



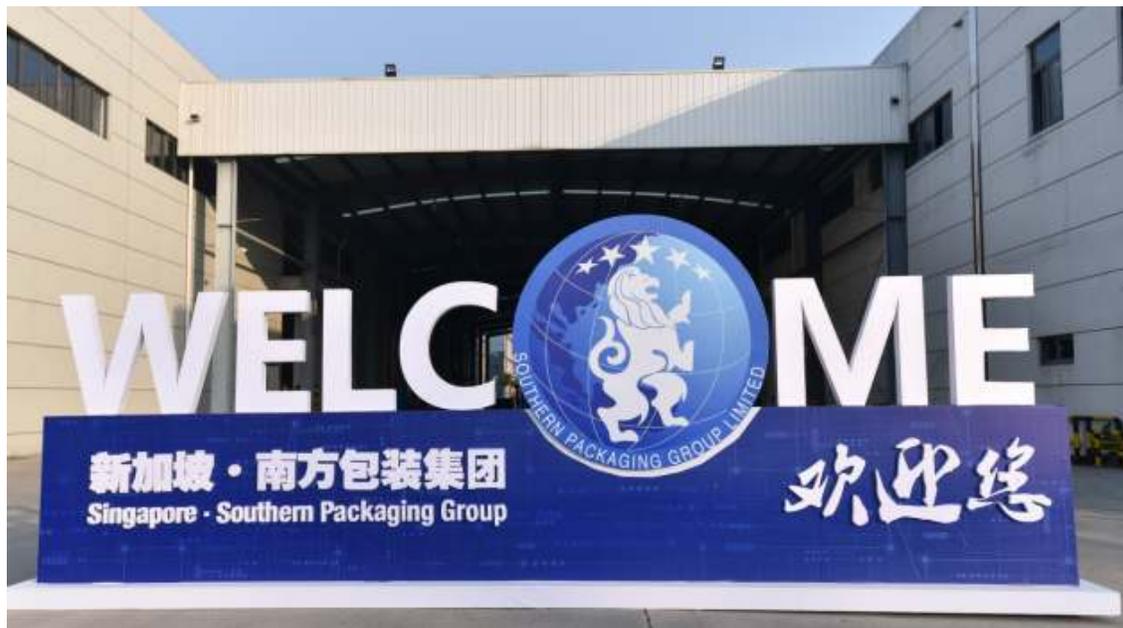
南方包装集团有限公司
Southern Packaging Group Limited

Sustainability Report 2017

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BOARD STATEMENT



Creating shared value for shareholders, customers, employees, suppliers and communities is a continuous challenge and is important for long-term sustained success for our business. We hereby proudly present to you our inaugural Sustainability Report for the financial year ended 31 December 2017 (“FY2017”), which discusses our efforts and initiatives towards sustainable development.

Our corporate sustainability philosophy involves formulating strategies to grow our business in a sustainable manner while considering economic, environmental, social and governance aspects. To achieve our strategies, we have evolved our corporate sustainability business policies and practices on four aspects: economic performance, environment protection, people development and enhanced governance.

ORGANISATIONAL PROFILE

Our Business

Southern Packaging Group Limited (“Southern Packaging” or together with its subsidiaries, the “Group”) is a producer of flexible and rigid packaging products used in the food, medical, personal grooming and household industries.

Listed in Singapore Stock Exchange in the year 2004, the Group is 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.

We are committed to be the preferred suppliers of packaging products and packaging consultants to many internationally renowned brands and companies. Our production facilities strategically located at the most economically vibrant regions in China, namely, Southern and Eastern China. Within the flexible packaging arm, we primarily utilize plastic gravure printing technology to provide Printing, Compounding, Splitting and Bagging of plastic in producing packaging products for our customers. Within the rigid packaging arm, we utilise Wheel Blow Moulding, One Step Injection Stretch Blow Moulding, Injection Moulding, In-mould Labelling, Extrusion Blow Moulding, Injection Blow Moulding, Silk Screen, Film Blowing, Printing, Stamping and other additional services to produce packaging products for our customers.



ORGANISATIONAL PROFILE

Our Vision, Mission and Values



Our Group aims to be the leading plastic packaging manufacturer in Asia, investing on innovative technology to provide superior quality products to our customer. In order to meet the emerging of market, our Group continuously invest in technology and strengthen our quality capability to satisfy different customer demands. We also produce safe and environmental friendly products that would benefit the society and create long term value for our investors as well as creating a platform for all employees to do their best and ensure constant development.

