



Southern packaging

Calibrating Towards A Sustainable Future

Annual Report 2020



CORPORATE CULTURE

企业文化

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.

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

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.

愿景

装点世界，力臻完美

使命

以先进的技术满足更广泛的市场需求，以专业的品质满足客户个性化的需求，以安全、环保的产品回报社会，为我们的投资者创造长期价值，为我们的员工提供实现自我价值的舞台，始终坚持共存、双赢的合作战略。

核心价值观

客户第一、创新环保和追求卓越

客户第一：我们坚信客户忠诚度源于享受具有最佳价值的客户体验，坚持以提高服务质量，快速响应客户需求，持续为客户提供产品解决方案。

创新环保：企业突破性发展的关键在于永无止境、永不间断的进行创新，公司坚持以创新环保改善生活品质，为客户和环境作出贡献。

追求卓越：以卓越的品质提升产品价值、员工价值、企业价值和社会价值。卓越的品质不仅是指优秀的产品质量，还包含最优质的服务、最健康的生活空间。

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Proxy Form

CORPORATE PROFILE

公司介绍



Southern Packaging Group Limited ("Southern Packaging", "the Company" 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, and was listed on the main board of the Singapore Stock Exchange in the year 2004. 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 utilize Wheel Blow Moulding, One Step Injection Stretch Blow Moulding, Injection Moulding, In-mould Labeling, Extrusion Blow Moulding, Injection Blow Moulding, Silk Screen, Film Blowing, Printing, Stamping and other additional services to produce packaging products for our customers.

We leverage on our established and resourceful research and development platform to provide complete packaging solutions for our customers. In our packaging industry, qualities such as environmental friendliness, cleanliness and safety are fundamental. We retain and strengthen our competitive advantages by the continuous development of our cutting-edge polymer chemistry technologies and expertise in material sciences and plastic moulding. We firmly believe in developing packaging with social responsibility, and we are proud to be the "brand behind the renowned brands".

我们是谁：

南方包装集团有限公司立足全球最大消费市场之一的中国市场，是一家为众多食品、药品、个人护理品及家庭用品行业提供专业塑料包装产品的科技型企业，我们是国际知名品牌的包装供应商及包装技术顾问，集团生产基地主要布局在中国沿海地区，分别在经济最为活跃的中国南部及东部地区建立了生产基地，集团拥有宽广的塑料包装工艺设备与技术，利用强大的研发平台与供应链资源，为众多的领先企业提供塑料包装产品及包装解决方案。

主要采用塑料凹版印刷技术为客户提供服务的塑料软包装业务：

- 印刷
- 复合
- 分条、制袋

主要集中在中空成型技术为客户提供成型工艺服务的塑料硬包装业务：

- 全自动高速轮转中空成型
- 注拉吹一步法中空成型
- 注塑成型、模内贴标
- 挤吹成型
- 注吹成型
- 丝印、移印、激光打码等附加服务

我们的目标市场定位在环保、安全、高洁净的包装需求，集团的竞争优势在于拥有强大的高分子化学、材料科学及塑料成型领域的人才和技术；我们以高度的社会责任推动包装事业的发展，为能成为“知名品牌后的品牌”感到自豪；建设环境友好型企业也是我们企业发展的社会责任目标，在提供精美包装满足人类对美好生活追求的同时，我们坚持在材料、环境、生态、经济可持续发展上与社会同步。

● 包装承载的内涵

我们为品牌商提供

—展示产品，吸引消费者，保持状态和风味、传递商品信息

我们为消费者提供

—保护商品、方便携带、产品说明

我们为运输承运商提供

—方便装运，产品的保护不受破坏

我们为终端商户提供

—保护产品、便于储存和搬运、货架期

我们理解包装承载了价值链所有相关方的需要和关切，我们智慧诠释包装的内涵

CHAIRMAN'S MESSAGE

“ The Group aims to be a leading global packaging solution manufacturer. Towards this end, the Group has adopted a consistent strategy and business model to upgrade our capabilities. ”



DEAR SHAREHOLDERS,

2020 was a very challenging year for our Group and indeed for the world-wide economy as a result of the pandemic which is still raging in certain parts of the world.

The fact that we managed to pull through relatively unscathed speaks volumes for the achievements of our team of management and work force. Of course, the support from our local government, financial institutions, suppliers and our faithful shareholders contributed significantly to our efforts. I therefore wish to take this opportunity thank you all for your contributions and unfailing support.

The Chinese economy suffered a standstill due to the Covid-19 lockdown in the first half of FY2020. However, a significant proportion of our products is used by the pharmaceutical industry. Our manufacturing facilities in Foshan and Changzhou were classified as a "National Key Epidemic Prevention Enterprise" and were allowed to resume early production and operation to meet the needs of medical and food packaging during the lockdown period.

CHAIRMAN'S MESSAGE



In FY2020, sales revenue decreased by 16.7% to RMB590 million compared to RMB709 million in FY2019 due to lower market demand (30% decrease in sales revenue in the first quarter of FY2020). Gross profit decreased by 21.7% to RMB116 million in FY2020 compared to RMB148 million in FY2019. However, despite the difficult business environment, the Group managed to maintain daily operations efficiently and recorded a profit after tax of RMB4.7 million in FY2020. The net asset per share increased to RMB7.97 as at the end of FY2020.

The Group aims to be a leading global packaging solution manufacturer. Towards this end, the Group has adopted a consistent strategy and business model to upgrade our capabilities. Through the years, we have built up a successful management team, a group of talented technical staff, a highly skilled work force and developed our capabilities with highly automated equipment. All these will give us an edge over our competitors in offering a one-stop packaging solution, be it rigid or flexible packaging. It will also help us to extend our reach to new fast-moving consumer products markets. In addition, we will continue our cooperation with our international and domestic customers to develop new products and new packaging solutions for their well known brands.

The Group's property development in Sanlong Bay Sanshan district is progressing according to schedule and is expected to complete construction in the second half of FY2021. The project is now named "Apex Tower" which consists of two main buildings and four subsidiary buildings. We have obtained the sales permit for one of the main buildings. The municipal government has announced its intention to build subway stations near our development and there are plans to develop Sanlong Bay area into a high-end innovation zone. The Group will finalize the marketing strategy relating to this property development and seek the most opportune time to launch the sale of the project.

As the world wide pandemic is still raging in other parts of the world, and amidst uncertain international economic conditions, FY2021 remains a very challenging period for our national economy and for our business as well. We will spare no efforts to meet the challenges head on. Meanwhile, the board of directors has proposed a cash dividend of S\$0.0025 per share for FY2020.

PAN SHUN MING

Executive Chairman

Southern Packaging Group Limited



2020 主席发言

各位亲爱的股东：

告别极不平凡的2020年，我们一起经历了在疫情之下的挑战时刻，也盼到了寒冬过后的回暖。

值此年度股东大会，我谨代表南方包装董事局、管理层，向在过去一年中在各自岗位上努力拼搏、开拓进取的“南方人”，向在过去一年中给予我们帮助、与我们同成长共进退的合作伙伴，向在资本市场坚定支持我们的机构、股东，表达最诚挚的感谢并致以美好的祝愿！

2020年既是挑战的一年，也是充满爱的一年。我集团生产基地布局在中国的东部和南部沿海地区，开年一场突发的新冠疫情，社会经济活动按下了减速、暂停按钮，正常的经营秩序、生活秩序均受到了冲击。其时，面对新冠疫情的严峻形势，集团及各板块、分公司面对挑战充分利用自身供应链优势，集结各方资源，难能可贵地获得政府批准成为首批复工复产企业，在较高程度上保证了集团的基本运作与营运复苏；同时，我们也尽最大努力驰援疫情下的医疗包装、食品包装急切需求，将资源全部投入到抗疫包装生产上，为应对疫情贡献我们的力量，也彰显出了南方包装的社会担当。

从数字上看，新冠疫情大流行下集团的营业收入受到了具大的冲击，由是首季销售收入同比下降超过30%，其后市场轻微恢复，但各季度销售收入同比仍为下降。2020年度集团的销售收入录得人民币5.9亿元，较2019年度的人民币7.09亿元下降了1.19亿元，业务总体下降16.7%；2020年经营毛利为人民币1.16亿元，较2019年的1.48亿元人民币，下降了0.32亿元人民币。在突变的挑战环境中，我们处变不惊，牢牢把控正确的营运策略，积极有效地减低营运成本，确保特殊形势下的人员健康安全、维持最大限度的生产运作与产品送达、充分运用网络工具保持与本地及全球客户的联络，最终获得了非常条件下的盈利成绩，年度税后利润为人民币473万元，年度未集团净资产进一步提升到人民币7.97元/股，我们迎难而上的决心与付出为客户、员工、股东和参与者赢得了胜利。

南方包装集团成为全球领先包装公司的抱负指明我们的发展方向，我们保持一贯的经营战略和商业模式，我们拥有独特的人才、差异化的能力、规模和区域影响力。这些强大的竞争优势使我们能够更好地为客户服务，并开发和提供最能保护环境的包装。产品形态上，我们在塑料高分子领域为客户同时提供塑料软包装、塑料硬包装产品，产品主要销往以快速消费为导向的终端市场，如医疗保健、个人护理、食品和饮料等。我们的客户包括全球领先的、全国（中国）领先的、中等规模的地区和本地专业企业，这个目标市场不曾改变，我们客户的网络、规模和范围使我们能够与熟悉我们业务的广大用户展开研发及供应合作。

集团开发的商业载体项目港金大厦(APEX TOWER)仍在开发建设中，项目已经取得部分预售许可，计划会在2021年下半年竣工。港金大厦位处中国南部粤港澳大湾区的三龙湾地区，政府最近公布了新的地铁交通及高端创新集聚区发展总体规划，区域正积聚发展潜能，集团将寻找最佳的产品入市时机，令股东利益最大化。

2020年度我们在疫情环境下保持了盈利，董事局提议本年度分红政策每股普通股分派S\$0.0025元的现金红利。我们预计来年全球经济依然存在较大的不确定性，困难只增不减，但我们既然选择了远方，定要昼夜兼程。跨越，是为了让我们站在更高的起点，奔向更好的未来。成功没有捷径，要实现跨越，除了更加努力别无选择。

我们正大踏步前进，有共同的事业一起奋斗是一种幸福。

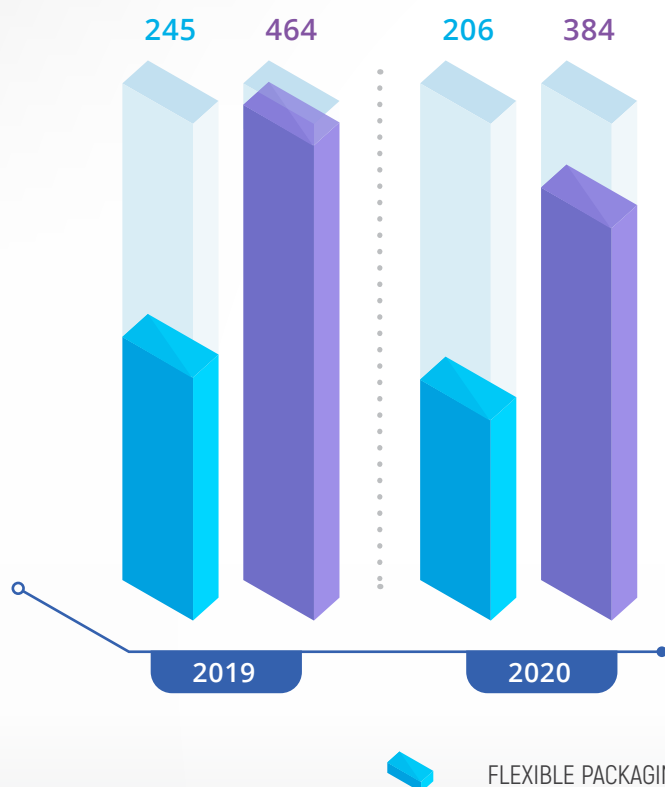
彭顺铭
执行主席
南方包装集团有限公司

APEX TOWER
(AS AT 18 MAR 2021)

FINANCIAL HIGHLIGHT AS AT 31 DECEMBER 2020

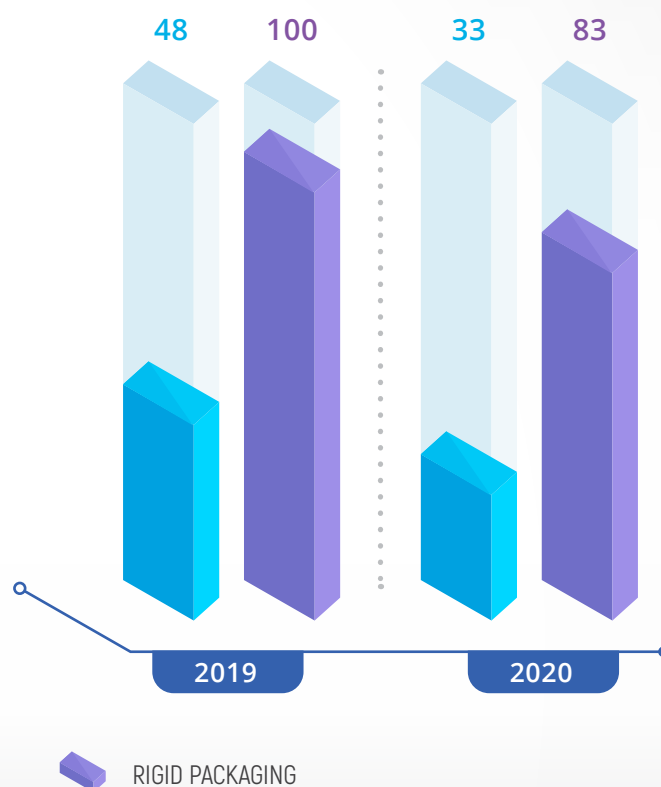
SEGMENTAL REVENUE

(IN RMB MILLION)



SEGMENTAL GROSS PROFIT

(IN RMB MILLION)



12 MONTHS ENDED 31 DECEMBER 2020

(IN RMB MILLION)

	2020	2019
Revenue	590	709
Gross Profit	116	148
Net Profit	5	9
Total Assets	1,087	1,120
Total Liabilities	526	563
Shareholders' Equity	561	557
Cash and cash equivalents	67	129
Earning per share (cents) after share consolidation	7	13

OPERATIONS & FINANCIAL REVIEW

营运及财务回顾

The sales revenue decreased by 16.7% to RMB590.3 million in FY2020. This is because the Chinese economy suffered a complete standstill due to the Covid-19 lockdown in the first half of FY2020. As a result, the Group's revenue declined significantly due to lower market demand.

Revenue By Business Segments	FY2020		FY2019		Change
	RMB `000	%	RMB `000	%	
Rigid packaging	384,354	65.1%	464,413	65.5%	-17.2%
Flexible packaging	206,028	34.9%	244,653	34.5%	-15.8%
Total	590,382	100%	709,066	100%	-16.7%

The gross profit decreased by 21.7% to RMB115.6 million. The gross profit of rigid packaging decreased by 17% to RMB83.3 million. The gross profit of flexible packaging decreased by 31.7% to RMB32.4 million. The decrease of gross profit is mainly due to the decrease in sales revenue as explained above. The gross profit margin decreased due to the increase in fixed factory overhead unit costs as a result of the decrease in sales orders.

Gross Profit By Business Segments	FY2020		FY2019		Change
	RMB `000	%	RMB `000	%	
Rigid packaging	83,269	72%	100,273	67.9%	-17%
Flexible packaging	32,358	28%	47,387	32.1%	-31.7%
Total	115,627	100%	147,660	100%	-21.7%

In terms of sales revenue by geographical regions, PRC region sales revenue decreased by 16.7% to RMB559.5 million in FY2020, accounting for 94.8% of Group's total revenue for FY2020.

Revenue By Geographical Segment	FY2020		FY2019		Change
	RMB `000	%	RMB `000	%	
PRC	559,452	94.8%	671,528	94.7%	-16.7%
America	1,889	0.3%	4,709	0.7%	-59.9%
Netherlands	1,214	0.2%	3,401	0.5%	-64.3%
Australia	12,705	2.2%	11,021	1.6%	15.3%
Others	15,122	2.5%	18,407	2.5%	-17.8%
Total	590,382	100%	709,066	100%	-16.7%

OPERATIONS & FINANCIAL REVIEW

营运及财务回顾

2020年度集团销售收入5.90亿，同比降16.7%，销售收入的下降主要是由于年内新冠病毒的爆发导致经济活动减缓及客户需求下降。

销售收入类别	FY2020		FY2019		变化
	RMB`000	%	RMB`000	%	
硬包装	384,354	65.1%	464,413	65.5%	-17.2%
软包装	206,028	34.9%	244,653	34.5%	-15.8%
合计	590,382	100%	709,066	100%	-16.7%

今年集团的毛利为1.16亿，同比下降21.7%。其中硬包装毛利0.83亿，同比下降17%；软包装毛利为0.32亿，同比下降31.7%。毛利下降的主要原因是销售额的下降，毛利率下降的主要原因是出货量的下降引起单位固定的制造成本上升。

毛利类别	FY2020		FY2019		变化
	RMB`000	%	RMB`000	%	
硬包装	83,269	72%	100,273	67.9%	-17%
软包装	32,358	28%	47,387	32.1%	-31.7%
合计	115,627	100%	147,660	100%	-21.7%

从区域销售情况来看，区域销售占比变化不大，中国区的销售收达人民币5.6亿元，占销售总额的94.8%，仍为集团的主要服务市场所在。

销售收入区域	FY2020		FY2019		变化
	RMB`000	%	RMB`000	%	
中国	559,452	94.8%	671,528	94.7%	-16.7%
美国	1,889	0.3%	4,709	0.7%	-59.9%
荷兰	1,214	0.2%	3,401	0.5%	-64.3%
澳洲	12,705	2.2%	11,021	1.6%	15.3%
其他	15,122	2.5%	18,407	2.5%	-17.8%
合计	590,382	100%	709,066	100%	-16.7%

BOARD OF DIRECTORS



PAN SHUN MING

Executive Chairman and Chief Executive Officer

Mr. Pan is our Executive Chairman, Chief Executive Officer and the co-founder of our Group. He is responsible for our Group's overall business strategies and policies. He has more than 30 years of experience in the packaging industry. In November 2000, Mr. Pan was appointed as the Vice Chairman of the Nanhai Printing and Packaging Association. On 15 March 2001, Mr. Pan was also appointed as the Foreign Investment Consultant of the Nanhai People's Government. In recognition of his entrepreneurship and management ability, Mr. Pan served as a council member to PRC's National Entrepreneur Association in April 2000.



CHEN XIANG ZHI

Executive Director and Vice Chairman

Mr. Chen, the Executive Director and Vice Chairman, joined our Group on 26 January 2010. He is responsible for assisting the Chairman and CEO for the development of the Group's business strategies and policies. Mr. Chen has more than 20 years of experience in large-scale enterprise management and is very experienced and good at capital operations. He joined Guangzhou Wanglaoji Pharmaceutical Company Limited as the Chairman & General Manager in 1998 and then Guangzhou Pharmaceutical Holdings Limited, a public listed company in China, as Managing Director in 2000. He was appointed as the Managing Director of Guangzhou Baiyunshan Pharmaceutical Co., Ltd, also a listed company in China in 2001. Mr. Chen was then appointed as the Deputy Managing Director of Guangzhou Light Industry & Trade Group Ltd; Chairman of Guangzhou Lonkey Co., Ltd (a listed company in China); Vice Chairman of MeadJohnson Nutrition (China) Co., Ltd, as well as Vice Chairman of Guangzhou Pacific Tinsplate Co., Ltd since 2004.

