain from upstream suppliers, manufacturing to our end customers.

Technology Innovation, Sustainability

- The key to breakthrough development of an enterprise is endless innovation. The Group constantly improves its competitiveness in the global and China markets with technological and product innovation
- We are committed to promote the environmental protection development of the global plastic packaging industry, achieve our sustainability goals and create a better life for our stakeholders.

SUPPLY CHAIN MANAGEMENT

In view of the nature of our business, we require substantial amount of raw materials, such as plastic film, resins, adhesive and printing ink, for the production of rigid and flexible packaging products. Similar to our past practices, we adhere closely to our Group's policy in maintaining at least two suppliers for the sourcing of each of our raw materials depending on various factors such as pricing and quality. During FY2021, our trade purchases from suppliers amounted to approximately RMB 627 million (FY2020: RMB 475 million), which represented an increase of 32%, due to a corresponding increase in the revenue during FY2021.

Quality serves as our core differentiating factor and the continuous improvement of our products is our key pursuit. Our quality management system such as ISO 9001, ISO 22000/FSSC 22000 certified by Lloyd's Register of Quality Assurance assures our stakeholders of our commitment to meeting the strict laws and regulations requirements, supplying high-quality and safety products and improving the customer satisfaction.

Apart from the above, we also ensure that our suppliers maintain high quality standards by performing supplier evaluation and assessment periodically based on numerous factors such as price competitiveness, quality control, delivery time and after-sale services.

With advances in technology and manufacturing equipment, such as our large-scale production capacity, strict quality control level, R&D abilities and scientific management experience, we have gradually become the preferred plastic packaging suppliers and export our products to over 30 countries internationally. We supply packaging to famous domestic brands and several of the world's top 500 multinational companies ("MNC").

Our supply chain is also augmented with high-tech auxiliary equipment for automation of our inspection line, advanced control, communication and IT application, and we are able to coordinate several areas of our production line to achieve automatic operation. The wheel blow molding machine, matched with a high-speed automatic inspection line, ensures stable and high quality performance and also greatly reduces the labour cost.

SUPPLY CHAIN MANAGEMENT (CONT'D)

Being the leading producers in flexible packaging products, we utilise cutting-edge packaging technology and R&D to promote the development of new products and also meet customers' requirements in areas such as:

- Film making technology where the customised formula are able to meet the different requirements such as low temperature heat sealing, anti-pollution and high heat sealing strength of laminates while ensuring food and drug safety with its maximum annual capacity of 4000tons.
- Advanced printing technology (i.e. the advance computerised-controlled colour registration system and the online display system) equipped in the printing machines further ensures the excellent quality in every print with different paper materials and printing speeds.
- Our investments in leading packaging technologies such as dry laminators and extrusion laminators from Japan and the solvent-less laminator from Europe respectively have enabled us to meet the demands for high-quality lamination film while providing environmentally-friendly packaging solutions for our customers with the production of high barrier, acid resistance, sterilisation resistant products.
- In addition, different types of pouch-making machines, zipper machines and slitting machines were acquired to create built-in and easy to open features for sachets and bags to meet the different conditions and demands.

We have adopted professional solutions in rigid packaging, from the original design to product realisation, to satisfy demand for personalised products.

Our team of professionals in our R&D centre uses a combination of product design forming technology, process technology and mould technology to complete 3D model structures and designs. 3D printers are then used to build physical models to analyse and simulate the desired finished products.

The R&D team then proceeds to set up the production parameters in order to meet stringent quality standards. The process is continuously optimised during production until the quality is stable and the production efficiency is maximised. Throughout the product realisation process, we are committed to produce products with safety, environmentally-friendly and high-grade materials, shape diversification and functional integrity.

GOVERNANCE

The Board of Southern Packaging continues to uphold our commitment to setting and maintaining high standards of corporate governance practices, as the key pillar in working towards the Group's success. We acknowledge the importance of corporate governance processes and systems, and value that greater transparency and accountability is crucial in protecting and enhancing long-term shareholder value.

Considering the above, we have aligned our corporate governance practices with reference to Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") as well as ensuring our compliance with other relevant regulations, notices and guidelines that may be issued by the SGX-ST.