ORGANISATIONAL PROFILE

Our Employee

Our Group provides competitive remuneration and benefits to our employees, which are consistently matched or above the market rate in the provinces we operate in. With the aim of becoming the leading plastic packaging manufacturer in Asia, we have been improving our organisational effectiveness and simplifying our communication channels across all levels and between various business units. Information below illustrate the number of our Group's employees, by gender, region and function.

Gender	FY2017 Number of Employee	FY2016 Number of Employee
Male	701-800	601-700
Female	601-700	601-700

Region	FY2017 Number of Employee	FY2016 Number of Employee
Singapore	11-20	11-20
Southern China	1,001-1,100	1,001-1,100
Eastern China	201-300	201-300

Function	FY2017 Number of Employee	FY2016 Number of Employee
Management and Supervisory	501-600	401-500
Research and Development	51-100	51-100
General Worker	801-900	801-900

ORGANISATIONAL PROFILE

Supply Chain



In FY2017, our Group bought goods and services at a total value of RMB563 million from suppliers. The main products that our Group purchase are raw materials. We aim to source responsibly, selecting supplier partners who meet high standards in areas such as ethical conduct, human rights, workplace standards and environmental management.

Our Group maintains a list of approved suppliers and performs periodic supplier assessment with the involvement from various Business Units to evaluate areas such as price competitiveness, delivery timeliness, product/service quality, payment terms etc.

ORGANISATIONAL PROFILE

Governance and Sustainability Approach

The Board of Directors monitor performance of management and provide guidance in selection and reporting of economic, environmental, and social topics of this report. The Board of Directors have the appropriate core competencies and provide a diversity of experience to enable them to effectively contribute to the Group and they are:

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

Our Group is committed to the highest standards of corporate governance and transparency in its policies and processes. We deem corporate governance as essential for the success of the Group and to be in the best interests of our shareholders. For more details of our corporate governance performance and practices in 2017, please refer to our Annual Report 2017.

We will continually do our utmost to ensure that our business operations and processes are managed in a way that minimises its impact to the environment. In line with our determination to commit to a high standard of corporate governance, we have established policies for issues such as Code of Business Conduct, Conflict of Interest and Whistleblowing.

ORGANISATIONAL PROFILE

Governance and Sustainability Approach

Our Group's senior management periodically assesses focus areas where our Group can have the greatest economic, environmental and social impact, as well as areas that are most important to our stakeholders. Senior management is responsible for the on-going communication to the Board of Directors. Our Group has made efforts to seek the opinions of many stakeholders either through informal or formal means. We evaluate the needs and expectations of our key stakeholder groups which are significant to our Group's value creation strategy and strive to build mutually beneficial relationships.



ABOUT THIS REPORT

Description	Notes and reference
Reporting period	1 January 2017 to 31 December 2017
Date of most recent previous report	This is the first Sustainability Report
Reporting cycle	Annual
Contact point	public@southern-packaging.com
Reporting framework and source of reference	This report is prepared with reference to the Global Reporting Initiative (“GRI”) Standards: Core option and its reporting principles. This report covers all primary components as stipulated in SGX-ST Mainboard Listing Rule 711B.
Report boundary	Unless otherwise stated, the information provided in this report focuses on FY2017 and is relevant to rigid packaging and flexible packaging provided in mainland China.
External assurance	We have not sought external assurance for FY2017.