BOARD OF DIRECTORS



YEUNG KOON SANG
@ DAVID YEUNG
Lead Independent Director

Mr. Yeung was appointed as an Independent Director of our Company in September 2004. He is the managing director of Kreston David Yeung PAC, which he founded in 1987. He has over 30 years' experience in public accountancy and had worked previously with Deloitte & Touché, UK and Ernst & Young, Singapore. He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. Mr. Yeung holds a Master of Social Science (Accounting) degree from the University of Birmingham, England. He is also a practising member of the Institute of Singapore Chartered Accountants and a fellow of the Association of Chartered Certified Accountants, United Kingdom.



CHIA CHOR LEONG
Independent Director

Mr. Chia was appointed as an Independent Director of our Company in October 2014. Mr. Chia obtained an LL.B. (Honours) degree from the University of Singapore in 1980 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1981. He has been in private legal practice since 1981, and now practises mostly as an arbitrator, adjudicator, mediator, legal assessor and neutral evaluator. Mr. Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review) and a member of the Singapore Road Safety Council. He presently serves as the Chairman of the External Placement Review Board and as a member of the Independent Review Panel of the Ministry of Home Affairs, Singapore. In recognition of his voluntary public service over the years since 1987, Mr. Chia was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2000 and the Bintang Bakti Masyarakat (Public Service Star) in 2007.

BOARD OF DIRECTORS



CHUNG TANG FONG
Independent Director

Dr. Chung was appointed as an Independent Director of our Company in May 2014. He was one of the founders of the NUS Business School Mandarin Alumni and serviced as the President from 2008 to 2012 and was awarded the “Eminent Business Alumni Award” in 2012. He presently serves as the Founding President of the Lee Kuan Yew School of Public Policy Mandarin Alumni. Dr. Chung holds a Bachelor of Arts from Ottawa University, a Master of Business from Curtin University, a Master in Public Administration & Management from National University of Singapore, a Doctor of Business Administration from Victoria University, a Post-Doctoral Professional Studies with Harper Adams University, and a Research Scholar with the School of Economics at Peking University. He was admitted as a Fellow of the Chartered Management Institute, UK., Fellow of the Australian Institute of Management, Victoria, Australia, Dr. Chung is an active community leader. He is appointed as a Licensed Solemniser cum Deputy Registrar of Marriages, a Town Councillor of Jurong-Clementi Town Council and the Co-Chairman of its Finance Committee. He is also the Chairman of the Institutional Review Board, Public Free Clinic Society, Singapore and Honorary President of the Singapore Chung Hwa Medical Institution. He was appointed as a District Councillor of South West CDC for more than a decade. In recognition of his public service, Dr. Chung was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (Public Service Star) in 2008 by the President of Singapore. In addition, Dr. Chung was sanctioned admission as Member of the Order of St. John (SBStJ) by Her Majesty The Queen of United Kingdom in 2018.



PU JINBO

Deputy Chief Executive Officer

Mr. Pu, our Deputy Chief Executive Officer, joined our Group in 1999. Mr. Pu was our Executive Director from April 2004 until August 2019. He is responsible for the overall investment strategies of the Group. Mr. Pu has more than 15 years of experience in food industry. He graduated with a Diploma from Guangdong No.2 Polytechnic in 1984 and holds an EMBA degree from the National University of Singapore. After graduating in 1984, Mr. Pu joined Guangzhou Friendship Food Company and served there until 1997, when he was the Assistant General Manager. Mr. Pu was awarded the title Assistant Economist by Guangzhou Business Department Titles Amendment Group in July 1993.

MAI SHUYING

Chief Financial Officer

Madam. Mai is our Chief Financial Officer and the co-founder of our Group. Madam Mai founded our Group together with Mr. Pan in the early 1980s. Madam Mai was our Executive Director until August 2019. She is in-charge of our Group's finance department and is responsible in managing financial matters, in particular, overseeing the fund disbursement and administrative matters. Mr. Pan Shun Ming and Madam Mai Shuying are spouses.

LI YONGHUA

Chief Operating Officer

Mr. Li Yonghua, the Chief Operating Officer, joined our Group in 2002. Mr. Li was our Executive Director from February 2011 until August 2019. He is responsible for the operation of the Group and oversees day to day business operations of the Group (sales, marketing, business development and etc). Mr. Li holds a MBA degree from Hong Kong University of Science and Technology. He was Account Manager in Rexam Derkwei Industrial (Shenzhen) Co. Ltd from 1999 to 2001 before he joined Foshan Southern Packaging in December 2002 as Sales Manager. He was promoted as Assistant to the President in 2004 and then Deputy General Manager in July 2006, mainly responsible for sales and marketing. Mr. Li was then appointed as General Manager of Foshan Southern Packaging in the end of 2007.

PAN ZHAOJIN

Vice President (Property Development)

Mr. Pan Zhaojin joined our Group in 2007 and he was our Executive Director from February 2011 until February 2017. He is our Vice President (Property Development) responsible for overseeing and responsible for the property development activities of the Group's property investment. Mr. Pan holds an IMBA degree from Sun Yat Sen University. He first joined the Company as a CEO assistant in 2007 and was promoted as Vice General Manager in 2009, mainly responsible for Human Resource Management and R&D department. He was our Deputy Chief Operating Officer from February 2017 until October 2019 responsible for marketing and business development for the Group's packaging business.



KEY MANAGEMENT

ZHANG JIAN LING

Chief Investment Officer

Ms. Zhang Jian Ling joined the Group in April 1993. She is responsible for import of equipment and materials and export of packaging products as well as corporate expansion and investment projects. Ms. Zhang holds a Bachelor of Science from the Southern China Technological University. After graduating in 1988, she joined the Nanhai Guicheng Light Chemical Industry Development Department of the Guicheng Economic Development Group and assisted in the establishment of Sino-Foreign joint ventures and corporate secretarial matters. She was transferred to Nanhai Zhujiang Packaging & Printing Co., Ltd in 1990.

LAO JING WEN

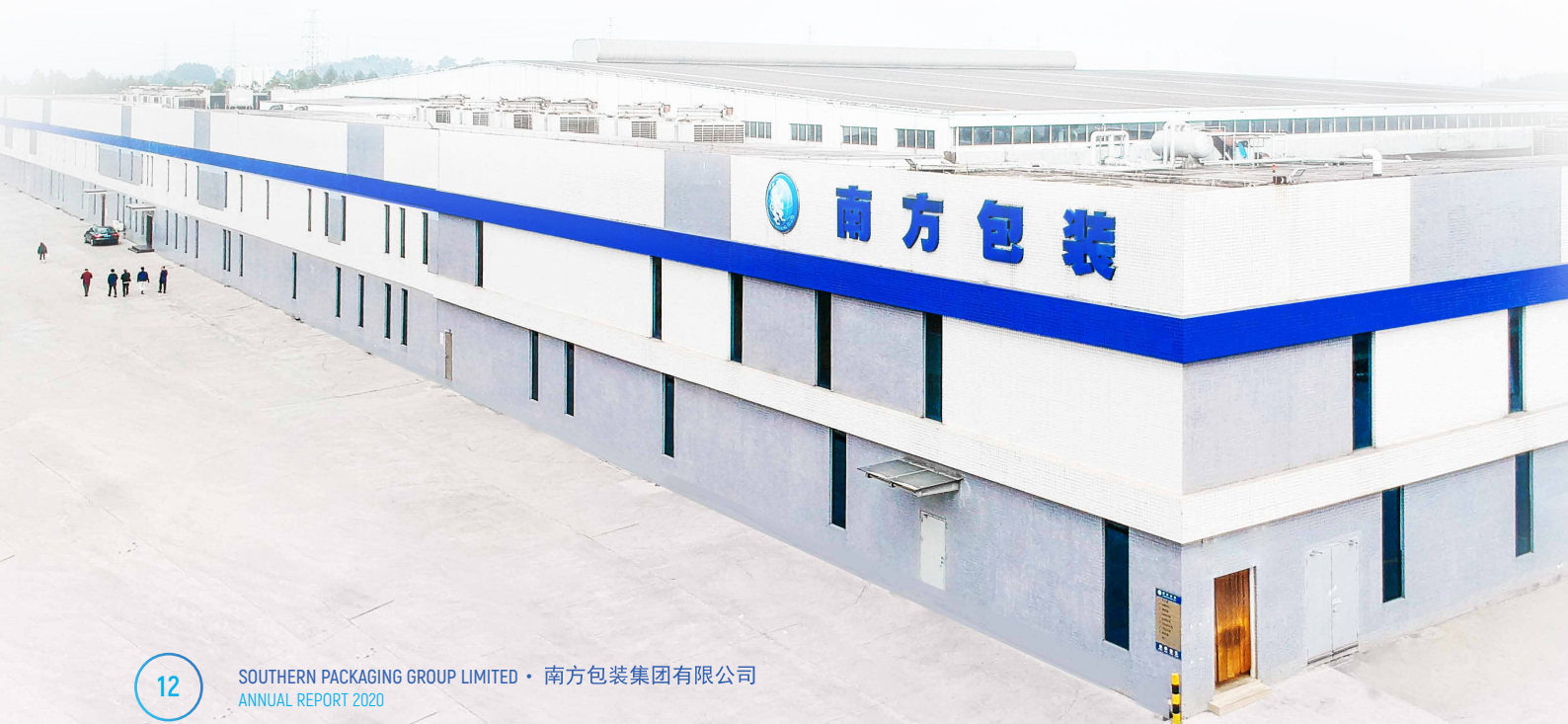
Financial Controller

Ms. Lao Jing Wen joined the Group in August 2011. She is responsible for overseeing the financial reporting and accounting functions of the Group and subsidiaries of the Group. She is a Certified Practising Accountant of Australia. Ms Lao received a Bachelor of Science from GuangDong University of Technology in 1987, and then she obtained a Diploma in accounting from Macquarie University in Australia in 1996. She has more than 15 years of experience in accounting and audit firm. She joined Zhou Xin Accounting Firm Ltd as a tax consultant in 1999 and responsible for preparing tax return and providing tax advises for her clients. Before joining the Southern Packaging Group, she held a position as audit manager in Katax C.P.A Limited (HongKong) for 5 years.

DAI WEI HONG

Vice President (Packaging Development)

Mr. Dai Wei Hong joined the Group in 2004. He is responsible for sales business and marketing. He was the Sales Manager, General Manager Assistant of Foshan Southern Packaging Co., Ltd, the General Manager of Southern Packaging (Jiangsu) Co., Ltd. Mr Dai has been working in the Group for 15 years, with rich experience in marketing and production operation management, unique insights in business development and marketing development. Mr Dai holds a Bachelor of Science from South China University of Technology. He has the Chief Quality Officer Certificate of Jiangsu Province.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Pan Shun Ming
(Executive Chairman and Chief Executive Officer)

Chen Xiang Zhi
(Executive Director and Vice Chairman)

Yeung Koon Sang @ David Yeung
(Lead Independent Director)

Chung Tang Fong
(Independent Director)

Chia Chor Leong
(Independent Director)

AUDIT COMMITTEE

Yeung Koon Sang @ David Yeung (Chairman)
Chung Tang Fong
Chia Chor Leong

REMUNERATION COMMITTEE

Yeung Koon Sang @ David Yeung (Chairman)
Chung Tang Fong
Chia Chor Leong

NOMINATING COMMITTEE

Chia Chor Leong (Chairman)
Yeung Koon Sang @ David Yeung
Chung Tang Fong

COMPANY SECRETARIES

Kong Wei Fung
Cheok Hui Yee

REGISTERED OFFICE

80 Robinson Road
#02-00
Singapore 068898
Website: www.southern-packaging.com
T: +65 6236 3333
F: +65 6236 4399

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
T: +65 6536 5355
F: +65 6438 8710

INDEPENDENT AUDITOR

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-charge: William Ng Wee Liang
(Appointed since the financial year ended
31 December 2019)

PRINCIPAL BANKERS

Agricultural Bank of China
(Nanhai Pingzhou SubBranch)
Bank of China Limited (Nanhai Sub-Branch)
Hang Seng Bank (China) Limited
(Foshan SubBranch)

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Southern Packaging Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”), is committed to setting and maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and protect and enhance long-term shareholder value.

This report outlines the Company’s corporate governance practices that were in place during financial year ended 31 December 2020 (“**FY2020**”) with specific reference to Principles and Provisions of the Code of Corporate Governance (the “**Code**”) issued by the Monetary Authority of Singapore on 6 August 2018.

The Company is required under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to describe in this Annual Report its corporate governance practices with reference to both the Principles and Provisions of the Code and how the Company’s practices conform to the Principles of the Code. Compliance with, and observation of, the Principles is mandatory and variations from Provisions are explained appropriately in this Annual Report.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1 The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Role of the Board

The Board is entrusted with and has the responsibility for the overall management of the Group. It establishes the corporate strategies of the Group, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders’ value. The Board is responsible for the overall corporate governance of the Group to ensure the Group’s strategies are in the interests of the Group and its shareholders.

The principal functions of the Board apart from its statutory responsibilities are:

- (a) to provide entrepreneurial leadership; approve the strategic objectives, corporate policies and authorisation matrix of the Company; and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) to oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals, major funding proposals of the Company;
- (c) to assume responsibility for corporate governance framework of the Company and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and company’s assets;
- (d) to monitor and review management performance;
- (e) to identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (f) to set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders and others are understood and met; and
- (g) to promote corporate social responsibilities throughout the Group and include environmental and social factors as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

Directors understand their duties at law (including their roles as executive, non-executive and independent directors), which includes acting in good faith and in the best interests of the company; exercising due care, skills and diligence; and avoiding conflicts of interest. The Board adopted a set of ethical values and standards which establishes the fundamental principles of professional and ethical conduct expected of the Directors in the performance of their duties.

Conflict of Interest

To address and manage possible conflicts of interest that may arise between Directors' interest and those of the Group, the Company has put in place appropriate procedures which apply in addition to the Directors' obligation to comply with disclosure obligations under the Company's Constitution and Companies Act (Chapter 50) of Singapore ("**Companies Act**"). Each Director is required to promptly disclose any conflicts or potential conflicts of interest, whether direct or indirect, in relation to any transaction or matter discussed and contemplated by the Group. The disclosure is made either during a Directors' meeting or by way of a written notification to the Company Secretary containing details of the interest and the nature of conflict. Where a potential conflict of interest arises, the Director concerned will recuse himself/herself from participating in any discussions, abstains from voting on the matter and refrains from exercising any influence over other members of the Board.

Matters reserved for the Board's decisions

The Company has in place a limitation and authorisation policy. The policy contains materiality threshold(s) and a schedule of matters specifically reserved for the Board's approval. Below the Board's level, there are appropriate delegations of authority at the senior management level, to facilitate operational efficiency.

Matters and transactions that require the Board's approval include, amongst others, the following:

- the Group's long term objectives and commercial strategy;
- the making of any decision to cease, to operate all or any material part of the business of the Group or to venture into new business;
- merger and amalgamation initiatives;
- changes in capital structure;
- acquisition or divestment of any investment and asset by the Company or any of its subsidiaries;
- approval of financial results announcements, Annual Reports, sustainability reports and Audited Financial Statements;
- recommendation or declaration of dividend;
- annual forecasts, budgets and cash flow projections;
- appointment of new director (with recommendation made by the Nominating Committee ("**NC**")) and the appointment or removal of the Company Secretary;
- business practices and risk management of the Group;
- in the case of any conflict of interests which the Board, after being appropriately advised, considers to be material, as to whether such conflict should be authorised and, if so, authorise such conflict upon such terms and conditions as the Board considers appropriate;

CORPORATE GOVERNANCE REPORT

- remuneration packages for Executive Directors and key management personnel; and
- any matter required to be considered or approved by the Board as a matter of law or regulation.

Board induction and training

There was no new Director appointed in FY2020. All newly appointed Directors would receive a formal letter of appointment setting out the Director's duties, responsibilities and obligations as a Director including pertinent obligations under the Companies Act, the Securities and Future Act, Listing Rules and the Code.

The Board recognises the importance of appropriate training for its Directors. The NC will ensure that any newly appointed Director who has no prior experience as a director of an issuer listed on the SGX-ST, to undergo mandatory training as prescribed by the SGX-ST. The Company will arrange an orientation program (including onsite visits, if necessary) to new Directors to enable them to familiarise themselves with the Group's business and governance practices. They will also be briefed of the relevant regulations, shares dealing policy of the Company, their notification obligations under the Companies Act (Chapter 50) and Securities and Futures Act. The Directors will be given access to the Board resources, including the Company's constitutional and governing documents, board and each Board Committee's terms of reference, annual reports, board meeting papers and other pertinent information for his/her reference.

The Company does not have a formal training program for the Directors. Training and professional needs of any director is addressed on an ad-hoc basis. Directors are informed and encouraged to attend seminars, conference and training courses at the Company's expenses that will assist them in developing their skills and knowledge, executing their obligations to the Company and effectively discharge their duties as directors. The Audit Committee ("**AC**") and the Board had in the meetings held during FY2020 received briefings and updates on (a) developments in accounting and governance standards, in particular, changes of the Singapore Financial Reporting Standards (International), and accounting standards relevant to the Group by the external auditors, BDO LLP; (b) amendments to SGX-ST Listing Manual from the Company Secretary; and (c) strategic and business developments of the Group and any changes to commercial risks from the Executive Directors. The Directors can also request for further explanations, briefings or information on any aspects of the Company's operations and business issues from Management.

Updates on the relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts on a timely basis. Where necessary, the Company arranges for presentations by external professionals, consultants and advisers on topics that would have an impact on the relevant regulations, accounting standards, and the implications on responsibilities of the Directors.

Delegation by the Board

The Board is supported by three (3) Board Committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board Committees include the AC, NC and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). Each Board Committee is chaired by an Independent Non-Executive Director. These committees function within clearly defined terms of references setting out the composition, authorities and duties, required quorum, conduct of meetings and accountability, which are reviewed on a regular basis to ensure continued relevance.

The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The names of the members, principal roles and responsibilities of respective Board Committees are set out in this Annual Report.

CORPORATE GOVERNANCE REPORT

Meetings and attendance

The full Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. To ensure meetings are held regularly with maximum Directors' participation, the Company's Constitution allows a Director to participate at Board meetings by telephone or video-conference or other similar communication equipment which will permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Dates of the Board meetings, Board Committees meetings and annual general meetings are scheduled in advance in consultation with all of the Directors. The Board and Board Committees also approve transactions by way of written resolutions, which are circulated to the Board and Committee members together with all relevant information regarding the proposed resolutions/transactions.

Details of the Directors' attendance at Board and Committee meetings as well as at the AGM held during FY2020 are as follows:

	Board	AC	NC	RC	AGM
No. of meetings held	4	4	1	1	1
Number of meetings attended					
Pan Shun Ming	4	4 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾	1
Chen Xiang Zhi	4	4 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾	1
Yeung Koon Sang @ David Yeung	4	4	1	1	1
Chung Tang Fong	4	4	1	1	1
Chia Chor Leong	4	4	1	1	1

Notes:

(1) Attended as an invitee.

Access to complete, adequate and timely information

Management ensures that all Directors are furnished on an on-going basis with relevant, complete, adequate and timely information concerning the Company, to enable them to make informed decisions and discharge their duties and responsibilities.

Prior to each meeting, board papers and files are circulated for each meeting and the Board is provided with relevant background or explanatory information relating to the business of the meeting and information on major operational, financial and corporate issues. This is to give the Directors sufficient time to review and consider the matters being tabled and/or discussed. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed. The business/projects updates with information on financial, operating and corporate issues, the explanations on the financial information, and the rationale for the key decisions taken by the Management may also be made in the form of presentations by the Management in attendance at the meetings. The Directors are entitled to request additional information as needed to make informed decisions. Management is invited to attend Board meetings to provide additional insights into matters being discussed, and to respond to any queries that the Directors may have.