The Board, supported by the Audit Committee, Nominating Committee and Remuneration Committee has the ultimate responsibility for managing our sustainability programme. The Board provides oversight by regularly reviewing matters, connecting regularly and providing timely updates to the shareholders and stakeholders. We recognise that frequent communication on the growth and development of the Company is of a top priority to our stakeholders and all Directors and employees are expected to act in good faith and in the best interests of Southern Packaging.

Apart from establishing the foundation of the corporation governance with policies and procedures on Conflict of Interest, Whistleblowing and Code of Business Conduct, the Group's internal controls system is reviewed regularly to ensure it remains effective in safeguarding the shareholders' investments and protecting the Group's assets.

The members of our Board and a full report on our corporate governance practices in compliance with the Code can be found under our Corporate Governance Report in our Annual Report 2021.

STAKEHOLDER ENGAGEMENT

The Group recognises the importance of the stakeholders in formulating corporate strategies and maintaining our long-term growth and development. Hence, we put in effort to address their interests and concerns and to respond to them in a timely manner, so that we may achieve positive and mutually beneficial relationships.

Key Stakeholders	Engaging the Key Stakeholders via	Key Interests of Key Stakeholders
Customers	<ul style="list-style-type: none"> Regular interactions Enquiry and feedback channels 	<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 	<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

Through the communication and engagement with the stakeholders, the management has performed an internal assessment on the material sustainable topics that are of highest priority to the Group. As a result of our assessment, the existing five material sustainability topics below remain vital and relevant to our business. Our focus and efforts are concentrated on the following topics which are also of keen interest of the stakeholders and the Group.



1. TRAINING AND EDUCATION

Our employees are one of our key assets in driving and sustaining our business. We rely on the expertise and skills of our employees to remain competitive and up-to-date with the latest developments and deliver high-quality services to our customers.

As the continuous effort in upskilling the employees, we continue to plan and design relevant training programme and education opportunities for our employees, inclusive the classroom training, product safety and handling, new market trends and technologies. We trust that this will increase the employees' job satisfaction while improving the customers' user experience.

During FY2021, we had conducted approximately a total of 8,716 training hours over all employees, which is a 10% increase compared to FY2020. The average training hours per employee were 7.0 hours and 8.5 hours in FY2020 and FY2021 respectively. The increase in the overall training hours is an optimistic approach in upskilling our employees despite the ongoing pandemic.

For FY2022, we look forward to increasing the total number of training hours to be at least 5,500 hours with average training hours per employee to be at minimum 8.0 hours. Our Group shall continue the effort in shaping and training the employees to ensure they remain relevant and updated with the latest developments and trends within the industry.

Period	Number of Trainings	Number of Attendees	Actual Training Hours
2020			
Male	178	1,879	4,800
Female	111	1,168	3,100
2021			
Male	202	2,089	5,310
Female	129	1,316	3,406

Period	Employee Category	Actual Training Hours
2020	Production	4,512
	Research & Development	688
	Other	2,700
2021	Production	4,990
	Research & Development	785
	Other	2,941

2. EMPLOYMENT

As our labour workforce is the main component for our business and contributes directly to the Group's economic development, we adopt a holistic approach in our hiring policy and extend equal opportunities to our employees in order to acquire, develop and retain the best talents for the Group's future development. We ensure that competitive remuneration packages are offered in order to attract the most talented workforce and achieve our business objectives.

In FY2021, we had a total of 1,022 employees, comprising of 56% males and 44% females. We believe that diversity in both gender and age are key to sustaining our dynamic workforce. Providing equal employment opportunities are a key part of our employment policies. Diversity in both the gender and age are key to sustaining the workforce as well as the business.

Employees benefits such as social and health insurance, health care, parental leave and annual leave are provided to full time employees as part of their remuneration package. We are in the midst of aligning our employment strategies and efforts to our business performance and targets and have disclosed certain employment related information below.

While the COVID-19 pandemic continues to hit globally with slight recovery over the year, we ensure that the following key measures introduced previously continued to be practiced in ensuring the compliance with local government rules and regulations and safe working environment to the employees:

1. Prevention and control response plan:

- Preventive and control response plan in place to raise employee's awareness on prevention measures.