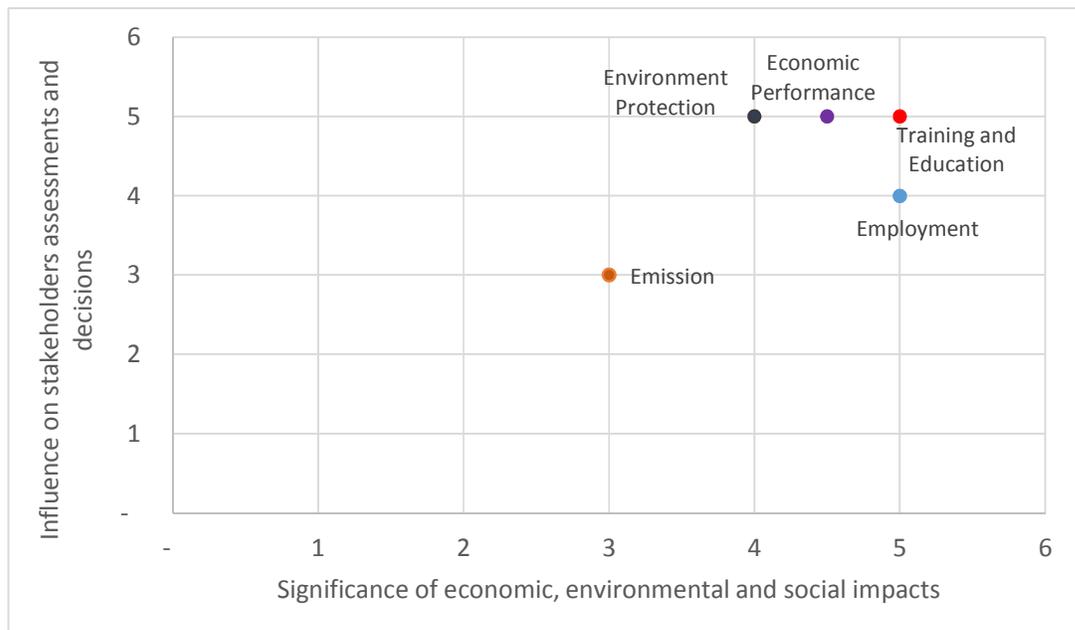
STAKEHOLDERS AND MATERIALITY

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account in formulating corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, employees, investors, suppliers, government and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Stakeholder Group	How we engage	Key interests
Customers	<ul style="list-style-type: none"> ▪ Daily interactions ▪ Enquiry and feedback channels ▪ Customer survey 	<ul style="list-style-type: none"> ▪ Top notch customer service ▪ Additional after sales services
Employees	<ul style="list-style-type: none"> ▪ Annual employee performance appraisal ▪ Regular team meeting ▪ Employee training 	<ul style="list-style-type: none"> ▪ Staff right and welfare ▪ Good working environment ▪ Advance employee skills
Investors	<ul style="list-style-type: none"> ▪ Regular investor meetings ▪ Annual and interim reports ▪ Circulars to shareholders 	<ul style="list-style-type: none"> ▪ Profitability ▪ Transparency ▪ Timely reporting
Suppliers	<ul style="list-style-type: none"> ▪ Periodic supplier evaluation ▪ Comparison of quotes ▪ Periodic discussion 	<ul style="list-style-type: none"> ▪ Compliance with terms and conditions of purchasing policies and procedures ▪ Maintenance of ethical standards
Government and Regulations	<ul style="list-style-type: none"> ▪ Face-to-face meetings ▪ Regular reports ▪ Participation in discussions 	<ul style="list-style-type: none"> ▪ Compliance with regulations ▪ Timely reporting and resolution of issues

STAKEHOLDERS AND MATERIALITY

The materiality matrix below is used to identify all the sustainability topics and priorities for reporting. We assessed its potential impact on the economy, environment and society and influence on our stakeholders, with an on-going research and discussions together with the senior management. Applying the guidance from GRI, we have identified the following material aspects:



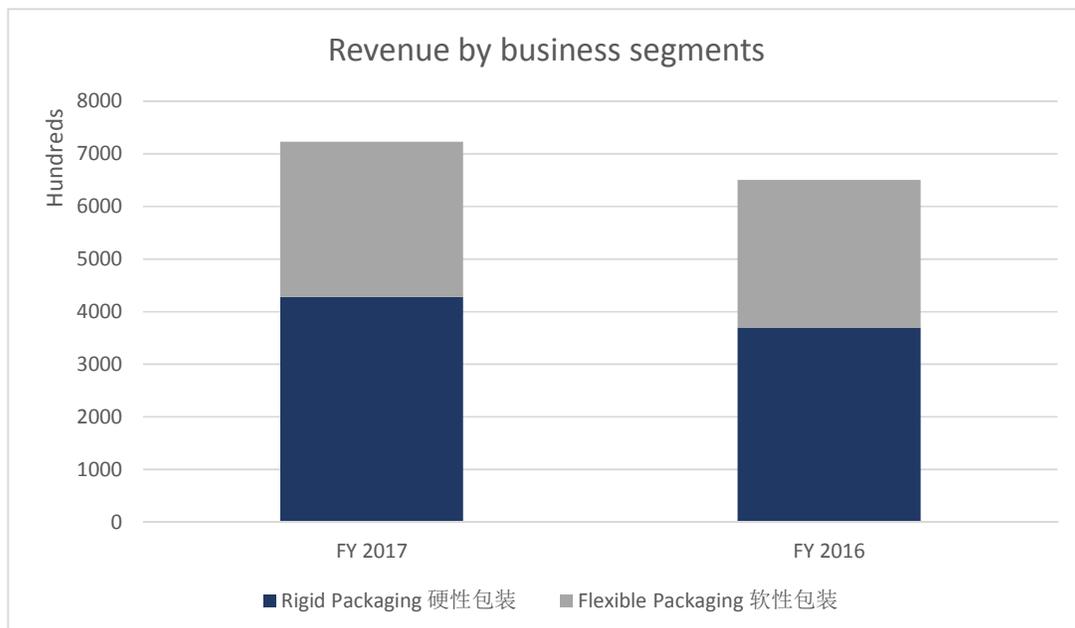
Based on the matrix and priority illustrated above, the material topics chosen to be reported for FY2017 are as follow:

- Economic Performance
- Training and Education
- Environment Protection

SUSTAINABILITY TOPIC

Economic Performance

During the year, we uphold the concept of customer first. Through operational resource integration and innovation, we are able to meet the needs of our customers and achieve our sales target. The Group's sales revenue increased by 11% (RMB 72 million), from RMB 651 million in FY2016 to RMB 723 million in FY2017. Rigid packaging is our main growth point. As the new production base in East China has put into use, the Group has increased its production capacity and operational efficiency. The sales revenue of rigid packaging reached a record high of RMB 428 million in FY2017 (16% increase) compared to RMB 370 million in FY2016. The sales revenue of flexible packaging increased by 5% (RMB14 million), from RMB 281 million in FY2016 to RMB 295 million in FY2017.



SUSTAINABILITY TOPIC

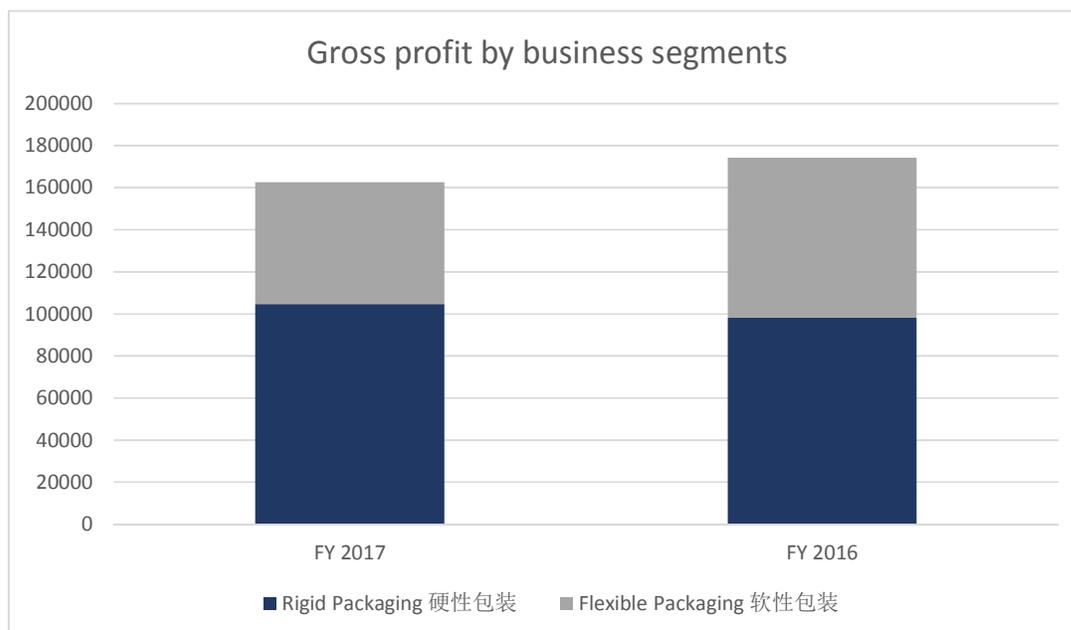
Economic Performance



During the year, the Group's gross profit decreased by 6.7% to RMB 162.7 million. The gross profit of rigid packaging increased by 6.4% to RMB 104.6 million. The gross profit of flexible packaging decreased by 23.6% to RMB 58.1 million.

The gross profit decreased mainly due to the increase in purchase price of raw materials and labour costs.

In FY 2018, our objective is to enhance our brand name and product quality, and optimise our cost-structure. We also strive to maximise the scale and efficiency of our production.