The Board members have separate and independent access to Management, who will provide additional information as may be needed by the Board to make informed decisions in a timely manner. The Board members also have separate and independent access to the Company Secretaries. The Board, either individually or as a group, is entitled to seek appropriate independent and professional advice, as and when necessary, at the expense of the Company, in furtherance of their duties.

CORPORATE GOVERNANCE REPORT

The role of the Company Secretaries is clearly defined and includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the Chairman's direction, the Company Secretaries will ensure good information flow within the Board and the Board committees and between Management and non-executive Directors and advising the Board on all governance matters. The Company Secretaries and/or her representative are/is present at all meetings of the Board and Board committees to record the proceedings. The appointment and removal of the Company Secretary is a matter for consideration by the Board as a whole.

Board Composition and Guidance

Principle 2 The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decision in the best interests of the Company.

As at the date of this Report, the Board comprises the following members:

1. Pan Shun Ming ("**Mr Pan**") (Executive Chairman and Chief Executive Officer ("**CEO**"))
2. Chen Xiang Zhi (Executive Director and Vice Chairman)
3. Yeung Koon Sang @ David Yeung ("**Mr David Yeung**") (Lead Independent Director)
4. Chung Tang Fong ("**Dr Chung**") (Independent Director)
5. Chia Chor Leong ("**Mr Chia**") (Independent Director)

The current Board comprises five (5) Directors, three (3) of whom are Independent Directors and Mr David Yeung is the Lead Independent Director of the Company. There is a good balance between the Executive and Non-Executive Directors as well as strong independent element on the Board with Independent Directors making up majority of the Board. The Company complies with Provision 2.2 of the Code which provides that independent directors to make up a majority of the Board as the Chairman of the Board is not an independent director and Provision 2.3 of the Code which provides that non-executive directors to make up a majority of the Board.

Review of Directors' independence

The Board considers an "independent Director" as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.

The independence of each Director is reviewed annually by the NC bearing in mind the SGX-ST Listing Manual, the Code as well as other relevant circumstances and facts. The NC is also committed to reassess the independence of each Independent Director as and when warranted.

To facilitate the NC in its review of the independent status of the Directors, each Independent Director will confirm his independence by completing a Confirmation of Independence Form which is drawn up in accordance with the SGX-ST Listing Manual, Provision 2.1 of the Code, and Practice Guidance to the Code, and submitted to the NC for its assessment of the independence of each Director.

CORPORATE GOVERNANCE REPORT

Based on the confirmation of independence submitted by Mr David Yeung, Mr Chia and Dr Chung, the NC was of the view that each Independent Director is independent on the following basis:

- (a) The Independent Directors (i) are not or have not been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is determined by the RC.
- (b) None of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received payments to and/or from the Group when aggregated over any financial year in excess of S\$50,000 for any significant payment or material services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organisation which provided or received significant payments or material services to and/or from the Group when aggregated over any financial year in excess of S\$200,000 for services rendered.
- (c) None of the Independent Directors and their immediate family member is directly associated with a substantial shareholder of the Company.

There were no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

Each member of the NC and of the Board recused themselves from deliberations in respect of the assessment of his independence.

In line with Guideline 2.4 of the Code of Corporate Governance 2012, the independence of Mr David Yeung (appointed on 23 September 2004), who has served on the Board beyond nine (9) years from the date of his first appointment, were subject to particularly rigorous review on his independence by NC and members of the Board. Factors that have been taken into consideration include (i) the Independent Director is able to act independently and provides overall guidance to Management at all times; (ii) the considerable amount of experience, required expertise in the relevant industry and wealth of knowledge that the Independent Director brings to the Company; (iii) the qualification and expertise of the Independent Director to provide reasonable checks and balances for the Management to act as safeguard for the protection of the Company's assets and shareholders' interest; (iv) the attendance and participation of the Independent Director in the proceedings and decision making process of the Board and Board Committees meetings; and (v) the Independent Director has no personal and business relationship with the Company's substantial shareholders, Executive Directors or Management that could impair his fair judgement; and (vi) the Independent Director is not financially dependent on fees received from the Company and his fee is not linked to the financial performance of the Group.

The NC, with the concurrence of the Board, is of the opinion that Mr David Yeung is objective and independent in expressing his views and in participating deliberations and decision making of the Board and Board Committees. The NC is of the opinion that he continues to exercise strong independent business judgement with a view to the best interests of the Company and shareholders. The independence of Mr David Yeung was not in any way affected by the length of service and the NC is satisfied that he contributed to the Board with his invaluable experience and expertise. Having reviewed the Board composition through the annual Board evaluation, the Board has considered that there is no current need for progressive refreshing of the Board.

Board Size and Composition

The NC and the Board examine the present size and composition of the Board and Board committees, taking into account, inter alia, the scope and nature of the group's business and operations and the benefits of all aspects of diversity, including but not limited to gender, age, and professional experience in order to provide the board access to an appropriate range and balance and mix of skills, knowledge, experience and backgrounds.

CORPORATE GOVERNANCE REPORT

The Company has adopted a formal Board diversity policy, where the size of the Board should be appropriate with no individual or group dominating the Board's decision-making process. The Board's policy with regard to diversity in identifying director nominees is to have an appropriate mix of members with complementary skills, core competencies and experience for the Group such as accounting or finance, business or management experience and industry knowledge for the effective functioning of the Board, regardless of gender. The Board has taken the following steps to maintain or enhance its balance and diversity (a) annual review by the NC to assess if the existing attributes and core competencies of the Directors are complementary to one another and will enhance the efficacy of the Board; and (b) annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which the Board is lacking. Following the resignation of Madam Mai Shuying as Director in FY2019, there is no female director on the Board. While the NC is aware of the merits of gender diversity to the Board composition, the NC notes that it is only one of the many aspects of diversity. The NC will continue to make its selection of candidates based on objective criteria which it believes is in the best interests of the Company.

The Board, in concurrence with the NC, is satisfied that the present size of five (5) Directors, age between 58 to 71 and different nationality, (i) is an appropriate size and with its diversified background and experience provides core competencies such as finance, accounting, legal, business management, industry knowledge and strategic planning experience for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Company; and (ii) facilitates effective decision making and ensure the balance of power with no individual or group of individuals dominates the Board's decision making process.

The biographies of the Directors are set out under "Board of Directors" section in this Annual Report.

Non-executive Director Meetings in absence of Management

The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of achieving strategic objectives. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to Management. Well equipped with the expertise, experience and knowledge, the Non-Executive Directors have been actively participating in discussions and decision-making at the Board and the Board Committees levels, and had open discussions with Management. Where required, the Independent Directors discuss issues via meetings, telephone and electronic devices without the presence of Executive Directors and Management. The Lead Independent Director will provide feedback to the Chairman if it is deemed necessary.

Chairman and Chief Executive Officer

Principle 3 **There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making**

Role of Chairman and the CEO

The Group's Executive Chairman, Mr Pan, also assumes the role of a CEO. Being the CEO of the Company, Mr Pan oversees the day to day management and operations of the Group and is responsible for setting the Group's overall business strategies and policies, objectives and missions, as well as executing the Board's decision plan and driving the Group's growth and development. Mr Pan has considerable industry experience and has also provided the Group with strong leadership and vision.

CORPORATE GOVERNANCE REPORT

As the Executive Chairman of the Company, Mr Pan is responsible for (i) leading the Board to ensure its effectiveness in all aspects of its role; (ii) establishing the agenda for the Board meetings in consultation with the Company Secretary, ensuring Board meetings are held when necessary, and adequate time is available for discussion of all agenda items, in particular strategic issues; (iii) reviewing the board papers in consultation with Management and ensuring that the Board receives complete, adequate and timely information to enable them to be fully cognisant of the affairs of the Group; (iv) encouraging constructive relations among the Directors and their interactions with Management; (v) promoting a culture of openness and debate at the Board; (vi) facilitating the effective contribution of all directors; and (vii) take a lead role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management. At Annual General Meetings of the Company, the Chairman plays a pivotal role in fostering constructive dialogue between the shareholders, the Board and Management.

While the Company has not adopted Provision 3.1 of the Code requires Chairman and CEO to be separate persons, the Board is of the opinion that the present Group structure and business scope does not warrant a meaningful split of the roles of the Chairman and the CEO. Major decisions or matters disclosed under Principle 1 of this Annual Report are under the purview of the Board and subject to majority approval of the Board. Where there are conflicts or potential conflicts of interest, whether direct or indirect, in relation to any matter or transaction discussed, the Director is required to disclose and abstain from voting on the matter. The Board viewed that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence, which is consistent with the intent of Principle 3 of the Code. There is also a strong independence element with majority of the Board are independent directors and the Board Committees, all comprising Non-Executive Directors, are chaired by independent non-executive Directors. No individual or group of individuals dominates the Board's decision making process.

Lead Independent Director

In compliance with Provision 3.3 of the Code, as the Chairman is non-independent, the Company has appointed Mr David Yeung as the Lead Independent Director of the Company. As the Lead Independent Director, he serves in a lead capacity to coordinate the activities of the Independent Directors when necessary and appropriate. His responsibilities include carrying out the functions of the Chairman in relation to any matter where it would be inappropriate for the Chairman to serve in such capacity. He will provide feedback of the private discussion between non-executive Directors to the Chairman if it is deemed necessary. Mr David Yeung is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman, the CEO or Management are inappropriate or inadequate.

Board Membership

Principle 4 The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

As at the date of this Report, the NC comprises the following three (3) members, all of whom including the Chairman are Independent Directors:

Chia Chor Leong (Chairman)
David Yeung (Member)
Chung Tang Fong (Member)

CORPORATE GOVERNANCE REPORT

The NC is governed by the NC's Terms of Reference which describes the duties and functions of the NC. The NC's principal functions are as follows:

- (a) identifying, reviewing and recommending candidates for appointments to the Board (including alternate director) and Board committees (excluding the appointment of existing members of the Board to a Board committee);
- (b) reviewing and approving any new employment of related persons and proposed terms of their employment;
- (c) reviewing and recommending candidates to be nominees on the boards and board committees of the Company;
- (d) re-nomination of directors for re-election at each annual general meeting in accordance with the Constitution and having regard to the director's contribution and performance (including alternate directors, if applicable);
- (e) determining annually whether or not a director is independent;
- (f) deciding whether or not a director of the Company is able to and has been adequately carrying out his/her duties and responsibilities, including time and effort contributed to the Company, attendance at meetings of the Board and Board Committees, participation at meetings and contributions of constructive, analytical, independent and well-considered views, and taking into consideration the director's number of listed company board representations and other principal commitments;
- (g) assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the chairman of the Board and each individual Director to the effectiveness of the Board. The result of the performance evaluation will be reviewed by the NC Chairman;
- (h) decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholder's value;
- (i) recommending to the Board on the development of a process for the evaluation of performance of the Board, its Board Committees and Directors; and propose objective performance criteria which address how the Board has enhanced long-term shareholder value;
- (j) reviewing and recommending the training and professional development programmes for the Board;
- (k) recommending to the Board the review of succession plans for Directors, in particular, the Chairman and the CEO;
- (l) recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group; and
- (m) undertaking such other functions and duties as may be delegated the Board or required by the statute or the Listing Rules and by such amendments made thereto from time to time.

During FY2020, the NC held one (1) meeting and had on various occasions used resolutions in writing to resolve certain decisions which are then recommended to the Board.

CORPORATE GOVERNANCE REPORT

Process of Selection, Appointment and Re-appointment of Directors

The Company has in place procedures for the appointment of new Directors to the Board, including a search and nomination process.

There was no additional director appointed during the year. The NC reviews the need for appointment of additional director(s) and the composition of the Board, including the mix of expertise, skills, knowledge, so as to identify desired competencies to complement and strengthen the Board and increase its diversity.

The search for a suitable candidate is drawn from the network of contacts or approach relevant institutions such as the SID, professional organisations or business federations. Potential candidate is identified based on the needs of relevant skills, experience, knowledge, diversity and expertise. Existing Directors may also put forward names of potential candidates, together with their curriculum vitae, for the NC's consideration. The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability taking into consideration the existing composition of the Board and strives to ensure that the Board has an appropriate balance of independent directors as well as background, qualification and experience of each candidate and other factors such as age and gender that would contribute to the Board's collective skills and expertise, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives and to ensure that the candidates are aware of the expectations and the level of commitment required of them. The NC makes recommendations to the Board for approval via Circular Resolutions or in board meeting.

The NC recommends re-elections of Directors for approval by the Board, taking into account the Directors' overall contributions and performance and an appropriate mix of core competencies for the Board to fulfill its roles and responsibilities. The Company's Constitution requires that one-third (1/3) of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third (1/3) with a minimum of one (1)) shall retire from office by rotation and that all Directors shall retire from office once every three (3) years. A retiring Director shall be eligible for re-election. Any person appointed by the Directors either to fill a casual vacancy or as an additional director during the year will hold office only until the next Annual General Meeting ("**AGM**") and will be eligible for re-election but shall not be taken into account in determining the number of directors retiring by rotation at such meeting.

The NC has recommended to the Board that Mr David Yeung and Mr Chia be nominated for re-election at the forthcoming AGM of the Company. In evaluating each Director's contributions and performance for the purpose of re-nomination, the NC and the Board has considered the said Directors' overall competencies, commitment, experience, contributions, performance and other factors such as attendance, preparedness, participation, independence and candour are taken into consideration. The Board recommends the shareholders to approve the re-election of the said Directors. The details of the proposed resolutions are stipulated in the Notice of AGM and additional information of the retiring directors as set out in Appendix 7.4.1. to the Listing Manual pursuant to Rule 720(6) of the Listing Manual is enclosed under section titled "Additional Information of Directors Seeking Re-election" in this Annual Report.

Effective from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST requires the continued appointment of independent directors who have served on the Board beyond nine (9) years from the date of their first date of appointment to the Board (whether before or after listing) to be subjected to two-tier shareholders voting process in order to be considered independent.

CORPORATE GOVERNANCE REPORT

Mr David Yeung was first appointed to the Board as an Independent Director on 23 September 2004. The Company will be seeking two-tier Shareholders' approval of the continued appointment of Mr David Yeung as independent director in the forthcoming AGM ahead of Rule 210(5)(d)(iii) coming into effect on 1 January 2022.

The Board recognises the contributions of its Directors who over time have developed deep insight into the Group's operations and industry and who are therefore able to provide valuable contributions to the Group. As such, the Board has not set a fixed term of office for any of its Directors.

Independence of Directors

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually and have affirmed that Mr David Yeung, Mr Chia and Dr Chung are independent and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

Multiple Directorship

All Directors declare their board memberships as and when practicable.

During FY2020, the NC has ascertained that all Directors, including those who have other listed company board representations and/or principal commitments, have devoted sufficient time and attention to the Group's affairs and have discharged their duties and responsibilities adequately. The Board and NC take into account the Directors' actual conduct on the Board, in making this determination. As time requirements of each director are subjective, the Board and NC have decided not to fix a maximum limit on the number of directorships a director can hold. The Board and NC consider that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company. The NC is also of the view that its assessment of a Director's ability to devote sufficient time to the discharge of his or her duties should not entail a restriction on the number of other board commitments or their other principal commitments.

The listed company directorships and principal commitments of each Director are set out below:

Director	Position	Present directorship in other listed companies	Present principal commitments*
Pan Shun Ming	Executive Chairman and CEO	Nil	<u>Subsidiaries of Company</u> <ul style="list-style-type: none">● Southern Packaging (Jiangsu) Co., Ltd● Foshan Nanxin Packaging Co., Ltd● Southern (HK) Packaging Co., Ltd● Foshan Southern Packaging Co., Ltd

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Director	Position	Present directorship in other listed companies	Present principal commitments*
			<p><u>Other corporations</u></p> <ul style="list-style-type: none"> ● Foshan Energetic Film Co., Ltd ● Foshan Jia Xun Real Estate Co., Ltd ● Guangdong Donald Food Co., Ltd ● Guangdong Xinghua Health Drinks Co., Ltd ● Energetic Holdings Limited ● Striving Asset Management Co., Ltd ● Foshan Jia Bang Real Estate Co., Ltd ● Thrive United Holdings Ltd ● Cappella Holding Pte. Ltd ● Foshan Jia Yu Corporate Advisory Co., Ltd ● Nanhai 4 Pte. Ltd ● NH Assets Pte. Ltd ● Shan Shine Asset Management Co., Ltd ● Stable Growth Investment Co., Ltd ● Foshan Shan Shine Corporate Advisory Co., Ltd ● Foshan Ying Feng Real Estate Co, Ltd
Chen Xiang Zhi	Executive Director and Vice Chairman	Nil	<ul style="list-style-type: none"> ● Stable Growth Investment Ltd ● Foshan Jia Bang Real Estate Co., Ltd ● Thrive United Holdings Ltd ● Foshan Energetic Film Co., Ltd ● Foshan Shan Shine Corporate Advisory Co., Ltd ● Foshan Ying Feng Real Estate Co, Ltd ● Foshan Jia Yu Corporate Advisory Co., Ltd ● Foshan Jia Bei Le Property Management Co., Ltd

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Director	Position	Present directorship in other listed companies	Present principal commitments*
David Yeung	Lead Independent Non-Executive Director	AEI Corporation Limited	<ul style="list-style-type: none"> ● Kreston David Yeung PAC ● Daxin Yeung PAC ● Daxin Consulting (S) Pte Ltd ● Technicolor Asia Pacific Holdings Pte. Ltd.
Chung Tang Fong	Independent Non-Executive Director	Nil	<ul style="list-style-type: none"> ● Xi-Hong Enterprise Pte. Ltd. ● Registry of Marriages, Singapore ● Jurong-Clementi Town Council, Singapore ● Japan Association for Overseas Technical Scholarship (AOTS) Alumni Society of Singapore ● Singapore Chung Hwa Medical Institution ● Institutional Review Board, Public Free Clinic Society, Singapore ● Bukit Batok Citizen's Consultative Committee ● NUS Lee Kuan Yew School of Public Policy Mandarin Alumni
Chia Chor Leong	Independent Non-Executive Director	Frencken Group Limited	<ul style="list-style-type: none"> ● Chairman of the External Placement Review Board ● Member of the Independent Review Panel of the Ministry of Home Affairs, Singapore

* "Principle Commitments" as defined in the Code include all commitments which involve significant time commitment such as full time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in nonprofit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Alternate Director

There is no alternate Director appointed to the Board.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5 **The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual director.**

Board, Board Committees and Individual Director Assessments

The Board has established and implemented processes to be carried out by the NC for monitoring and evaluating the performance and effectiveness of the Board as a whole, the Board Committees and contribution of individual directors.

The evaluation of the Board is conducted annually based on objective performance criteria proposed by the NC and approved by the Board. The assessment covers areas such as Board Composition, Board Committee performance and effectiveness, Information to the Board, Board Procedures, Board Accountability, CEO/Top Management, Standards of Conduct, Risk Management and Internal Control and Communication with Shareholders. As part of the process, the Directors will complete appraisal forms which are collated by the Company Secretary. The Company Secretary will then consolidate and present the results of the appraisal to the Chairman of the NC who will then present a report to the Board.

An individual assessment of each Director is also undertaken annually. Assessment parameters for each Director include their knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the intensity and quality of participation at meetings. The process of the assessment is through self-assessment where each Director will complete appraisal forms which are collated by the Company Secretary. The Company Secretary consolidates the appraisal forms and presents the results to the Chairman of the NC who will then present a report to the Board.