2. EMPLOYMENT (CONT'D)

2. Employee screening:

- Travel history to be kept track in order to minimise the risk of infection and transmission. Quarantine rooms are established and provided to employees with symptoms to be quarantined for safety purpose.
- Temperature screening records are captured for visitors to our premises.

3. Adequate personal protective equipment

- Prevention kit such as face masks and hand sanitiser provided to the employees as part of the preventive action against COVID-19

4. Internal control

- Various protective measures implemented such as:
 - o temperature screening (on employees and visitors)
 - o site ventilation
 - o personnel and site disinfection
 - o trainings to all employees on epidemic prevention knowledge, personal protective equipment wearing requirements and safety production knowledge

Please refer to key metrics on our employee data below:

Function	FY2020 Number of Employee	FY2021 Number of Employee
Management and Supervisory	287	252
Research and Development	30	40
General Worker	773	730
Total	1,090	1,022

Gender	FY2020 Number of Employee	FY2021 Number of Employee
Male	594	571
Female	496	451
Total	1,090	1,022

Age Range	FY2020 Number of Employee	FY2021 Number of Employee
Under 30 Years Old	266	180
30 – 50 Years Old	761	755
Over 50 Years Old	63	87
Total	1,090	1,022

2. EMPLOYMENT (CONT'D)

Total number of employees entitled to parental leave by gender	FY2020 Number of Employee	FY2021 Number of Employee
Male	162	116
Female	105	136

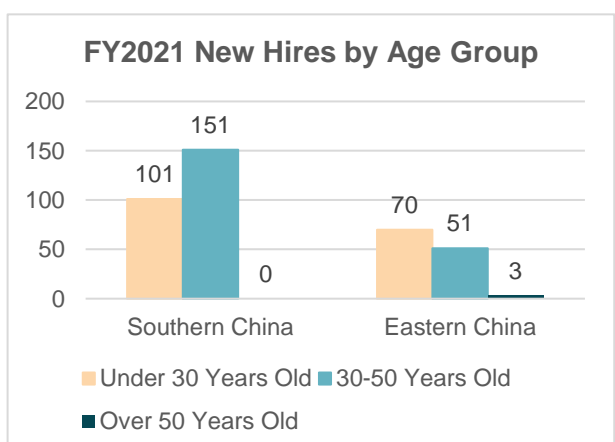
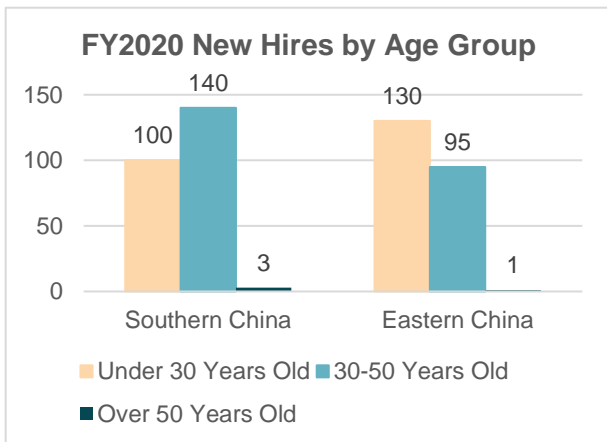
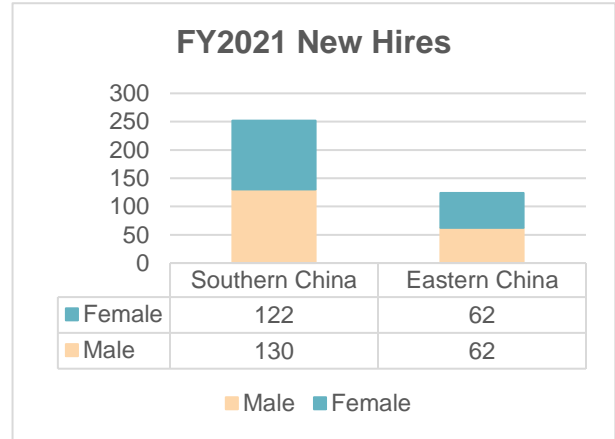
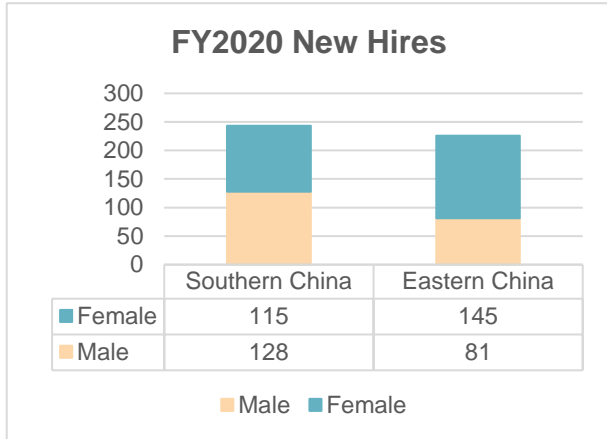
Total number of employees returned to work after completion of parental leave and still employed within 12 months	FY2020 Number of Employee	FY2021 Number of Employee
Male	13	8
Female	13	7