SUSTAINABILITY TOPIC

Environment Protection

Energy

We plan to upgrade our production facilities and equipment with the intention to enhance energy efficiency. At the same time, we also ensure that our production facility complies with the government environmental standard. With the rapid increase in global warming, we strive to be



environmentally friendly in developing our business responsibly and efficiently through conserving resources, and investing in the latest technology to drive sustainable development.

As part of the Group's initiatives on energy efficiency, we promote the use of energy-efficient equipment and devices. Our office building is equipped with energy efficient LED lighting to reduce our electrical consumption. In addition, we encourage our employees to switch off the office lights during lunch hour and to ensure all electrical facilities are switched off after work and when not in use.

Water Management

Erratic rainfall patterns from climate change impacts the availability of water supply. We actively monitor the water consumption in our production and the Group strive to reduce the water consumption over the years. We will also look for water reuse and alternate water sources whilst ensure the quality of water is suited to the purpose of our production.

SUSTAINABILITY TOPIC

Environment Protection



Resources	FY2017 Total Consumption	FY2016 Total Consumption
Electricity	64,570,000 KWh	56,980,000 KWh
Water from public water utilities	280,235 ton	226,839 ton
Natural gas	1,960,000 m ³	1,630,000 m ³

Table above illustrates total electricity, water and natural gas consumed for FY2017 and FY2016, in line with our revenue growth and increased production capacity. From the assessment of the resources consumed in the past year, we are looking at several ways that we can improve in terms of conservation of resources and we are optimistic that we can reduce our carbon footprint in the years to follow. We will keep track of the amount of electricity, water and natural gas that we have consumed, as a result of our conservation efforts and to present the effectiveness of our initiatives in future reports.

SUSTAINABILITY TOPIC

Training and Education

Our Group believes that providing comprehensive trainings to the employees would upgrade the employee skills and also facilitate continued employability. By



ensuring that our employees are adequately trained, we have provided total overall 4.8 hours of training in average for our employees in FY2017. Programs such as orientation for newly hired employee, management skills, production management and safety management were conducted during FY2017. Besides that, our Group implements annual employee performance review for all employees to assess results of trainings conducted. Please refer to the table below for the number of hours of training attended by the employees in FY2017.

Gender	Number of Trainings	Number of Attendees	Actual Training Hours
Male	101-200	1,401-1500	4,001-4,500
Female	101-200	801-900	2,001-2,500

SUSTAINABILITY TOPIC

Training and Education

Employee Category	Actual Training Hours
Production	3,001-3,500
Research & Development	501-1,000
Other	2,001-2,500

We aim to increase the number of trainings and training hours in future for our employees, and to encourage and subsidise our employees to attend courses which does not only improve the knowledge of employees and also contribute to the work.

GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
GENERAL DISCLOSURE	
Organisational Profile	
102-1 Name of the organisation	4
102-2 Activities, brands, products, and services	4
102-3 Location of headquarters	4
102-4 Location of operations	4
102-5 Ownership and legal form	4
102-6 Markets served	4
102-7 Scale of the organisation	4,6,13
102-8 Information on employees and other workers	6
102-9 Supply chain	7
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
Strategy	
102-14 Statement from senior decision maker	3
Ethics and Integrity	
102-16 Values, principles, standards, and norms of behaviour	5
Governance	
102-18 Governance structure	10,11
Stakeholder Engagement	
102-40 List of stakeholder groups	11
102-41 Collective bargaining agreements	Not applicable
102-42 Identifying and selecting stakeholders	11
102-43 Approach to stakeholder engagement	11
102-44 Key topics and concerns raised	12
Reporting Practice	
102-45 Entities included in the consolidated financial statements	Annual Report 2017 – Investment in subsidiaries
102-46 Defining report content and topic boundaries	10
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	10
102-51 Date of most recent report	Not applicable
102-52 Reporting cycle	10
102-53 Contact point for questions regarding the report	10
102-54 Claims of reporting in accordance with the GRI Standards	10
102-55 GRI content index	19,20
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GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
103-1 Explanation of the material topic and its boundaries	13-18
103-2 The management approach and its components	13-18
103-3 Evaluation of the management approach	13-18
201-1 Direct Economic value generated and distributed	Annual Report 2017 – Consolidated Statement of Comprehensive Income
302-1 Energy consumption within the organisation	16
303-1 Water withdrawal by source	16
404-1 Average hours of training per year per employee	17,18
404-2 Percentage of employees receiving regular performance and career development reviews	17

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