The performance criteria do not change from year to year. Directors can also provide input on issues which do not fall under these categories, for instance, addressing specific areas where improvements can be made. Feedback and comments received from the Directors are reviewed by the NC, in consultation with the Chairman of the Board, to determine the actions required to improve the corporate governance of the Company and effectiveness of the Board as a whole. The Board is of the opinion that a separate assessment on the effectiveness of the Board Committees is not necessary as the Board Committees share common members.

The NC, having reviewed the overall performance of the Board and Board Committees in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, is of the view that the performance of the Board as a whole and Board Committees has been satisfactory. The NC, in assessing the contribution of an individual Director, has considered each Director's level of participation and attendance at Board and Board Committee meetings, his qualifications, experience, expertise and the time and effort dedicated to the Group's business and affairs. The NC is satisfied that sufficient time and attention has been given to the Group by the Directors. The NC is also satisfied that the current size and composition of the Board provides it with adequate ability to meet the existing scope of needs and the nature of operations of the Group. From time to time, the NC will review the appropriateness of the Board size, taking into consideration changes in the nature of the Group's businesses, the scope of operations, as well as changing regulatory requirements.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance for re-nomination as Director.

The Board has not engaged any external consultant to conduct an assessment of the effectiveness of the Board and the contribution by each individual Director to the effectiveness of the Board. Where relevant, the NC will consider such an engagement.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 **The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

As at the date of this Report, the RC comprises the following three (3) members, all of whom including the Chairman of the RC are Independent Non-Executive Directors:-

David Yeung (Chairman)
Chung Tang Fong (Member)
Chia Chor Leong (Member)

The RC is governed by the RC's Terms of Reference which describes the duties and the powers of the RC. The functions of the RC are:-

- (a) review and recommend to the Board the framework of remuneration of the key executives of the Company and its subsidiaries, including executive directors, CEO and other key management personnel;
- (b) review the on-going appropriateness, attractiveness and relevance of the executive remuneration policy and other benefit programs including the terms of renewal for those executive directors whose current employment contracts will expire or had expired;
- (c) consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each Directors as well as for the key management personnel (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for each of the companies within our Group;
- (d) review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- (e) consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management personnel;
- (f) seek expert advice inside the company and/or outside professional advice on remuneration of directors and key management personnel, and to ensure that existing relationships, if any, between the company and its appointed consultants will not affect the independence and objectivity of the consultants;
- (g) determine, review and approve the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfillment of performance hurdles under such plans;

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- (h) approve the remuneration framework (including directors' fees) for the non-executive directors and for the boards of the Company;
- (i) review the remuneration of employees who are substantial shareholders or immediate family members of a director, CEO or a substantial shareholder of the Company to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities; and
- (j) undertake such other functions and duties as may be delegated by the Board or required by statute or the Listing Rules and by such amendments made thereto from time to time.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, other benefits-in-kind and termination payments shall be overseen by the RC.

In its review, the RC's objective is to establish and maintain a level of remuneration that would be appropriate to attract, retain and motivate the Directors and key management personnel to run the Group successfully. The RC also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies.

The RC will review the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous and to be fair and avoid rewarding poor performance.

Save for the contributions to defined contribution plans as disclosed in note 2.6 to the Financial Statements on page 65 of this Annual Report, and the payment in lieu of notice in the event of termination in their respective employment contracts, there are no other termination, retirement and post-employment benefits granted to the Directors, the CEO or any key management personnel.

The RC may from time to time, where necessary or required, seek expert advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for the Directors and key management personnel, so that the Group remains competitive. During FY2020, no external remuneration consultant has been engaged.

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Level and Mix of Remuneration

Principle 7 **The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.**

Remuneration Structure

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel, and determines specific remuneration packages for each executive director and key management personnel. The recommendations of the RC on remuneration of executive directors and key management personnel would be submitted for endorsement by the entire Board. The Company adopts a remuneration policy for Executive Directors and key management personnel consisting of a fixed component and a variable component. The fixed component is in the form of a base / fixed salary and retirement benefits being a certain percentage of the Executive Directors and key management personnel's basic salaries contributed to the retirement benefits schemes such as the Singapore Central Provident Fund and/or pursuant to the relevant regulations of the People's Republic of China government. The variable component is in the form of a variable bonus computed based on the performance of the Group as a whole which is linked to the financial targets set and other aspects of performance, as well as individual performance which are assessed through performance appraisal that sets out various assessment criteria such as level of achievement of targets and responsibilities, leadership ability, initiative, etc, to align with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

In setting/reviewing the remuneration packages of the Executive Directors and key management personnel, the Company takes into consideration the existing remuneration and employment conditions and makes a comparative study of the packages of executive directors and key management personnel within the industry and benchmarked against comparable companies/industries as well as the individual and the Group's sustainable performance.

The RC ensures that the level and structure of remuneration of the Directors and key management personnel are aligned with the long-term interests and risk policies of the Company, as well as the ability of such remuneration structures to attract, retain and motivate Directors and key management personnel to provide good stewardship and manage the Company for the long term.

The service agreements with respective Executive Directors and key management personnel are renewable in accordance with the specific terms as set out in the service agreements. Any revision or amendments to the service agreements will be firstly proposed to the RC and thereafter, on RC's recommendation to the Board for consideration and approval.

The Company does not make use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

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Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. However, the Company believes that it should be able to avail itself to remedies against these personnel in the event of such breach of fiduciary duties.

There is currently no long-term incentive scheme for the Directors of the Group and there is currently no unexpired share options.

No Director is involved in deciding his own remuneration, except in providing information and documents if required by the RC to assist in its deliberations. Directors' fees are recommended by the Board for approval at the Company's AGM.

Directors' fees

Independent Directors do not have service agreements. The remuneration of Non-Executive Directors are paid a fixed base fee and an additional fixed fee for serving on any of the Board Committees, taking into account factors such as level of contribution, effort, time spent, and responsibilities.

The RC recommends the payment of such fees in accordance with the contributions and responsibilities of the Non-Executive Directors, which will then be endorsed by the Board and subject to approval by the shareholders of the Company at the AGM.

Disclosure on Remuneration

Principle 8 The company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationship between remuneration, performance and value creation.

Directors' and Key Management Personnel' Remuneration

During FY2020, the RC had reviewed the compensation and remuneration packages of all Directors and key management personnel and believes that the remuneration of Directors and key management personnel commensurate with their respective performance roles and responsibilities, giving due consideration to the financial and commercial health and business needs of the Company. The RC has recommended to the Board and the Board has approved the remuneration of the Directors and the key management personnel.

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The breakdown (in the percentage terms) of the level and mix of Directors' and CEOs' remuneration for FY2020 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
S\$500,000 to below S\$750,000					
Pan Shun Ming	98.7	-	1.3	-	100
Below S\$250,000					
Chen Xiang Zhi	96.8	3.1	0.1	-	100
Pu Jinbo	92.1	2.8	5.1	-	100
David Yeung	-	-	-	100	100
Chung Tang Fong	-	-	-	100	100
Chia Chor Leong	-	-	-	100	100

The Board has approved the RC's recommendation for the Directors' fees of S\$123,000/- for FY2020. The fees are subject to the approval of shareholders at the forthcoming AGM. Executive Directors are not entitled to Directors' fees. The aggregate amount of remuneration paid or payable to the Directors are disclosed under Note 36 to the Financial Statements on page 116 of this Annual Report.

A breakdown of the level and mix of top five (5) key management personnel's (who are not Directors or the CEO) remuneration for FY2020 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Total %
S\$250,000 to below S\$500,000				
Mai Shuying	98.4	-	1.6	100
Below S\$250,000				
Li Yonghua	92.3	7.3	0.4	100
Pan Zhaojin	87.5	2.8	9.7	100
Zhang Jianling	95.4	4.4	0.2	100
Dai Wei Hong	97.5	1.7	0.8	100

The annual aggregate remuneration paid to the top five (5) key management personnel (excluding the Directors and the CEO) for FY2020 is S\$968,359.

During FY2020, save for Mr Pan, Madam Mai Shuying and Mr Pan Zhaojin (as disclosed below table), (substantial shareholders of the Company), there are no other employees who are substantial shareholders of the Company or are immediate family members of a Director or the CEO or a substantial shareholder of the Company and whose remuneration exceeds S\$100,000 during the financial period under review.

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Name	Remuneration Band
Pan Shun Ming	S\$500,000 to below S\$600,000
Mai Shuying	S\$400,000 to below S\$500,000
Pan Zhaojin	S\$100,000 to below S\$200,000

While the Company has not disclosed fully the amount of remuneration of each Director and CEO under provision 8.1(a) of the Code, the RC and the Board, after careful consideration, are of the view that such disclosures would not be in the best interests to the Group's business given the highly competitive environment it is operating in, and that the details disclosed in the above tables and under Note 36 on page 116 of the Financial Statements provides an appropriate balance between detailed disclosure on its remuneration framework and criteria for setting remuneration under Principle 7: Level and Mix of Remuneration. The Board believes that, taken as a whole, the disclosure provided herein are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors and CEOs, consistent with the intent of Principle 8 of the Code.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9 The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and shareholders.

The Board acknowledges that it is responsible for the governance of risk and the overall internal control framework, but recognises that no internal control system will preclude all errors and irregularities.

Currently, the AC with the assistance of internal and external auditors and Management assumes the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC. The Board is of the view that in view of the Group's manageable size, a separate risk committee is not required for the time being.

The AC and the Board are responsible to ensure that a review of the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management, is conducted annually. In this respect, the AC will review the audit plans, and the findings of the internal audit team and external auditors and report its opinion to the Board, and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. The Company will continue to make efforts in improving its risk management and internal control systems.

Management reviews the Group's business and operational activities regularly to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management will also be responsible for ensuring that the risk management framework is effectively implemented within all areas of the respective operations and to highlight significant matters to the AC and the Board.

On an annual basis, the Company engages independent third party as the internal auditors to formulate an internal audit plan and conduct internal audit reviews of the Group's operations, taking into consideration the risk areas identified which is approved by the AC.

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The AC will review annually, the adequacy and effectiveness of the IA function. In FY2020, the AC reviewed the report submitted by the internal auditors relating to the audits conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC.

A copy of the report is also issued to the Management for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting identified in the course of the statutory audit, if any, are highlighted by the external auditors to the AC.

The AC and the Board had received assurance from the CEO and the Chief Financial Officer ("**CFO**"), to the best of their knowledge, the Group's financial records as at 31 December 2020 have been properly maintained and the financial statements for FY2020 give a true and fair view of the Company's operations and finances.

The AC and the Board had obtained confirmation from the CEO, CFO and Key Management Personnel that the Group's risk management and internal control systems are adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the work performed by the internal and external auditors, the Group's framework of management control, the review procedures established and maintained by the Company to monitor the key controls and procedures and to ensure their effectiveness, the annual reviews performed by Management and the Board committees, the Board, with the concurrence of the AC, is of the view that for the current size and nature of the Group's operations and business, the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is effective and adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value. Pursuant to 1207(10) of the Listing Manual, the Board is of the opinion that there were no material weaknesses identified by the Board and AC in the Group's internal controls.

An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out on pages 110 to 114 of the Annual Report.

Audit Committee

Principle 10 The Board has an Audit Committee which discharges its duties objectively.

As at the date of this Report, the AC comprises the following three (3) members, all of whom, including the Chairman of the AC, are Non-Executive Independent Directors:-

David Yeung (Chairman)
Chung Tang Fong (Member)
Chia Chor Leong (Member)

None of the AC members (i) were former partners or directors of the Company's existing auditing firm or corporation within the previous two years commencing on the date of their ceasing to be a partner or director of the auditing firm or corporation; and (ii) hold any financial interest in the auditing firm or corporation.

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The Board is satisfied and in its business judgement viewed that the AC's composition and members are appropriately qualified to discharge their duties and responsibilities. The AC members have sufficient accounting and/or related financial management expertise and experience, as the Board interprets such qualification in its business judgement. Notably, Mr David Yeung, the AC Chairman, has extensive and practical accounting and financial management knowledge and had at least 30 years' experience in public accountancy, to be well qualified to chair the AC.

The AC is governed by the AC's Terms of Reference which describes the duties and the powers of the AC. The functions of the AC are as follows:

- (a) review significant financial reporting issues and judgments with the CFO/Financial Controller and the external auditors so as to ensure the integrity of the financial statements of our Group and any formal announcements relating to the Group's financial performance before submission to the Board of Directors;
- (b) review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risks areas, key audit matters, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Listing Manual and any other statutory/regulatory requirements;
- (c) review filings with the SGX-ST or other regulatory bodies which contain the Group's financial statements and ensure proper disclosure;
- (d) review the assurance from the CEO and CFO on the financial records and financial statements;
- (e) review annually the adequacy, effectiveness, independence, scope of results of the external audit;
- (f) review annually the aggregate amount of fees paid to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively. Where the external auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;
- (g) review the performance of the external auditors and facilitate its selection, appointment, re-appointment, and removal. The factors to consider include an assessment of their effectiveness through the level of errors identified, accuracy in handling key accounting audit judgments, and response to queries from the AC;
- (h) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (i) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the adequacy of the internal controls, the audit report, accounting system, the management letters and the management's response, and results of audits complied by the internal and external auditors;
- (j) review the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, and the management, and review the assistance given by the management to the auditors, and discuss problems and concern, if any, arising from interim and final audits, and any matters which the auditors may wish to discuss in the absence of Management where necessary;

CORPORATE GOVERNANCE REPORT

- (k) review and discuss with the external and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response and report such matters to the Board at an appropriate time;
- (l) review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management systems and internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- (m) ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience, and has appropriate standing within the Company.
- (n) review the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (o) commission and review an annual internal control audit until such time the AC is satisfied that the Group's internal controls are sufficiently robust and effective enough to mitigate the Group's internal control weaknesses (if any), and prior to the decommissioning of the annual audit, the Board is required to report to the SGX-ST on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal controls audit;
- (p) review the co-operation given by the Company's officers to the external auditors and internal auditors;
- (q) meet with the External and Internal Auditors without the presence of the Management at least once a year;
- (r) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);
- (s) review interested person transactions and potential conflicts of interests (if any). In particular, the AC will review and assess from time to time whether additional processes are required to be put in place to manage any material conflicts of interest between the Group and the Directors, CEO, Controlling Shareholders and/or their respective Associates and propose, where appropriate, the relevant measures for the management of such conflicts;
- (t) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (u) review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group, and to ensure that arrangements are in place for independent investigations of such matter and for appropriate follow-up, pursuant to the Company's whistle-blowing policy;
- (v) propose and establish a "Whistle-blowing policy" and review the procedures and arrangement by which employees of the Group may, in confidence, report to the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto; and
- (w) to undertake Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT

In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2020 in the discharge of its functions and duties including the deliberation and review of:

- (a) the internal and external audit plan in terms of their scope prior to their commencement;
- (b) the unaudited half-yearly and full year financial results of the Group, and announcements prior to submission to the Board for approval and release of the results via SGXNet;
- (c) the audited financial statements of the Group and the Company prior to submission to the Board for consideration and approval;
- (d) the assurance received from the CEO and CFO on the financial records and financial statements;
- (e) the internal audit findings report including internal control processes and procedures;
- (f) the independence, adequacy and effectiveness of the Group's internal audit function;
- (g) the adequacy and effectiveness of the Company's risk management system and internal controls, including financial, operational, compliance and information technology controls and reporting the findings to the Board;
- (h) interested person transactions and any potential conflicts of interests;
- (i) the co-operation and assistance given by Management to the Group's external and internal auditors; and
- (j) the independence, effectiveness and re-appointment of the external auditors of the Company and level of audit and non-audit fees, and their recommendation to the Board for approval.

The AC and the Board of Directors, with the assistance of internal and external auditors, reviews the adequacy and effectiveness of the key internal controls, including financial, operational, compliance, information technology controls and risk management systems on an on-going basis. There are formal procedures in place for both the internal and external auditors to report independently their findings and recommendations to the AC.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility, such as where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or likely to have a material impact on the Group's operating results and/or financial position. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC has full access to and co-operation of the Company's Management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

Each member of the AC will abstain from voting in respect of matters in which he is interested.

Independence of External Auditors

The aggregate amount of fees paid and/or payable by the Group to BDO LLP for FY2020 is RMB506,657, of which audit fees amounted to RMB491,570 and non-audit fees amounted to RMB15,087.

CORPORATE GOVERNANCE REPORT

The AC has reviewed the independence of the external auditors including the range and volume and nature of the non-audit services performed by its external auditors in relation to tax agent and tax compliance services rendered, the AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended the re-appointment of Messrs BDO LLP as external auditors of the Company for financial year ending 31 December 2021 at the forthcoming AGM.

The external auditors have unrestricted access to the AC.

In relation to the external auditors of the Group, the AC is satisfied that the Company has complied with the Rules 712 and 715 of the Listing Manual.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have impact on the Group's financial statements, with training conducted by professionals or external consultants. In FY2020, the AC was briefed and updated by the external auditors on the changes or amendments to the accounting standards and its corresponding impact on the financial statements, if any.

AC's commentary on key audit matters

In the review of the financial statements for FY2020, the AC has discussed with the Management and the external auditors on significant issues as well as the reasonableness of the key assumptions including significant judgements and key estimates used that impact the financial statements. The most significant matters have also been included in the Independent Auditor's Report to the Members under "Key Audit Matters". Taking into account all instances the views of the external auditors, the AC is assured and concurred with the Management's conclusions and satisfied that these matters have been properly dealt with; and concluded that the Group's accounting treatment and the disclosures in the financial statements were appropriate. The AC has recommended the Board to approve the financial statements.

Whistle-Blowing Policy

The Company has in place a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees and any other persons may raise concerns, in confidence, on improper conduct or other matters to Management and/or the AC, where applicable. The details of the policy have been disseminated and made available to all parties concerned, including new employees.

The AC would be vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention.

Internal Audit

The Company has outsourced the internal audit function to Daxin Guangzhou CPA who will report directly to the AC and administratively to the Deputy CEO. The AC approves the hiring, removal, evaluation and compensation of the internal auditors and the internal auditors have unfettered access to all the Company's documents, records, properties and personnel, and reports directly to the AC on audit matters. The AC will review on annual basis the adequacy and effectiveness of the internal audit function.

The AC approved the re-engagement of Daxin Guangzhou CPA to perform a review of the internal controls of the Group in accordance with the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors, Inc.

CORPORATE GOVERNANCE REPORT

Daxin Guangzhou CPA is a consultancy practice specialising in providing independent assurance services for corporations that require cost-effective and immediate solutions for their governance, risk and internal audit needs such as compliance audit, post-implementation reviews, value for money reviews, due diligence secondment and financial investigations. The engagement team assigned comprises 3 members and the partner-in-charge, Jiang Cuihua, has more than 13 years of relevant and diverse audit experience. The AC has assessed and is satisfied that the internal audit function of the Group is independent and effective, and the internal auditors have adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience. Accordingly, the Company is in compliance with Rule 1207(10C) of the Listing Rules.

Independent meeting with external and internal auditors

The AC has met the external and internal auditors without presence of the Management at least once a year to review assistance given by the Management to internal and external auditors and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial and operational systems. The external auditors were also invited to be present at AC meetings held during FY2020 to, inter alia, answer or clarify any matter on cooperation from management, accounting and auditing of internal control.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 **The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

Participation of General Meeting

The Company's general meetings are the principal forums for dialogue with shareholders.