*Employee turnover rate by gender	FY2020 (%)	FY2021 (%)
Male	13.73%	16.70%
Female	9.15%	15.62%

*Note: Our Group targets to keep the employee turnover rate at or below 20%

Region	FY2020 Number of Employee	FY2021 Number of Employee
Singapore	10	10
Southern China	817	773
Eastern China	263	239
Total	1,090	1,022

3. EMPLOYMENT (CONT'D)



3. ECONOMIC PERFORMANCE

In conjunction with the slowing down in the COVID-19 pandemic globally, the Group's revenue had the following favourable increases:

- Total revenue saw an increase of 30%, from RMB590.4 million in FY2020 to RMB769.2 million in FY2021.
- The disposal of parts of the Apex Tower contributed significantly to the increase in the sales revenue, or approximately 10% of the total sales revenue.
- The sales revenue of rigid packaging increased by 17.0% from RMB384.3 million in FY2020 to RMB449.8 million in FY2021
- The sales revenue of flexible packaging increased by RMB41.6 million (20.2%) from RMB206.0 million in FY2020 to RMB247.6 million in FY2021.

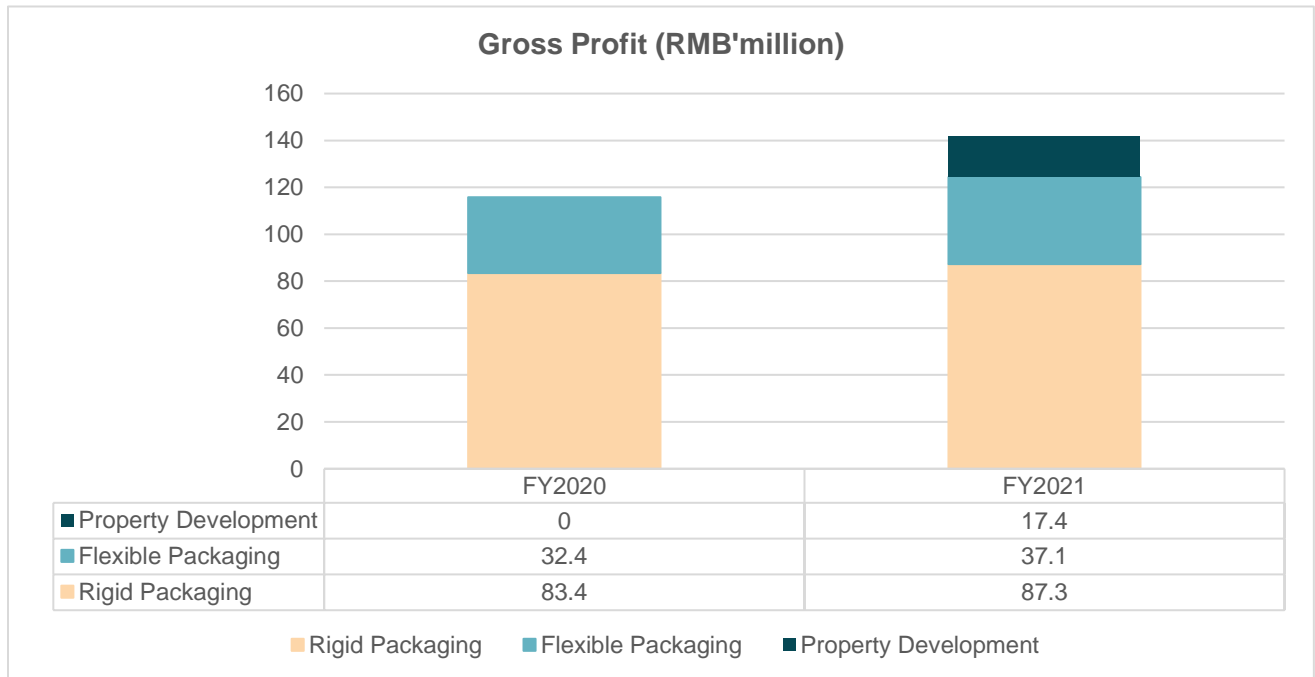
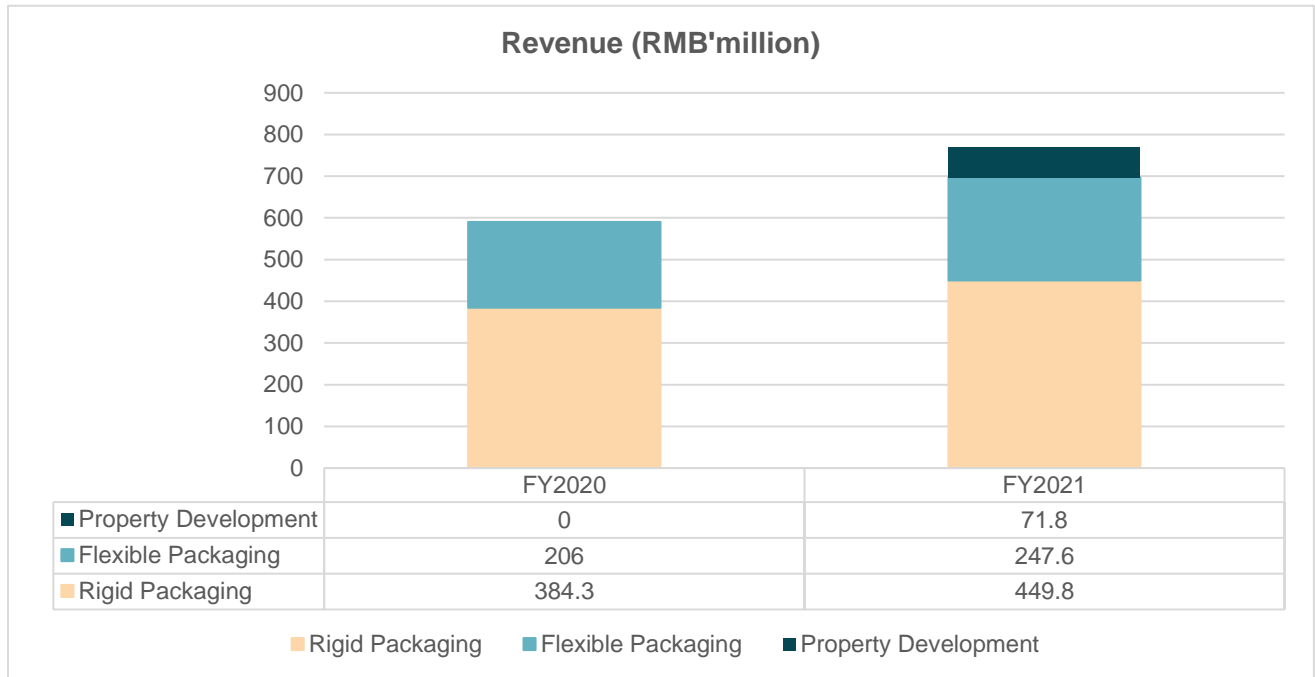
Despite the lingering effects of the COVID-19 pandemic in FY2021, we are proud to report that the measurements implemented by the Group have been effective in growing our business.