The Board supports and encourages shareholders to participate actively in general meetings. At general meetings of the Company, shareholders are given equitably opportunity to participate effectively in and vote at the meeting and express their views/concerns and ask questions regarding the Group's business or performance. Notice of general meetings will be advertised in newspapers and announced on SGXNET. The Directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures.

Any notice of general meeting consisting of only ordinary resolution is issued at least fourteen (14) calendar days before the scheduled date of such meeting while a notice of general meeting containing special resolution is issued at least 21 calendar days before the scheduled date of the meeting.

At the Company's general meetings, the chairpersons of the AC, NC and RC, majority Directors and Management are normally present and available to address shareholders' questions at general meetings. The external auditors are also invited to attend the AGMs to assist the Directors in addressing shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report. In FY2020, the Company held an annual general meeting via electronic means. The attendance of Directors for the AGM held on 29 June 2020 is disclosed under Principle 1 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of the shareholders through the web is not compromised.

All shareholders can vote in person or to appoint up to two (2) proxies during his/her absence to attend, vote and speak in general meeting in accordance with the Constitution of the Company. Pursuant to Section 181 of the Companies Act (Chapter 50), notwithstanding the Constitution of the Company, the Company allows and will provide necessary measures to allow corporations which provide nominee or custodial services to appoint more than two (2) proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Each item of special business included in the notice of the AGM is accompanied by an explanation of the effects of the proposed resolution. At AGMs, the Directors ensure that separate resolutions are set out on distinct issues for approval by shareholders and shareholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. Pursuant to Rule 730A of the Listing Manual, all proposed resolutions at the Company's general meetings will be conducted by way of poll in the presence of an independent scrutineer. The explanation on polling procedures will be provided to shareholders before the poll voting is conducted. The total number and percentage of valid votes cast for or against each resolution will be announced at the general meeting and also published via SGXNet after the general meeting.

After a general meeting, the Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management. Once approved by the Board, these minutes are made available to shareholders upon their written request. The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5 of the Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including the risk of disclosure of sensitive information to the Group's competitors. The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders including those who did not attend the relevant general meeting, have statutory right to be furnished copies of the minutes of general meetings and these minutes would be made available to shareholders upon their written request, in accordance with the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company. In 2020, the Company had published the minutes of the AGM held on 29 June 2020 on SGX website.

In accordance with the requirement of the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"), the forthcoming AGM will be convened and held by way of electronic means. The Company will be putting in place alternative measures and arrangements for its upcoming AGM in accordance with the provisions of the Order. Shareholders are advised to refer to the Company's alternative arrangement announcement for AGM published on SGXNet and Company's website for more details.

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company currently does not have a fixed dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial period will make appropriate recommendation to the Board. Any dividend recommendation or declaration will be communicated to shareholders via announcement through SGXNET.

The form, frequency and amount of declaration and payment of future dividends on shares of the Company that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by the Directors:

- the level of cash and retained earnings;
- actual and projected financial performance;
- projected levels of capital expenditure and expansion plans;
- working capital requirements and general financing needs and conditions; and
- restrictions on payment of dividend imposed to the Company (if any).

The Board has recommended a first and final dividend of S\$0.0025 per ordinary share for FY2020 which is subject to shareholders' approval at the Annual General Meeting.

Engagement with Shareholders and Stakeholders

Principle 12 The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholder to communicate their views on various matters affecting the Company.

The Company has put in place an investor relations policy to facilitate fair and effective communication with shareholders. The Company conveys pertinent information to shareholders and complies with the guidelines set out in the Listing Manual when disclosing information. All questions raised by shareholders would be escalated to and addressed by the Senior Management or relevant person-in-charge.

The Company treats all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' right and continually review and update such governance arrangement. In this regard, care is taken to ensure that no market sensitive information such as corporate proposals, financial results and other material information is disseminated to any party without first making an official announcement through SGXNet.

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. The Company does not practise selective disclosure, and price-sensitive information is publicly released through SGXNet on an immediate basis pursuant to the Listing Manual. Information is disseminated to shareholders on a timely basis through various means of communication such as:

- announcements via SGXNET;
- price sensitive information, significant transactions or matters are communicated to shareholders via SGXNET;

CORPORATE GOVERNANCE REPORT

- sustainability report, Annual Reports and notice of general meetings issued to all shareholders; and
- the Company's website at <http://www.southern-packaging.com/> at which shareholders have access to information on the Group.

The Company solicits feedback from and addresses the concerns of Shareholders (including institutional and retail investors) by email via a dedicated investor relations email: public@southern-packaging.com or in writing to the Company's headquarter located in China or registered office in Singapore. The Company also attends to shareholders' queries made via telephone.

Principle 13 The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company understands the importance of stakeholder engagement and has been reporting its engagement activities in its annual sustainability report, in accordance with Global Reporting Initiative (GRI) standard - Core option. Key stakeholders have been identified (customers, employees, investors, suppliers, government and regulators), each with their respective engagement channels and key areas of interests that have been made of the Group's priorities. Stakeholders can communicate or write to the Company via its corporate website.

Please refer to the section on Stakeholder Engagement in the Company's Sustainability Report 2020 to be published on SGXNet by May 2021 for more information on how the Company manages its stakeholder relationships.

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual on dealings in securities, the Company has adopted a policy prohibiting share dealings in its securities by directors and officers of the Group: (i) during the period commencing one (1) month before the announcement of the Company's half/full year financial statements and ending on the date of the announcement of the relevant financial statements; and (ii) any time when in possession of unpublished price-sensitive information relating to the Group. They are prohibited from dealing in the Company's securities on short-term considerations. This has been made known to Directors and officers of the Group. They are also reminded to observe the insider trading laws at all times even when dealing in the Company's securities within permitted trading periods.

Directors are required to notify the Company of their securities dealings within two (2) business days of such dealings and the Company shall disseminate the notifications received to the market via SGXNET within one (1) business day of receiving such notifications.

MATERIAL CONTRACTS

Save as disclosed in the section entitled "Interested Person Transactions" and the service agreements entered into between the Executive Director, Chief Executive Officer, Controlling Shareholder and the Company, there are no other material contracts or loans entered into by or taken up by the Company or its subsidiaries involving the interest of any Director or controlling shareholder which are still subsisting as at the end of FY2020 or if not then subsisting, entered into since the end of previous financial year.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS (“IPTs”)

The Company has established review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. In the event that a member of the AC is involved in any IPT, he will abstain from reviewing that particular transaction.

The IPTs of the Group during FY2020 are:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) FY2020	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) FY2020
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB1,832,940 (S\$371,688)	-
Mai Shu Ying ,Pan Shun Ming ⁽²⁾	RMB824,367 (S\$167,167)	-
Foshan Unibott Technology Limited ⁽³⁾	RMB1,480,053 (S\$300,128)	-
Shan Shine Asset Management Co., Limited ⁽⁴⁾	RMB3,510,068 (S\$711,836)	-

- (1) Rental payment to Guangdong Xing Hua Health Drink Co. Ltd, an associate company of Pan Shun Ming (Executive Chairman, CEO and Substantial Shareholder) and Mai Shu Ying (Substantial Shareholder), for factory occupied by Foshan Southern Packaging Co., Ltd. (“Foshan SP”), a wholly-owned subsidiary of the Company.
- (2) Rental payment for office occupied by Southern (HK) Packaging Company Limited (“SP HK”), a wholly-owned subsidiary of the Company.
- (3) Supply of products by Foshan SP to Foshan Unibott Technology Limited, an associate company of Pan Zhaojin (substantial shareholder).
- (4) Supply of products by Shan Shine Asset Management Co., Limited, an associate company of Pan Shun Ming (Executive Chairman, CEO and Substantial Shareholder) and Pan Zhaojin (Substantial Shareholder) to Foshan SP and SP HK.

CORPORATE SOCIAL RESPONSIBILITIES

The Company has always fostered a socially responsible corporate culture amongst its management and staff. Our management team and employees are our assets. We recognise that the success of our Group is due in great part to our dedicated and passionate team of employees working together to deliver high-quality services to our customers. Therefore, we take great care of employees by providing them a safe and healthy work premises and offer them opportunities to continually enhance and develop their core skills and knowledge base. In addition to this, we also provide classroom training and product knowledge, safety and product handling, new market trends and technologies so that our staff stays up-to-date with the latest developments and trends within the industry. New employees will also be provided mandatory orientation programmes to familiarise them with the Group’s corporate identity, policy and standard operation practise.

CORPORATE GOVERNANCE REPORT

SUSTAINABILITY REPORTING

The Group firmly believes that our commitment to embrace the tenets of corporate sustainability as a driving force to creating value for our stakeholders at large. We adopt the principles of sustainability throughout our supply chain and continue to build sustainable practices in every aspect of the Group's business in achieving high levels of integrity and excellence in its activities. We focus our efforts on sustainable economic growth, training and education, employment, environment protection and environmental compliance. The Sustainability Report will be published by May 2021 via SGXNet.

DIRECTORS' STATEMENT

The Directors of Southern Packaging Group Limited (the “Company”) present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020 and the statement of changes in equity of the Company for the financial year then ended.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”), Singapore Financial Reporting Standards (International) and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Pan Shun Ming
Chen Xiang Zhi
Yeung Koon Sang @ David Yeung
Chung Tang Fong
Chia Chor Leong

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company for the purposes of the Act, none of the Directors of the Company holding office at the end of the financial year had any interests in the shares or debentures of the Company and its related corporations except as detailed below:

	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	Balance as at 1 January 2020	Balance as at 31 December 2020	Balance as at 1 January 2020	Balance as at 31 December 2020
	Number of ordinary shares			
Company				
Pan Shun Ming	27,384,697	27,384,697	17,925,265	17,925,265

By virtue of Section 7 of the Act, Mr Pan Shun Ming is deemed to have interests in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2021 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2020.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. Audit Committee

The Audit Committee of the Company is chaired by Yeung Koon Sang @ David Yeung, and includes Chung Tang Fong and Chia Chor Leong, all Independent and Non-Executive Directors. The Audit Committee has met 3 times since the last Annual General Meeting and has reviewed the following, where relevant, with the Executive Directors and internal and external auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;
- (d) the half-yearly and annual financial statements and results announcements of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Group's internal and external auditors; and
- (f) the independence and re-appointment of the external auditor of the Company.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The internal and external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor at the forthcoming Annual General Meeting of the Company.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Pan Shun Ming
Director

Chen Xiang Zhi
Director

5 April 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern Packaging Group Limited (the "Company") and its subsidiaries (the "Group"), as set out on page 54 to 117, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER

AUDIT RESPONSE

1 Accounting for property under development

As at 31 December 2020, the Group had property under development of RMB241,443,635 which represented 22.2% of the Group's total assets.

On 25 January 2019, the subsidiary of the Company, Foshan Southern Packaging Co., Ltd obtained all necessary permits to commence the construction of "Apex Tower", which comprised of two industrial buildings connected with corridors on top floor, a three-story commercial podium and 640 carpark lots.

The carrying amount of the property under development comprised of land use right, direct development costs and interest capitalised. On annual basis, management carried out an assessment on the appropriateness of the cost capitalised and an additional eligible costs of RMB70,748,075 was being capitalised during the financial year.

As at end of financial year, the property under development is presented as part of current assets as the property is expected to be recovered within its operating cycle. On completion, the property will be transferred to property held for sale, investment property or property, plant and equipment.

We focused on this area as key audit matter due to the significant of the carrying value of the above-mentioned assets to the financial statements and significant effort was spent in evaluating appropriateness of the accounting treatment.

Refer to Notes 2.15, 3.1(i) and 16 of the accompanying financial statements.

We performed the following audit procedures, amongst others:

- Obtained and read the relevant agreements, permits, board resolutions and related correspondences relating to the property under development;
- Held discussion with management and undertook a virtual site visit, with physical presence of component auditor to obtain an understanding on the current status and upcoming developments of the project;
- Evaluated the appropriateness of the direct development costs and checked the arithmetical accuracy of the costs capitalised;
- Performed test of details on the cost incurred on a sample basis, ensured these costs were directly attributable to the development and supported by suppliers invoices and other supporting documents; and
- Reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

Report on the Audit of the Financial Statements (Continued)	
KEY AUDIT MATTER	AUDIT RESPONSE
2	Loss allowance on trade receivables
<p>As at 31 December 2020, the Group had gross trade receivables amounting RMB138,988,377 of which loss allowance of RMB550,886 was provided. The Group was exposed to various customers with different profiles and characteristics.</p> <p>The Group recognised loss allowance on trade receivables based on the simplified approach within SFRS(I) 9 Financial Instrument using provision matrix to determine lifetime expected credit losses.</p> <p>In determining expected credit loss ("ECL") rates for the Group's non-credit impaired trade receivables, the Group considered historical loss pattern of respective customers in different geographical areas and forward looking information to reflect current conditions and estimates of future economic conditions. No loss allowance was made on these balances as the amount is insignificant to the Group.</p> <p>Notwithstanding the above, the Group evaluated the ECL on customers in financial difficulties separately.</p> <p>We focused on this area as a key audit matter as significant judgements are involved in the measurement of ECL.</p>	<p>We performed the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's ECL model and evaluated their reasonableness and tested the mathematical accuracy; • Reviewed the historical loss pattern, on-going business relationship and geographical profile of overdue trade receivables; • Verified the external data sources the Group factored in adjustment to derive the adjusted historical credit loss rate; • Checked subsequent collections relating to the Group's significant past due trade receivables; and • Assessed the adequacy of the Group's disclosure in respect of credit risk.
<hr/> <p>Refer to Notes 2.17, 3.2(i), 18 and 33(i) of the accompanying financial statements.</p>	

INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

Report on the Audit of the Financial Statements (Continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is William Ng Wee Liang.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
5 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

		Group	
	Note	2020 RMB	2019 RMB
Revenue	4	590,382,343	709,066,361
Cost of sales		(474,755,716)	(561,406,117)
Gross profit		115,626,627	147,660,244
<i>Other item of income</i>			
Other income	5	14,478,651	6,597,652
<i>Other items of expense</i>			
Distribution expenses		(36,437,816)	(41,753,082)
Administrative expenses		(75,126,992)	(85,720,239)
Finance costs	6	(14,555,836)	(17,929,563)
Profit before income tax	7	3,984,634	8,855,012
Income tax credits	8	746,069	370,457
Profit for the financial year, representing profit for the financial year attributable to owners of the parent		4,730,703	9,225,469
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit:</i>			
Exchange differences on translation of foreign operations		16,230	524,735
Other comprehensive income for the financial year, net of tax		16,230	524,735
Total comprehensive income for the financial year, representing total comprehensive income attributable to owners of the parent		4,746,933	9,750,204
Earnings per share			
- Basic and diluted (RMB cents)	9	6.73	13.12

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 RMB	2019 RMB	2020 RMB	2019 RMB
ASSETS					
Non-current assets					
Property, plant and equipment	10	465,734,380	498,088,003	-	-
Investment property	11	400,338	417,743	-	-
Investments in subsidiaries	12	-	-	465,932,925	465,932,925
Land use rights	13	39,712,977	40,791,256	-	-
Right-of-use assets	14	2,373,091	2,682,428	-	-
Deferred tax assets	15	5,391,362	4,190,899	-	-
Total non-current assets		513,612,148	546,170,329	465,932,925	465,932,925
Current assets					
Property under development	16	241,443,635	170,695,560	-	-
Inventories	17	75,105,123	70,714,547	-	-
Trade receivables	18	138,437,491	163,353,899	-	-
Other receivables and prepayments	19	50,779,728	39,979,066	1,304,897	1,305,624
Cash and bank balances	20	66,018,840	125,817,400	1,001,507	1,021,790
Fixed deposits	21	1,239,335	2,994,039	-	-
Total current assets		573,024,152	573,554,511	2,306,404	2,327,414
Total assets		1,086,636,300	1,119,724,840	468,239,329	468,260,339
LIABILITIES AND EQUITY					
Equity					
Share capital	22	230,592,765	230,592,765	230,592,765	230,592,765
Capital contribution	23	12,638,812	12,638,812	-	-
Statutory reserve	23	58,066,917	57,674,557	-	-
Foreign currency translation account	23	(1,733,479)	(1,749,709)	-	-
Retained earnings		261,009,770	257,559,315	213,211,373	203,308,753
Total equity		560,574,785	556,715,740	443,804,138	433,901,518

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 RMB	2019 RMB	2020 RMB	2019 RMB
Non-current liabilities					
Deferred government subsidies	24	11,712,373	12,851,332	-	-
Lease liabilities	25	-	70,206	-	-
Deferred tax liabilities	15	1,000,000	1,000,000	-	-
Borrowings	26	116,478,184	137,257,566	-	-
Total non-current liabilities		129,190,557	151,179,104	-	-
Current liabilities					
Deferred government subsidies	24	1,138,959	1,138,959	-	-
Lease liabilities	25	2,399,745	2,671,438	-	-
Current income tax payable		4,450,383	5,696,072	-	-
Trade payables	27	103,241,756	123,861,037	-	-
Other payables	28	34,830,785	37,968,634	24,435,191	34,358,821
Borrowings	26	250,809,330	240,493,856	-	-
Total current liabilities		396,870,958	411,829,996	24,435,191	34,358,821
Total liabilities		526,061,515	563,009,100	24,435,191	34,358,821
Total liabilities and equity		1,086,636,300	1,119,724,840	468,239,329	468,260,339

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Share capital RMB	Capital contribution RMB	Statutory reserve RMB	Foreign currency translation account RMB	Retained earnings RMB	Total equity RMB
Group							
Balance as at 1 January 2020		230,592,765	12,638,812	57,674,557	(1,749,709)	257,559,315	556,715,740
Profit for the financial year		-	-	-	-	4,730,703	4,730,703
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		-	-	-	16,230	-	16,230
Total comprehensive income for the financial year		-	-	-	16,230	4,730,703	4,746,933
<i>Distributions to owners of the parent</i>							
Dividends	31	-	-	-	-	(887,888)	(887,888)
<i>Others</i>							
Transfer to statutory reserve	23	-	-	392,360	-	(392,360)	-
Balance as at 31 December 2020		<u>230,592,765</u>	<u>12,638,812</u>	<u>58,066,917</u>	<u>(1,733,479)</u>	<u>261,009,770</u>	<u>560,574,785</u>
Balance as at 1 January 2019		230,592,765	12,638,812	56,937,599	(2,274,444)	249,070,804	546,965,536
Profit for the financial year		-	-	-	-	9,225,469	9,225,469
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		-	-	-	524,735	-	524,735
Total comprehensive income for the financial year		-	-	-	524,735	9,225,469	9,750,204
<i>Others</i>							
Transfer to statutory reserve	23	-	-	736,958	-	(736,958)	-
Balance as at 31 December 2019		<u>230,592,765</u>	<u>12,638,812</u>	<u>57,674,557</u>	<u>(1,749,709)</u>	<u>257,559,315</u>	<u>556,715,740</u>

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Share capital RMB	Retained earnings RMB	Total equity RMB
Company				
Balance as at 1 January 2020		230,592,765	203,308,753	433,901,518
Profit for the financial year, representing total comprehensive income for the financial year		-	10,790,508	10,790,508
<i>Distributions to owners of the parent</i>				
Dividends	31	-	(887,888)	(887,888)
Balance as at 31 December 2020		<u>230,592,765</u>	<u>213,211,373</u>	<u>443,804,138</u>
Balance as at 1 January 2019		230,592,765	212,638,234	443,230,999
Loss for the financial year, representing total comprehensive loss for the financial year		-	(9,329,481)	(9,329,481)
Balance as at 31 December 2019		<u>230,592,765</u>	<u>203,308,753</u>	<u>433,901,518</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the financial year ended 31 December 2020

	Group	
	2020	2019
	RMB	RMB
Operating activities		
Profit before income tax	3,984,634	8,855,012
Adjustments for:		
Addition/(Reversal) of loss allowance for trade receivables	392,835	(50,993)
Amortisation of deferred government subsidies	(1,138,959)	(1,064,449)
Amortisation of land use rights	1,078,279	1,037,148
Amortisation of right-of-use assets	2,538,619	2,569,068
Depreciation of investment property	17,405	17,406
Depreciation of property, plant and equipment	60,627,753	62,187,822
Interest expense	14,555,836	17,929,563
Interest income	(1,109,853)	(603,460)
Loss on disposal of property, plant and equipment	33,553	25,510
Loss on lease modifications	1,939	-
(Reversal of)/Allowance made for inventories obsolescence	(17,026)	21,076
Unrealised foreign currency exchange (gain)/loss	(1,015,028)	359,626
Operating cash flows before working capital changes	79,949,987	91,283,329
Working capital changes:		
Property under development	(64,653,754)	(96,945,396)
Inventories	(4,373,550)	11,430,215
Trade receivables	22,437,272	1,868,943
Other receivables and prepayments	(11,703,130)	(10,333,106)
Trade payables	(24,934,167)	177,918
Other payables	(2,961,704)	5,986,195
Cash (used in)/from operations	(6,239,046)	3,468,098
Income tax paid	(1,696,419)	(754,351)
Net cash (used in)/from operating activities	(7,935,465)	2,713,747
Investing activities		
Purchase of property, plant and equipment	(27,276,869)	(34,961,971)
Proceeds from disposal of property, plant and equipment	78,447	2,701,106
Government grant received	-	1,900,000
Interest received	1,109,853	603,460
Net cash used in investing activities	(26,088,569)	(29,757,405)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the financial year ended 31 December 2020

	Group	
	2020	2019
	RMB	RMB
Financing activities		
Interest paid	(14,555,836)	(17,929,563)
Proceeds from borrowings (Note A)	287,413,467	426,844,659
Repayment of borrowings (Note A)	(296,629,833)	(329,406,760)
Repayment of lease liabilities (Note A)	(2,571,856)	(2,510,154)
Decrease in fixed deposits pledged	1,253,298	9,759,537
Dividends paid	(887,888)	-
Net cash (used in)/from financing activities	<u>(25,978,648)</u>	<u>86,757,719</u>
Net change in cash and cash equivalents	(60,002,682)	59,714,061
Cash and cash equivalents as at the beginning of the financial year	126,318,806	66,475,324
Effect of exchange rate changes on the balance of cash held in foreign currencies	(297,284)	129,421
Cash and cash equivalents as at the end of the financial year (Note 20)	<u>66,018,840</u>	<u>126,318,806</u>

Note A: Reconciliation of liabilities arising from financing activities is as follows:

	Non-cash changes				
	1 January 2020	Net cash flows	Additions and modifications	Foreign exchange differences	31 December 2020
	RMB	RMB	RMB	RMB	RMB
Borrowings (Note 26)	377,751,422	(9,216,366)	-	(1,247,542)	367,287,514
Lease liabilities (Note 25)	2,741,644	(2,571,856)	2,269,059	(39,102)	2,399,745
	<u>380,493,066</u>	<u>(11,788,222)</u>	<u>2,269,059</u>	<u>(1,286,644)</u>	<u>369,687,259</u>

	Non-cash changes				
	1 January 2019	Net cash flows	Adoption of SFRS(I) 16	Foreign exchange differences	31 December 2019
	RMB	RMB	RMB	RMB	RMB
Borrowings (Note 26)	279,696,406	97,437,899	-	617,117	377,751,422
Lease liabilities (Note 25)	-	(2,510,154)	5,275,334	(23,536)	2,741,644
	<u>279,696,406</u>	<u>94,927,745</u>	<u>5,275,334</u>	<u>593,581</u>	<u>380,493,066</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General information

Southern Packaging Group Limited (the “Company”) (Registration Number: 200313312N) is a public company limited by shares, incorporated and domiciled in the Republic of 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, the People’s Republic of China. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020 were authorised for issue by the Board of Directors on 5 April 2021.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of Singapore Companies Act, Chapter 50 (the “Act”), Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and International Financial Reporting Standards (“IFRSs”). SFRS(I)s issued by the Accounting Standards Council (“ASC”) comprises standards and interpretations that are equivalents to IFRSs as issued by the International Accounting Standards Board (“IASB”). All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I) in the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are presented in Chinese renminbi (“RMB”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2020

The standards, amendments to standards, and interpretations, issued by ASC that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

Amendments to SFRS(I) 3 Business Combinations: Definition of a Business

These amendments make changes to Appendix A Defined terms, the application guidance, and the illustrative examples of SFRS(I) 3 Business Combinations only. It clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The definitions of a business and of outputs focus on goods and services provided to customers and the reference to an ability to reduce costs has been removed. The amendments add guidance and illustrative examples to help entities assess whether a substantive process has been acquired. The assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs has been removed. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business has been added.

The Group applied these amendments to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. The Group does not expect any significant impact arising from applying these amendments.

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same financial year as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any accumulated impairment losses that has been recognised in profit or loss.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Revenue recognition

Sale of goods

The Group manufactures and sells rigid and flexible packaging products to corporate customers. Revenue from sale of goods is recognised when a performance obligation is satisfied by transferring control of promised goods to the customers (i.e. goods are accepted by customers). For overseas sales, performance obligations are satisfied when the control of goods (based on shipping terms) are transferred to the customers.

Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised goods or services to customers, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices, except for certain contracts that are subject to insignificant volume discounts. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within average credit term of 60 days.

In certain situations where customers contribute moulds and tooling to facilitate the Group's fulfilment of the performance obligation, the Group assessed that it does not have control over the moulds and tooling. Accordingly, the Group does not account for such contribution as non-cash consideration received from customers.

A contract liability is the obligation to transfer goods to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. In certain circumstances, the Group receives advance payments from customers and the consideration received as at the end of each reporting period would be utilised within 12 months. The amount of contract liabilities is included in "Other payables".

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Rental income

Rental income from investment property and property, plant and equipment are recognised on a straight-line basis over the term of the relevant leases.

Service income

Service income is mainly related to moulds and tooling sourcing service which are distinct from the sale of goods to customers. The Group is acting as an agent for customers, hence, income, after deducting the related expenses, is recognised at point in time upon acceptance by the customers.

2.5 Government subsidies

Government subsidies are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the subsidies will be received. Government subsidies whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred government subsidies in the statements of financial position and transferred to profit or loss on a systematic and rationale basis over the useful lives of the related assets.

2.6 Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

Pursuant to the relevant regulations of the People's Republic of China government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in the People's Republic of China are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred.

2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated undiscounted liability for unutilised annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.8 Leases

Group as lessor

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group's right-of-use assets comprise land use rights acquired for own use and property development as well as those relating to lease of warehouse spaces, office and residential premises with its corresponding lease liabilities separately presented from other assets and other liabilities in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.8 Leases (Continued)

Group as lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated amortisation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are amortised over the useful life of the underlying asset.

The estimated useful life of right-of-use assets are as follows:

	Years
Land use rights	40 to 50
Warehouse spaces	2 to 3
Office premises	2 to 3
Residential premises	2

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.14 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.8 Leases (Continued)

Group as lessee (Continued)

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that are necessarily to take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.10 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment property at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.10 Taxes (Continued)

Deferred tax (Continued)

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.11 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in RMB using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation account.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.11 Foreign currency transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation account.

On disposal of a foreign operation, the accumulated foreign currency translation account relating to that operation is reclassified to profit or loss.

2.12 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the property, plant and equipment before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is charged so as to write off the cost of assets after taking into account their estimated residual value of 5% to 10%, other than construction in progress, over their estimated useful lives, using the straight-line method, on the following rates per annum:

Buildings	2.25% to 2.375%
Plant and machinery	6.33% to 18%
Furniture, fixture and equipment	18% to 20%
Motor vehicles	18% to 19%
Leasehold improvements	20%

No depreciation is charged on construction in progress as they are not yet in use as at the end of the financial year.

Construction in progress is carried at cost, less any recognised impairment loss. The costs include all direct costs and professional fees directly attributable to the construction. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.12 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.13 Investment property

Investment property is property held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable capital expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment property over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the rate of 2.375% per annum.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the financial year in which the item is derecognised.

2.14 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.15 Property under development

Property under development which is held for future sale in the ordinary course of business, investment property or property, plant and equipment are included in current assets and comprise land use right and aggregate cost of development (including interest capitalised). Property under development is stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in distribution.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets under amortised cost. This depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for financial assets recognised under amortised cost is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for other receivables is recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade receivables, other receivables and prepayments (excluding advances to suppliers, value added tax and prepayments), cash and bank balances as well as fixed deposits in the statements of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issuance costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies its financial liabilities as subsequently measured at amortised cost.

Trade and other payables

Trade and other payables (excluding contract liabilities) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.9 above).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.18 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude any fixed deposits pledged.

2.19 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. Summary of significant accounting policies (Continued)

2.19 Contingencies (Continued)

- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared for payment. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive Directors and Chief Executive Officer who makes strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Classification of property under development

The Group has exercised judgement in determining whether the property under development as disclosed in Note 16 to the financial statements qualifies as property held for sale, investment property, or property, plant and equipment. The classification of property under development is dependent on the outcomes of the project plan, taking into consideration of various consultations, customers demand and market condition. Management is unable to determine reliably the actual proportion of the property under development that will be own-use or to earn rentals upon completion. Hence, the entire development is classified as property under development (Note 16).

(ii) Determining the lease term

The Group leases warehouse spaces, office and residential premises from external parties and related parties. Included in the lease arrangements, there are extension held and exercisable only by the Group. In determining the lease term, management considers the likelihood of either to exercise the extension option based on facts and circumstances that create an economic incentive to extend the lease.

The assessment on lease terms is reviewed at the end of each reporting period if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

(i) Loss allowance for impairment of trade receivables

Management determines expected credit loss for trade receivables by considering historical loss pattern of various customers in different geographical areas and forward-looking information, which is the key estimate in measuring expected credit loss. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. The carrying amount of the Group's trade receivables as at 31 December 2020 was RMB138,437,491 (2019: RMB163,353,899).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Allowance for slow moving and obsolete inventories

Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2020 was RMB75,105,123 (2019: RMB70,714,547).

(iii) Recognition of deferred tax assets and liabilities

The Group recognises deferred tax assets for unutilised tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which these tax benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

Deferred tax liabilities are recognised based on their best estimates of the likely taxes due. This includes the determination of estimated unremitted earnings for dividend distribution on which deferred tax liability is to be provided for. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2020 were RMB5,391,362 (2019: RMB4,190,899) and RMB1,000,000 (2019: RMB1,000,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table:

Segments	Group					
	Rigid packaging		Flexible packaging		Total	
	2020	2019	2020	2019	2020	2019
	RMB	RMB	RMB	RMB	RMB	RMB
<i>Primary geographical markets</i>						
People's Republic of China ("PRC")	363,367,623	439,124,090	196,083,994	232,404,022	559,451,617	671,528,112
Australia	12,705,233	10,864,937	-	156,051	12,705,233	11,020,988
United States	562,332	1,205,885	1,327,033	3,503,434	1,889,365	4,709,319
Europe	1,213,844	3,400,774	-	-	1,213,844	3,400,774
Other regions	6,505,104	9,817,148	8,617,180	8,590,020	15,122,284	18,407,168
	<u>384,354,136</u>	<u>464,412,834</u>	<u>206,028,207</u>	<u>244,653,527</u>	<u>590,382,343</u>	<u>709,066,361</u>
<i>Type of customers</i>						
Corporate	<u>384,354,136</u>	<u>464,412,834</u>	<u>206,028,207</u>	<u>244,653,527</u>	<u>590,382,343</u>	<u>709,066,361</u>

The Group has derived the revenue from the transfer of goods at point in time.

5. Other income

	Group	
	2020	2019
	RMB	RMB
Amortisation of deferred government subsidies related to assets*	1,138,959	1,064,449
Foreign exchange gain, net	2,709,832	-
Government subsidies related to expenditure	5,332,263	1,162,563
Income from sales of raw materials	108,071	813,321
Interest income - bank deposits	1,109,853	603,460
Miscellaneous income**	1,551,837	906,314
Rental income - office premises	245,749	82,920
Service income	2,282,087	1,964,625
	<u>14,478,651</u>	<u>6,597,652</u>

* Various government subsidies have been received mainly from the PRC government for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these subsidies.

** Miscellaneous income consisted of sale of samples and packing materials.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. Finance costs

	Group	
	2020	2019
	RMB	RMB
Interest expenses:		
- bank borrowings	22,275,647	21,579,805
- lease liabilities (Note 25)	89,506	180,897
	22,365,153	21,760,702
Amount capitalised in property under development (Note 16)	(7,809,317)	(3,831,139)
	14,555,836	17,929,563

7. Profit before income tax

The above is arrived at after charging:

	Group	
	2020	2019
	RMB	RMB
<u>Cost of sales</u>		
Cost of inventories recognised as an expense	474,755,716	561,406,117
Included in the above are:		
Amortisation of right-of-use assets	1,516,237	1,516,235
Depreciation of property, plant and equipment	53,414,081	56,346,548
Direct labour costs		
- direct wages	60,769,735	63,508,447
- contributions to defined contribution plans	6,555,787	8,415,149
(Reversal of)/Allowance made for inventories obsolescence	(17,026)	21,076
<u>Distribution expenses</u>		
Advertisement and promotional expenses	50,943	135,420
Depreciation of property, plant and equipment	183,830	216,025
Employee benefits expense		
- salaries, bonuses and allowances	5,295,645	6,434,107
- contributions to defined contribution plans	172,792	428,650
- staff welfare	19,377	77,123
Entertainment expenses	2,448,889	2,779,183
Lease expenses on low value and short term leases	44,543	163,043
Transportation costs	25,066,160	27,436,073
Travelling and accommodation expenses	878,672	1,442,683
Upkeep of motor vehicles expenses	372,481	368,584

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

7. Profit before income tax (Continued)

The above is arrived at after charging: (Continued)

	Group	
	2020	2019
	RMB	RMB
<u>Administrative expenses</u>		
Addition/(Reversal) of loss allowance for trade receivables	392,835	(50,993)
Amortisation of land use rights	1,078,279	1,037,148
Amortisation of right-of-use assets	1,022,382	1,052,833
Audit fee		
- auditors of the Company	491,570	484,210
- other auditors (a member firm of BDO International Limited)	529,000	530,245
- other auditors	41,000	36,077
Non-audit fee		
- auditors of the Company	15,087	15,132
Bank charges	477,602	470,174
Depreciation of investment property	17,405	17,406
Depreciation of property, plant and equipment	7,029,842	5,625,249
Directors' remuneration ⁽¹⁾		
- Directors' fees	604,631	766,778
- salaries, bonuses and allowances	3,553,049	5,941,424
- contributions to defined contribution plans	34,793	105,040
Duty and tax	4,404,697	6,763,175
Employee benefits expense ⁽¹⁾		
- salaries, bonuses and allowances	27,088,120	25,696,195
- contributions to defined contribution plans	1,660,367	2,469,705
- other related costs	675,862	1,035,319
Foreign exchange loss, net	-	2,694,306
Loss on disposal of property, plant and equipment	33,553	25,510
Loss on lease modifications	1,939	-
Office repairs and maintenance expenses	272,434	302,759
R&D expenditure	11,816,015	15,520,498
Telephone and fax charges	916,775	1,044,942
Travelling and accommodation expenses	1,593,773	2,448,690

⁽¹⁾ The remuneration of Directors and key management personnel is disclosed in Note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

8. Income tax credits

	Group	
	2020	2019
	RMB	RMB
Current income tax		
- current financial year	454,394	1,274,666
Deferred tax		
- current financial year	(1,200,463)	(1,645,123)
	<u>(746,069)</u>	<u>(370,457)</u>

Subsidiaries of the Group which are incorporated in the PRC are subject to China income tax of 25% except for Foshan Southern Packaging Co., Ltd which are awarded the status of a High Technology Enterprise and enjoy a concessionary tax rate of 15% on its profits up till the financial year ended 31 December 2022. Southern (HK) Packaging Company Limited, a subsidiary incorporated in Hong Kong is subject to Hong Kong income tax of 16.5% and the Company is subject to Singapore tax rate of 17%.

The income tax expense varies from the amount of income tax expense determined by applying the applicable income tax rate of 17% to profit before income tax and resulting the following differences:

	Group	
	2020	2019
	RMB	RMB
Profit before income tax	3,984,634	8,855,012
Applicable tax rate of 17%	677,388	1,505,352
Tax effect of expenses that are not deductible in determining taxable profit	2,367,909	2,088,684
Tax effect of income that are not taxable in determining taxable profit	(257,296)	(289,269)
Enhanced tax deductions	(3,728,978)	(3,388,128)
Effect of different tax rates of overseas operations	194,908	(287,096)
Income tax credits for the financial year	<u>(746,069)</u>	<u>(370,457)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9. Earnings per share

The calculation for basic earnings per share is based on the profit for the financial year attributable to owners of the parent divided by the number of ordinary shares.