The Group's gross profit has also increased by 22.6% to RMB141.8 million in FY2021 as compared to RMB115.6 million in FY2020. There is a slight decrease in gross profit margin to 18.4% in FY2021 compared to 19.6% in FY2020 mainly due to the increase of raw material costs, energy costs and labour costs.

We continue to maintain our focus on the growth of the business with our strategy in the automation and product innovation and putting in more efforts in the use of recycled and biodegradable materials which will be the future trend of the packaging industries.

We are looking forward for the growth in our sales revenue in view of the better pandemic situation and subsequently achieving positive financial returns.

3. ECONOMIC PERFORMANCE (CONT'D)



4. ENVIRONMENTAL PROTECTION

Energy Conservation

The implementation and installation of energy-efficient equipment, together with the Group's effort in educating our employees on energy saving measures, has helped us in reducing overall electricity consumption. This effort continues to be reinforced in our employees' education on the importance of energy conservation.

The advanced VOC treatment machine imported from Europe also continues to help controlling our VOC discharge caused by the production of flexible packaging. In addition to the advanced technology adopted in the machine, the installation VOC treatment in the machine managed to achieve 95% efficiency in the VOC purification process. The targeted total VOC emission was 50 mg/m³, which is in compliance with the requirement of Guangdong Provincial Standard (DB844-815-2010) at 120 mg/m³.

Water Management

Aside from energy consumption, water consumption is another key metric in measuring our business operations and efficiency. The Group continues to adopt measurements to reduce water consumption and pollution, while maintaining the quality of production.

4. ENVIRONMENTAL PROTECTION (CONT'D)

The table below illustrates the total electricity, water and natural gas consumed by our Group in FY2020 and FY2021. In FY2021, the Group's consumption on electricity, water and natural gas has been increased, which is in line with the level of operations and revenue generated in 2021.

Resources	FY2020	FY2021
Consumption of electricity (kWh)	67,415,840	75,076,637
Consumption of water from public water utilities (tonnes)	269,598	284,547
Consumption of natural gas (m ³)	1,179,800	1,511,934
Revenue generated (RMB 'million)	590.4	769.2

5. ENVIRONMENTAL COMPLIANCE

Minimising our carbon footprint continues to be our focus while growing our business. The Group keeps sustainability and environmental protection in mind while actively engaging the customers' need.

We are committed to ensure the Group maintains a safe working environment and adheres to the industry and environmental laws and regulations. This allows us to maintain legal compliance and avoids fines or non-monetary sanctions for any non-compliance.

We are proud to report that there were no instances of non-compliance or fines with regards to the environmental compliance of our businesses. We look forward to maintaining such compliance to the respective laws and regulations in FY2022 while running our business in the interest of our stakeholders and meeting their key concerns.

GRI CONTEXT INDEX

GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
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102-3 Location of headquarters	6
102-4 Location of operations	6
102-5 Ownership and legal form	6
102-6 Markets served	6
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102-9 Supply chain	8-9
102-10 Significant changes to the organisation and its supply chain	8-9
102-11 Precautionary principle or approach	6-7
102-12 External initiatives	Not applicable
102-13 Membership of associations	8-9
Strategy	
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Ethics and Integrity	
102-16 Values, principles, standards, and norms of behaviour	7
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102-41 Collective bargaining agreements	Not applicable
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102-43 Approach to stakeholder engagement	11
102-44 Key topics and concerns raised	12
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Reporting Practice	
102-45 Entities included in the consolidated financial statements	Annual Report 2021
102-46 Defining report content and topic boundaries	3
102-47 List of material topics	12
102-48 Restatements of information	Not applicable
102-49 Changes in reporting	Not applicable
102-50 Reporting period	3
102-51 Date of most recent report	7 April 2022
102-52 Reporting cycle	3
102-53 Contact point for questions regarding the report	3
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102-55 GRI content index	23-25
102-56 External assurance	The Company has not sought for external assurance for this report and may consider doing so in future reports.
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401-1 New employee hires and employee turnover	14-17
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404-1 Average hours of training per year per employee	13
404-2 Percentage of employees receiving regular performance and career development reviews	13