	Group	
	2020	2019
The calculation of basic earnings per share is based on: Profit for the financial year attributable to owners of the parent (RMB)	4,730,703	9,225,469
Number of actual ordinary shares	70,319,164	70,319,164
Earnings per share (RMB cents) - basic earnings per share	6.73	13.12

As the Company has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. Property, plant and equipment

Group Cost	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Balance as at 1 January 2020	285,041,319	503,172,083	247,930,898	13,287,198	364,995	16,654,803	1,066,451,296
Additions	2,431,119	4,925,028	7,944,162	96,421	-	12,989,605	28,386,335
Disposals	-	(1,120,000)	-	-	-	-	(1,120,000)
Reclassifications	16,193,872	10,390,830	1,170,436	-	-	(27,755,138)	-
Currency translation differences	-	-	(5,640)	-	(18,498)	-	(24,138)
Balance as at 31 December 2020	303,666,310	517,367,941	257,039,856	13,383,619	346,497	1,889,270	1,093,693,493
Accumulated depreciation							
Balance as at 1 January 2020	68,098,165	294,956,044	194,317,332	10,416,031	364,995	-	568,152,567
Depreciation for the financial year	11,614,755	30,458,521	17,755,948	798,529	-	-	60,627,753
Disposals	-	(1,008,000)	-	-	-	-	(1,008,000)
Currency translation differences	-	-	(5,435)	-	(18,498)	-	(23,933)
Balance as at 31 December 2020	79,712,920	324,406,565	212,067,845	11,214,560	346,497	-	627,748,387
Accumulated impairment loss							
Balance as at 1 January 2020 and 31 December 2020	-	182,482	28,244	-	-	-	210,726
Carrying amount							
Balance as at 31 December 2020	223,953,390	192,778,894	44,943,767	2,169,059	-	1,889,270	465,734,380

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. Property, plant and equipment (Continued)

Group	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Cost							
Balance as at 1 January 2019	285,041,319	487,885,316	228,940,660	13,445,751	357,009	22,632,254	1,038,302,309
Additions	-	6,843,185	14,849,870	-	-	17,606,653	39,299,708
Disposals	-	(11,002,589)	-	(158,553)	-	-	(11,161,142)
Reclassifications	-	19,446,171	4,137,933	-	-	(23,584,104)	-
Currency translation differences	-	-	2,435	-	7,986	-	10,421
Balance as at 31 December 2019	285,041,319	503,172,083	247,930,898	13,287,198	364,995	16,654,803	1,066,451,296
Accumulated depreciation							
Balance as at 1 January 2019	53,888,255	275,258,450	175,229,075	9,656,189	357,009	-	514,388,978
Depreciation for the financial year	14,209,910	27,981,495	19,085,950	910,467	-	-	62,187,822
Disposals	-	(8,283,901)	-	(150,625)	-	-	(8,434,526)
Currency translation differences	-	-	2,307	-	7,986	-	10,293
Balance as at 31 December 2019	68,098,165	294,956,044	194,317,332	10,416,031	364,995	-	568,152,567
Accumulated impairment loss							
Balance as at 1 January 2019 and 31 December 2019	-	182,482	28,244	-	-	-	210,726
Carrying amount							
Balance as at 31 December 2019	216,943,154	208,033,557	53,585,322	2,871,167	-	16,654,803	498,088,003

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

10. Property, plant and equipment (Continued)

	Furniture, fixture and equipment RMB
Company	
Cost	
Balance as at 1 January 2020 and 31 December 2020	<u>28,074</u>
Accumulated depreciation	
Balance as at 1 January 2020 and 31 December 2020	<u>28,074</u>
Carrying amount	
Balance as at 31 December 2020	<u>-</u>
Cost	
Balance as at 1 January 2019 and 31 December 2019	<u>28,074</u>
Accumulated depreciation	
Balance as at 1 January 2019 and 31 December 2019	<u>28,074</u>
Carrying amount	
Balance as at 31 December 2019	<u>-</u>

Certain considerations related to purchase of property, plant and equipment were not paid as at end of each financial year. The table below shows the reconciliation to the consolidated statement of cash flows:

	Group	
	2020	2019
	RMB	RMB
Additions to property, plant and equipment	28,386,335	39,299,708
Trade payables	(1,109,466)	(4,337,737)
Cash payments to acquire property, plant and equipment	<u>27,276,869</u>	<u>34,961,971</u>

The Group has pledged buildings and plant and machinery with carrying amounts of RMB111,455,293 (2019: RMB118,054,785) and RMB61,659,257 (2019: RMB100,662,149) respectively to secure banking facilities granted to the Group (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. Investment property

	Group RMB
Cost	
Balance as at 1 January 2020 and 31 December 2020	<u>732,859</u>
Accumulated depreciation	
Balance as at 1 January 2020	315,116
Depreciation for the financial year	<u>17,405</u>
Balance as at 31 December 2020	<u>332,521</u>
Carrying amount	
Balance as at 31 December 2020	<u>400,338</u>
Cost	
Balance as at 1 January 2019 and 31 December 2019	<u>732,859</u>
Accumulated depreciation	
Balance as at 1 January 2019	297,710
Depreciation for the financial year	<u>17,406</u>
Balance as at 31 December 2019	<u>315,116</u>
Carrying amount	
Balance as at 31 December 2019	<u>417,743</u>

The investment property relates to a 308 sqm office premise located at No. 9 Foping Four Road, Sixth floor, Gui Cheng, Nanhai, Foshan City, Guangdong 528251, the PRC.

Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to RMB19,280 (2019: RMB19,386).

The Group's investment property has been pledged to secure banking facilities granted to the Group (Note 26).

Depreciation of investment property is included in "Administrative expenses" line item of profit or loss.

12. Investments in subsidiaries

	Company	
	2020	2019
	RMB	RMB
Unquoted equity contribution/shares, at cost	456,236,365	456,236,365
Deemed investment arising from the issuance of financial guarantees	<u>9,696,560</u>	<u>9,696,560</u>
	<u>465,932,925</u>	<u>465,932,925</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

12. Investments in subsidiaries (Continued)

The deemed investment pertains to the fair value of financial guarantee contracts in respect of corporate guarantees granted by the Company for bank loans obtained by certain subsidiaries (Note 26).

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Country of incorporation (or registration) and place of business	Effective equity interest held by the Group		Principal activities
		2020 %	2019 %	
Foshan Nanxin Packaging Co., Ltd. ⁽¹⁾	People's Republic of China	100	100	Trading and manufacturing of packaging products for foodstuff, medical and cosmetic industries and engaged in sub-contract processing business
Foshan Southern Packaging Co., Ltd. ⁽¹⁾	People's Republic of China	100	100	Trading and manufacturing of packaging products for foodstuff, medical and cosmetic products, and property development
Southern Packaging (Jiangsu) Co., Ltd. ⁽¹⁾	People's Republic of China	100	100	Trading and manufacturing of packaging products for foodstuff, medical and cosmetic products
Southern (HK) Packaging Company Limited ⁽²⁾	Hong Kong Special Administrative Region	100	100	Trading of packaging products for foodstuff, medical and cosmetic products

⁽¹⁾ Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, a member firm of BDO International Limited.

⁽²⁾ Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, a member firm of BDO International Limited for consolidation purpose.

Significant restrictions

As at 31 December 2020, cash and bank balances and fixed deposits amounted to RMB60,621,186 (2019: RMB123,050,588) held in the PRC are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Company's ability to access or use assets, and settle liabilities, of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13. Land use rights

	Group RMB
Cost	
Balance as at 1 January 2020 and 31 December 2020	<u>52,322,992</u>
Accumulated amortisation	
Balance as at 1 January 2020	11,531,736
Amortisation for the financial year	<u>1,078,279</u>
Balance as at 31 December 2020	<u>12,610,015</u>
Carrying amount	
Balance as at 31 December 2020	<u>39,712,977</u>
Cost	
Balance as at 1 January 2019 and 31 December 2019	<u>52,322,992</u>
Accumulated amortisation	
Balance as at 1 January 2019	10,494,588
Amortisation for the financial year	<u>1,037,148</u>
Balance as at 31 December 2019	<u>11,531,736</u>
Carrying amount	
Balance as at 31 December 2019	<u>40,791,256</u>

Land use rights represent up-front payments to acquire long term interests in the usage of land in the PRC.

Land use rights are amortised on a straight-line basis over the lease term of 40 to 50 years (ranging between 1999 to 2064) as stated in the relevant land use right certificates granted for usage by the respective subsidiaries in the PRC.

The Group has pledged certain of its land use rights with carrying amount of RMB30,517,111 (2019: RMB31,348,022) to secure banking facilities granted to the Group (Note 26).

Amortisation expenses have been included in "Administrative expenses" line item of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. Right-of-use assets

	Warehouse spaces RMB	Office premises RMB	Residential premises RMB	Total RMB
Group				
Cost				
Balance as at 1 January 2020	3,032,469	1,509,122	723,298	5,264,889
Additions	1,548,567	735,415	-	2,283,982
Modifications	-	-	(16,862)	(16,862)
Currency translation difference	-	(111,665)	-	(111,665)
Balance as at 31 December 2020	4,581,036	2,132,872	706,436	7,420,344
Accumulated amortisation				
Balance as at 1 January 2020	1,516,235	754,561	311,665	2,582,461
Amortisation for the financial year	1,516,237	743,861	278,521	2,538,619
Currency translation difference	-	(73,827)	-	(73,827)
Balance as at 31 December 2020	3,032,472	1,424,595	590,186	5,047,253
Carrying amount				
Balance as at 31 December 2020	1,548,564	708,277	116,250	2,373,091
Cost				
Balance as at 1 January 2019				
- Adoption of SFRS(I) 16	3,032,469	1,519,567	723,298	5,275,334
Currency translation difference	-	(10,445)	-	(10,445)
Balance as at 31 December 2019	3,032,469	1,509,122	723,298	5,264,889
Accumulated amortisation				
Balance as at 1 January 2019	-	-	-	-
Amortisation for the financial year	1,516,235	741,168	311,665	2,569,068
Currency translation difference	-	13,393	-	13,393
Balance as at 31 December 2019	1,516,235	754,561	311,665	2,582,461
Carrying amount				
Balance as at 31 December 2019	1,516,234	754,561	411,633	2,682,428

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Deferred tax assets/(liabilities)

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior financial years:

	Provisions RMB	Deferred government subsidies RMB	Undistributed earnings of subsidiaries RMB	Land use rights RMB	Tax losses RMB	Total RMB
Group						
Balance as at 1 January 2020	260,069	2,098,545	(1,000,000)	(2,389,862)	4,222,147	3,190,899
(Charged)/Credited to profit or loss	56,370	(322,900)	-	-	1,466,993	1,200,463
Balance as at 31 December 2020	316,439	1,775,645	(1,000,000)	(2,389,862)	5,689,140	4,391,362
Balance as at 1 January 2019	275,234	1,973,212	(1,000,000)	(2,389,862)	2,687,192	1,545,776
(Charged)/Credited to profit or loss	(15,165)	125,333	-	-	1,534,955	1,645,123
Balance as at 31 December 2019	260,069	2,098,545	(1,000,000)	(2,389,862)	4,222,147	3,190,899

Certain deferred tax assets and liabilities are offset in accordance with the accounting policy as stated in Note 2.10 to the financial statements.

Disclosed as:

	Group RMB
2020	
Deferred tax assets	5,391,362
Deferred tax liabilities	(1,000,000)
	<u>4,391,362</u>
2019	
Deferred tax assets	4,190,899
Deferred tax liabilities	(1,000,000)
	<u>3,190,899</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. Deferred tax assets/(liabilities) (Continued)

Unutilised tax losses

At the end of the financial year, the Group had unutilised tax losses of approximately RMB35,871,173 (2019: RMB28,147,627) respectively which are available for set-off against future taxable profits subject to the agreement by the tax authorities and provisions of tax legislations of the PRC. The expiry dates for tax losses arising in certain foreign tax jurisdictions are as follows:

Year incurred	Year of expiry	Group	
		2020 RMB	2019 RMB
2016	2026	9,132,927	9,132,927
2018	2028	8,781,686	8,781,686
2019	2029	10,233,014	10,233,014
2020	2030	7,723,546	-
		<u>35,871,173</u>	<u>28,147,627</u>

Undistributed profits

Deferred tax liabilities arising from the aggregate amount of temporary differences associated with undistributed earnings of certain subsidiaries for which is estimated by the management to be distributed in the future.

As at 31 December 2020, total unremitted earnings of certain subsidiaries in the PRC amounted to RMB127,512,582 (2019: RMB117,657,861). Management estimates that not more than 20% of these unremitted earnings will be distributed as dividends in the foreseeable future. Hence, as at 31 December 2020, a deferred tax liability of RMB1,000,000 (2019: RMB1,000,000) was recognised on the withholding tax and other taxation that would be payable. No deferred tax liability was recognised on unremitted earnings amounting to RMB108,386,000 (2019: RMB94,126,000) as the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

16. Property under development

	Group	
	2020 RMB	2019 RMB
Land use rights	15,932,420	15,932,420
Development costs	213,870,759	150,932,001
Interest capitalised (Note 6)	11,640,456	3,831,139
	<u>241,443,635</u>	<u>170,695,560</u>

As at 31 December 2020, property under development amounted to RMB241,443,635 (2019: RMB170,695,560) are expected to be recovered within its operating cycle. On completion, the property will be transferred to property held for sale, investment property or property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16. Property under development (Continued)

Details of the Group's development property as follows:

Description and Location	Built-up area (SQ M)	Usable area (SQ M)	Stage of development/ expected completion date	Interest held by Group	
				2020 (%)	2019 (%)
Apex Tower					
Comprises two industrial buildings, a commercial podium and carpark lots Located in Nanhai District, Foshan.	89,000	63,000	Construction in progress, expected to complete in FY2021	100	100

Land use rights of Nanhai District of Foshan City, Guicheng Street, Sanshan Creative Industry Park, SS-D04 block ("Sanshan land use rights")

On 10 October 2012, the Group, via its subsidiary, Foshan Southern Packaging Co., Ltd ("FSP") entered into an agreement with the Guangdong Foshan Municipal Bureau of Land Resources and Rural Planning Bureau (hereinafter referred to as "Bureau") to acquire the Sanshan land use rights with an area of approximately 21,608 square metres at a sale price of RMB17.47 million. The period of the land use rights is 50 years.

Intended use

According to the agreement, FSP is required to maintain at least 30% of total build-up area for own-use or to earn rentals. However, management is unable to determine the actual proportion of the property usage currently as this requires ongoing evaluation of the customer demands and market condition.

Therefore as at 31 December 2020, the entire development is being classified as property under development. The property under development will be reclassified once management has determined the actual build-up area for own-use or to earn rentals.

Contingent liability

According to the agreement, FSP is required to:

- by 8 November 2013, complete the design, submit construction report and related documents and commence official construction of property for industrial purposes; and
- by 8 November 2015, complete all construction of property and submit construction completion verification report and related documents for final acceptance.

It is stipulated in the agreement that if the lands are idle for two years and yet to commence construction, the Bureau has the rights to recover the land use rights without any compensation.

If FSP is not able to comply with the stipulated dates in the agreement or the agreed extended dates (be it the construction commencement date or construction completion date), it will need to pay to the Bureau 0.03% of the acquisition price per day of delay as liquidated damages.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16. Property under development (Continued)

Contingent liability (Continued)

According to a supplementary agreement signed between FSP and the Bureau on 6 December 2016, the date of commencement was changed to 18 October 2017 and the date of completion was changed to 18 October 2019.

On 25 January 2019, FSP had obtained the all key permits required to commence the construction and the entire construction process is estimated to take approximately 2.5 years.

Management has estimated the liquidated damages to be approximately RMB6.656 million (2019: RMB5.687 million). As at the date of the financial statements, no impairment loss on Sanshan land use rights or provision for liquidated damages was recognised for the delay in commencement and the estimated date of completion of the project as the management is of the opinion that:

- Significant delays to the construction progress is due to inadequate infrastructure developed by the local authority at the construction site, which is beyond the control of management;
- Based on management's understanding of the past practices of the Bureau and authorities in Foshan, there is no historical instance where the Bureau and the authorities in Foshan have recovered land use rights granted previously or issued penalties on non-compliance of commencement and completion dates; and
- The Group has not received any correspondences from the authorities on the liquidated damages for non-compliance of the commencement deadline and the project has commenced since previous financial year.

17. Inventories

	Group	
	2020	2019
	RMB	RMB
Raw materials and consumables	28,512,990	32,424,157
Work in progress	5,816,835	4,504,719
Finished goods	40,775,298	33,785,671
	<u>75,105,123</u>	<u>70,714,547</u>

During the financial year, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of reversal of allowance for inventories obsolescence of RMB17,026 (2019: allowance for inventories obsolescence of RMB21,076).

These amounts have been included in "cost of sales" in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. Trade receivables

	Group	
	2020	2019
	RMB	RMB
Trade receivables		
- third parties	123,638,663	139,745,242
- a related party	365,038	844,424
	<u>124,003,701</u>	<u>140,589,666</u>
Bills receivables	14,984,676	22,922,284
	<u>138,988,377</u>	<u>163,511,950</u>
Less: Loss allowance on trade receivables – third parties	(550,886)	(158,051)
	<u>138,437,491</u>	<u>163,353,899</u>

The average credit period on sales of goods and provision of services is 60 days. No interest is charged on outstanding trade receivables. Bills receivables are unsecured, non-interest bearing and recoverable within 60 to 180 days.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by each customer.

The Group has segregated its customers by geographical areas and considered the historical loss pattern for each geographical area and relevant forward looking information in order to determine the lifetime expected credit loss ("ECL") for its trade receivables.

As at end of each financial year, the range of expected loss rate for Group's non-credit impaired trade receivables are as follows:

	Group	
	2020	2019
By geographical areas		
PRC	0.10%-1.74%	0.05%-2.42%
Australia	0.10%	0%
United States	0.10%	0%
Europe	0.10%	0%
Other regions	0.10%	0%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. Trade receivables (Continued)

The exposure to credit risk for trade receivables based on geographical areas at the end of each financial year is as follows:

	Group	
	2020 RMB	2019 RMB
By geographical areas		
PRC	128,754,138	154,245,786
Australia	-	2,946,498
United States	174,291	560,677
Europe	4,023,950	593,871
Other regions	5,485,112	5,007,067
	138,437,491	163,353,899

The table below is an analysis of trade receivables and its loss allowance at the end of the financial year:

	Group	
	2020 RMB	2019 RMB
Not past due and not impaired	121,233,305	148,224,524
Past due but not impaired ⁽ⁱ⁾	17,204,186	15,129,375
Credit impaired receivables ⁽ⁱⁱ⁾	550,886	158,051
Less: Loss allowance for trade receivables	(550,886)	(158,051)
	138,437,491	163,353,899

(i) Aging of trade receivables which are past due but not impaired:

	Group	
	2020 RMB	2019 RMB
<90 days	8,625,799	11,808,156
91 to 180 days	8,132,584	2,741,438
181 to 365 days	296,792	388,693
>365 days	149,011	191,088
	17,204,186	15,129,375

Trade receivables that are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management.

The Group does not account for ECL allowance arising from non-credit impaired customers as the amount is insignificant.

The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. Trade receivables (Continued)

(ii) Credit impaired receivables

Credit impaired receivables refer to those debtors that are in significant financial difficulties and have defaulted on payment.

Movements in the loss allowance for credit impaired trade receivables were as follows:

	Group	
	2020 RMB	2019 RMB
Balance as at the beginning of the financial year	158,051	685,175
Addition/(Reversal) recognised in profit or loss	392,835	(50,993)
Written off during the financial year	-	(478,152)
Currency translation differences	-	2,021
Balance as at the end of the financial year	550,886	158,051

During the financial year, the Group recognised loss allowance for trade receivables amounting to RMB392,835 (2019: reversal of loss allowance RMB50,993).

The Group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2020 RMB	2019 RMB
Denominated in:		
United States dollar	11,310,754	8,164,557

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For the financial year ended 31 December 2020

19. Other receivables and prepayments

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Other receivables				
- third parties	3,508,991	6,417,186	14,794	15,521
- subsidiaries	-	-	1,290,103	1,290,103
	3,508,991	6,417,186	1,304,897	1,305,624
Advances to suppliers	24,711,593	17,017,520	-	-
Refundable deposits	3,469,495	3,469,495	-	-
Value added tax	18,221,133	12,793,056	-	-
Prepayments	868,516	281,809	-	-
Other receivables and prepayments	50,779,728	39,979,066	1,304,897	1,305,624
<i>Add:</i>				
Trade receivables	138,437,491	163,353,899	-	-
Cash and bank balances	66,018,840	125,817,400	1,001,507	1,021,790
Fixed deposits	1,239,335	2,994,039	-	-
<i>Less:</i>				
Advances to suppliers	(24,711,593)	(17,017,520)	-	-
Value added tax	(18,221,133)	(12,793,056)	-	-
Prepayments	(868,516)	(281,809)	-	-
Financial assets at amortised cost	212,674,152	302,052,019	2,306,404	2,327,414

Other receivables are unsecured, non-interest bearing and repayable on demand.

The balances due from the subsidiaries are unsecured, non-interest bearing and repayable on demand.

The advances to suppliers are unsecured, non-interest bearing and are expected to be utilised within twelve months from the end of the financial year.

The Group's and Company's other receivables and prepayments (excluding advances to suppliers, value added taxes and prepayments) that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Denominated in:				
Singapore dollar	14,794	15,521	14,794	15,521

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. Cash and cash equivalents

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Cash and bank balances	66,018,840	125,817,400	1,001,507	1,021,790
Fixed deposits (Note 21)	1,239,335	2,994,039	-	-
	67,258,175	128,811,439	1,001,507	1,021,790
Less: Fixed deposits pledged	(1,239,335)	(2,492,633)		
Cash and cash equivalents as shown in the consolidated statement of cash flows	66,018,840	126,318,806		

Cash at banks earns interest of 0.30% (2019: 0.30%) per annum.

The Group's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Denominated in:				
Euro	58,997	58,883	-	-
United States dollar	7,665,505	16,347,395	78,014	83,386
Hong Kong dollar	528,548	469,724	75,001	80,636
Singapore dollar	848,492	857,768	848,492	857,768
Japanese yen	2	2	-	-

21. Fixed deposits

	Group	
	2020 RMB	2019 RMB
Fixed deposits	-	501,406
Fixed deposits pledged	1,239,335	2,492,633
	1,239,335	2,994,039

The Group has pledged fixed deposits of RMB1,239,335 (2019: RMB2,492,633) to secure short-term borrowings. The fixed deposits earn interest of 1.1% (2019: 1.1%) per annum and for a tenure of approximately 60 days to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

22. Share capital

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares		RMB	RMB
<u>Issued and paid up</u>				
Balance as at the beginning and end of the financial year	70,319,164	70,319,164	230,592,765	230,592,765

The Company has one class of ordinary shares which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

23. Reserves

	Group	
	2020	2019
	RMB	RMB
Capital contribution	12,638,812	12,638,812
Statutory reserve	58,066,917	57,674,557
Foreign currency translation account	(1,733,479)	(1,749,709)
	<u>68,972,250</u>	<u>68,563,660</u>

Capital contribution

Capital contribution represents contribution from a controlling shareholder in connection with the acquisition of an associate.

In 2010, the capital contribution arising from the acquisition of an associate from a controlling shareholder represents the excess fair value of the net assets acquired over the consideration paid. The contribution is recorded as a capital contribution to the Group. The management has considered that it has been the shareholder's intention for the excess fair value to be a gift to the Group, and hence, management is satisfied that this excess fair value acquired represents a capital contribution to the Group by the controlling shareholder.

In 2011, the capital contribution arising from the sale of land by an associate to a controlling shareholder represents the excess of the consideration received over the fair value of the net assets disposed. The contribution is recorded as a capital contribution to the Group. The management has considered that it has been the shareholder's intention for the excess consideration to be a gift to the Group, and hence, management is satisfied that this excess consideration represents a capital contribution to the Group by the controlling shareholder.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to transfer at least 10% of its profits after income tax determined in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiaries. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries. The statutory reserve is not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

23. Reserves (Continued)

Foreign currency translation account

The foreign currency translation account comprises foreign exchange differences arising from the translation of the financial statements of the foreign operation of the Group whose functional currency is different from the Group's presentation currency.

24. Deferred government subsidies

	Group	
	2020 RMB	2019 RMB
Balance as at the beginning of the financial year	13,990,291	13,154,740
Additions	–	1,900,000
Recognised as income during the financial year (Note 5)	(1,138,959)	(1,064,449)
Balance as at the end of the financial year	12,851,332	13,990,291
Portion classified as current liabilities	(1,138,959)	(1,138,959)
Portion classified as non-current liabilities	11,712,373	12,851,332

The Group received subsidies from the PRC government for the purchase of land use rights and plant and machinery. The subsidies are recognised over the duration of the useful lives of the land use rights and plant and machinery. The carrying amounts of the subsidies as at 31 December 2020 for the purchase of land use rights and plant and machinery were RMB5,624,413 (2019: RMB5,764,646) and RMB7,226,919 (2019: RMB8,225,645) respectively.

25. Lease liabilities

	Group	
	2020 RMB	2019 RMB
Balance as at the beginning of the financial year	2,741,644	–
- adoption of SFRS(I) 16	–	5,275,334
Addition	2,283,982	–
Lease modifications	(14,923)	–
Interest expense (Note 6)	89,506	180,897
Lease payments		
- principal portion	(2,571,856)	(2,510,154)
- interest portion	(89,506)	(180,897)
Currency translation differences	(39,102)	(23,536)
Balance as at the end of the financial year	2,399,745	2,741,644

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25. Lease liabilities (Continued)

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2020 RMB	2019 RMB
Contractual undiscounted cash flows		
- not later than one year	2,452,694	2,726,362
- later than one year but not later than five years	-	70,890
	<u>2,452,694</u>	<u>2,797,252</u>
Less: Future interest expense	(52,949)	(55,608)
Present value of lease liabilities	<u>2,399,745</u>	<u>2,741,644</u>
Presented on statements of financial position		
- current	2,399,745	2,671,438
- non-current	-	70,206
	<u>2,399,745</u>	<u>2,741,644</u>

The Group leases warehouse spaces, office and residential premises with fixed payments over the lease terms.

The weighted average incremental borrowing rate applied to lease liabilities was 5.01% per annum (2019: 5.01%).

The Group's lease liabilities that are denominated in the functional currencies of the respective entities.

26. Borrowings

	Group	
	2020 RMB	2019 RMB
Bank borrowings		
- bank A	192,919,011	204,323,840
- bank B	69,567,640	37,190,250
- bank C	-	20,000,000
- bank D	1,114,616	23,404,053
- bank E	-	2,104,509
- bank F	8,135,523	24,000,619
- bank G	35,000,000	25,000,000
- bank H	3,866,662	10,704,013
- bank I	10,000,000	-
- bank J	6,684,062	-
- bank K	10,000,000	-
	<u>337,287,514</u>	<u>346,727,284</u>
Third parties		
- third party A	-	1,024,138
- third party B	30,000,000	30,000,000
	<u>367,287,514</u>	<u>377,751,422</u>
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(250,809,330)	(240,493,856)
Amounts due for settlement after 12 months	<u>116,478,184</u>	<u>137,257,566</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

26. Borrowings (Continued)

The borrowings have average effective interest rates ranging from 1.97% to 6.65% (2019: 3.97% to 6.65%) per annum with maturity dates ranging from 15 January 2021 to 21 February 2024 (2019: 14 January 2020 to 21 February 2024).

Borrowings of RMB130.5 million (2019: RMB134.3 million) are arranged at fixed interest rates ranging from 3.00% to 6.00% (2019: 4.50% to 6.175%) per annum and expose the Group to fair value interest rate risk. Other borrowings of RMB236.8 million (2019: RMB243.5 million) are arranged at floating rates based on prevailing interbank rate in the PRC, thus exposing the Group to cash flow interest rate risk.

The Group has borrowings as follows:

- a) Borrowings obtained from Bank A amounting to RMB90.9 million (2019: RMB84.3 million) are secured by a charge over certain of the Group's property, plant and equipment, investment property and supported by individual guarantee by a Director/shareholder of the Company and a subsidiary. The remaining borrowings obtained from Bank A amounting to RMB102 million (2019: RMB120 million) are construction loans secured by a charge over certain portion of the Group's property under development and supported by individual guarantee by a Director/shareholder of the Company.
- b) Borrowings obtained from Bank B are secured by a charge over certain of the Group's property, plant and equipment, land use rights, fixed deposits pledged and supported by a corporate guarantee by the Company.
- c) Borrowings obtained from Bank C were secured by a charge over certain of the Group's property, plant and equipment and supported by a corporate guarantee by the Company. The borrowings were fully repaid during the financial year.
- d) Borrowings obtained from Bank D amounting to RMB1.1 million (2019: RMB12.2 million) are secured by a charge over certain of the Group's property, plant and equipment, fixed deposits pledged and supported by a corporate guarantee by the Company. The remaining borrowings obtained from Bank D amounting to Nil (2019: RMB11.2 million) are secured by a charge over certain of the Group's property, plant and equipment and supported by a corporate guarantee by the Company.
- e) Borrowings obtained from Bank E were supported by a corporate guarantee by the Company. The borrowings were fully repaid during the financial year.
- f) Borrowings obtained from Bank F amounting to RMB8.1 million (2019: RMB17.9 million) are secured by a charge over certain of the Group's property, plant and equipment, land use rights and supported by a corporate guarantee by the Company. The remaining borrowings obtained from the Bank F amounting to Nil (2019: RMB6.1 million) are secured by a charge over certain of the Group's property, plant and equipment and supported by a corporate guarantee by the Company.
- g) Borrowings obtained from Bank G are secured by charge over certain of the Group's property, plant and equipment, land use right and supported by a corporate guarantee by the Company.
- h) Borrowings obtained from Bank H are supported by a corporate guarantee by the Company and a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

26. Borrowings (Continued)

The Group has borrowings as follows: (Continued)

- i) Borrowings obtained from Bank I neither secured by charge over the Group's assets nor supported by corporate guarantee by the Company.
- j) Borrowings obtained from Bank J neither secured by charge over the Group's assets nor supported by corporate guarantee by the Company.
- k) Borrowing obtained from Bank K neither secured by charge over the Group's assets nor supported by corporate guarantee by the Company.
- l) Borrowing obtained from third party A was secured by a charge over certain of the Group's property, plant and equipment. The borrowing was fully repaid during the financial year.
- m) Borrowing obtained from third party B is neither secured by charge over the Group's assets nor supported by corporate guarantee by the Company.

The Group's borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2020	2019
	RMB	RMB
Denominated in:		
United States dollar	44,201,529	34,931,231
Japanese yen	-	2,182,009
	<hr/>	<hr/>

27. Trade payables

	Group	
	2020	2019
	RMB	RMB
Third parties	103,241,756	123,861,037
	<hr/>	<hr/>

The average credit period on purchases of goods is 90 days.

The Group's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2020	2019
	RMB	RMB
Denominated in:		
United States dollar	10,629,712	8,012,521
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28. Other payables

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Other payables				
- third parties	6,235,550	5,079,457	-	-
- a related party	2,332,575	2,332,575	-	-
- subsidiaries	-	-	22,249,011	31,598,198
	<u>8,568,125</u>	<u>7,412,032</u>	<u>22,249,011</u>	<u>31,598,198</u>
Financial guarantee contracts	-	-	-	11,656
Accrued expenses	18,779,010	21,923,833	2,186,180	2,748,967
Contract liabilities	<u>7,483,650</u>	<u>8,632,769</u>	-	-
Other payables	34,830,785	37,968,634	24,435,191	34,358,821
<i>Add:</i>				
Trade payables	103,241,756	123,861,037	-	-
Borrowings	367,287,514	377,751,422	-	-
Lease liabilities	2,399,745	2,741,644	-	-
<i>Less:</i>				
Contract liabilities	<u>(7,483,650)</u>	<u>(8,632,769)</u>	-	-
Financial liabilities at amortised cost	<u>500,276,150</u>	<u>533,689,968</u>	<u>24,435,191</u>	<u>34,358,821</u>

Other payables comprise principally amounts outstanding for non-trade purchases and operating costs.

The balance due to a related party, which is a company controlled by a Director of the Company, is unsecured, non-interest bearing and repayable on demand.

The balances due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Contract liabilities represent customer advances for goods ordered and were recognised as revenue when the Group performs under the contract within 12 months after the end of the financial year.

The Group's and Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Denominated in:				
Hong Kong dollar	-	-	21,869,361	30,504,106
Singapore dollar	<u>2,186,180</u>	<u>2,748,967</u>	<u>2,186,180</u>	<u>2,748,967</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. Operating lease commitments

The Group as lessor

The Group rents out its investment property and office premises in the PRC under operating leases. Property rental income earned during the financial year was RMB245,749 (2019: RMB82,920). Leases are negotiated and rentals are fixed for an average term of 1 year (2019: 1 year).

At the end of the financial year, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2020	2019
	RMB	RMB
Not later than one year	14,286	31,429

30. Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure are as follows:

	Group	
	2020	2019
	RMB	RMB
Capital expenditure contracted but not provided for - commitments for the acquisition of property, plant and equipment	831,740	8,475,077

31. Dividends

	Group and Company	
	2020	2019
	RMB	RMB
Final tax-exempt dividends of S\$0.0025 per ordinary share in respect of the financial year ended 31 December 2019	887,888	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Segment information

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker, in order to allocate resources to segments and to assess the segment performance.

The Group's reportable segments under SFRS(I) 8 are therefore as follows:

- Flexible packaging segment mainly manufactures plastic packaging bags with design supplied by the customers for the pharmaceutical industry, food and beverage industry and hygiene industry.
- Rigid packaging segment mainly manufactures polyethylene terephthalate ("PET") bottles together with printing of design onto the bottle for pharmaceutical industry, food and beverage industry and hygiene industry.
- Property development segment refers to business of developing property for future sale in the ordinary course of business.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.21. Segment revenue represents revenue generated from external customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of corporate income and expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision-maker monitors the tangible and financial assets attributable to each segment.

Segment assets

Other than cash and bank balances, fixed deposits, land use rights, value added tax, investment property, deferred tax assets and other non-operating assets, all assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities

Other than borrowings (excluding construction loan), current income tax payable, deferred government subsidies, deferred tax liabilities and other non-operating liabilities, all liabilities are allocated to reportable segments. Liabilities related to reportable segments are allocated on the basis of the cost of sales of individual reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Segment information (Continued)

Information regarding the Group's reportable segment is presented below.

Segment revenue, results and assets

	Rigid packaging		Flexible packaging		Property development		Consolidated	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Group Revenue								
External sales	384,354,136	464,412,834	206,028,207	244,653,527	-	-	590,382,343	709,066,361
Results								
Segment gross profits	83,268,530	100,273,440	32,358,097	47,386,804	-	-	115,626,627	147,660,244
Allocated expense	(71,524,569)	(77,913,283)	(33,425,719)	(39,772,162)	(218,252)	-	(105,168,540)	(117,685,445)
Allocated income	783,515	1,985,007	1,606,643	792,939	-	-	2,390,158	2,777,946
Segment result	12,527,476	24,345,164	539,021	8,407,581	(218,252)	-	12,848,245	32,752,745
Unallocated expenses							(6,396,268)	(9,787,876)
Unallocated income							10,978,640	3,216,246
Interest income							1,109,853	603,460
Interest expense							(14,555,836)	(17,929,563)
Profit before income tax							3,984,634	8,855,012
Income tax credits							746,069	370,457
Profit for the financial year attributable to owners of the parent							4,730,703	9,225,469
Assets								
Segment assets	500,014,166	531,856,303	213,814,681	229,308,640	241,443,635	170,695,560	955,272,482	931,860,503
Unallocated corporate assets							131,363,818	187,864,337
Consolidated total assets							1,086,636,300	1,119,724,840
Liabilities								
Segment liabilities	78,679,581	96,034,314	51,083,253	54,753,234	108,094,115	128,624,607	237,856,949	279,412,155
Unallocated corporate liabilities							288,204,566	283,596,945
Consolidated total liabilities							526,061,515	563,009,100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. Segment information (Continued)

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Rigid packaging	25,360,001	35,615,435	43,398,354	45,114,564
Flexible packaging	5,310,316	3,684,273	19,768,018	19,642,326
Unallocated segments	-	-	1,095,684	1,054,554
	<u>30,670,317</u>	<u>39,299,708</u>	<u>64,262,056</u>	<u>65,811,444</u>

Revenue from major products and services

Revenue from external customers is derived from the sale of packaging products.

Geographical information

The Group's operations, including the manufacturing of products are carried out in the PRC.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets) by geographical location of the customers and location of the assets are presented below:

	Revenue		Non-current assets	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
PRC	559,451,617	671,528,112	508,220,786	541,979,430
Australia	12,705,233	11,020,988	-	-
United States	1,889,365	4,709,319	-	-
Europe	1,213,844	3,400,774	-	-
Other regions	15,122,284	18,407,168	-	-
	<u>590,382,343</u>	<u>709,066,361</u>	<u>508,220,786</u>	<u>541,979,430</u>

Information about major customers

Included in revenue arising from rigid packaging and flexible packaging are revenues of RMB121,863,749 (2019: RMB178,900,007) and RMB8,651,662 (2019: RMB15,348,893) respectively which arose from sales to the Group's largest customer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Financial instruments and financial risks

The management of the Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no changes to the Group's exposure to these financial risks or the manner in which they manage and measure the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

(i) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining customer advances where appropriate, as a means of mitigating the risk of financial loss from defaults.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties where aggregate credit exposure is significant in relation to the Group's total credit exposure.

As at the end of the financial year, approximately 30% (2019: 19%) of the Group's trade receivable from third parties were due from 3 (2019: 3) customers.

The Group's and Company's major classes of financial assets are cash and bank balances, fixed deposits and trade and other receivables. As the Group and the Company does not hold any collateral, the carrying amount of financial assets represents the maximum exposure to credit risk.

Further details of credit risk on trade receivables are disclosed in Note 18 to the financial statements.

Cash and bank balances (including fixed deposits)

The Group and Company held bank balances (including fixed deposits) of RMB67,258,175 (2019: RMB128,811,439) and RMB1,001,507 (2019: RMB1,021,790) respectively as at 31 December 2020. The cash and bank balances (including fixed deposits) are held with bank and financial institution counterparties, which are rated Aa1 to Baa2, based on Moody's ratings.

At the end of each financial year, the Group and Company did not expect any credit losses from non-performance by the counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Financial instruments and financial risks (Continued)

(i) Credit risk (Continued)

Other receivables

For other receivables from third parties, management has taken into account of internal (i.e. collection history) and external information available, and determined that there is no significant loss allowances expected. For amount due from subsidiaries, Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assesses at the end of each financial year on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Therefore, amount due from subsidiaries has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

Financial guarantees

The Company provides financial guarantees amounting to RMB120.2 million (2019: RMB140.1 million) in respect of banking facilities obtained by its subsidiaries.

The maximum amount that the Company could be forced to settle under the financial guarantee contract is approximately RMB115.8 million (2019: RMB137.1 million), if the full guaranteed amount is claimed by the counterparty to the guarantee. The earliest period that the guarantee could be called is within one year (2019: one year) from the end of the financial year. Based on management's assessment at the end of the financial year, the Group considers the 12-month expected credit loss to be immaterial.

(ii) Market risks

The Group's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchanges rates and interest rates and will consider appropriate measures should the need arises.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Financial instruments and financial risks (Continued)

(ii) Market risks (Continued)

Foreign exchange risk

The Group transacts businesses in various currencies, including the Euro, United States dollar ("US\$"), Japanese yen ("JPY"), Hong Kong dollar ("HK\$") and Singapore dollar ("S\$"), and therefore is exposed to foreign exchange risk.

At the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Assets		Liabilities	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Group				
Euro	58,997	58,883	-	-
US\$	18,976,259	24,511,952	54,831,241	42,943,752
JPY	2	2	-	2,182,009
HK\$	528,548	469,724	-	-
S\$	863,286	873,289	2,186,180	2,748,967
Company				
US\$	78,014	83,386	-	-
HK\$	75,001	80,636	21,869,361	30,504,106
S\$	863,286	873,289	2,186,180	2,748,967

The Company has investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 7% (2019: 5%) increase in Euro, US\$, JPY, HK\$ and S\$ against RMB. 7% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items which are denominated in Euro, US\$, JPY, HK\$ and S\$ and adjusts their translation at the end of the financial year for an instantaneous 7% (2019: 5%) change in foreign currency rates, with all variables held constant. The sensitivity analysis includes external loans as well as loans to foreign operation where they gave rise to an impact on the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Financial instruments and financial risks (Continued)

(ii) Market risks (Continued)

Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

If the relevant foreign currency strengthens by 7% (2019: 5%) against RMB, profit before income tax will increase/(decrease) by:

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Euro impact	4,130	2,944	-	-
US\$ impact	(2,509,849)	(921,590)	5,461	4,169
JPY impact	-	(109,100)	-	-
HK\$ impact	36,998	23,486	(1,525,605)	(1,521,174)
S\$ impact	(92,603)	(93,784)	(92,603)	(93,784)

If the relevant foreign currency weakens by 7% (2019: 5%) against RMB, the effect on profit before income tax will be vice versa.

Interest rate risk

The Group's interest rate risks arise primarily from its cash and bank balances, fixed deposits and borrowings. The Group borrows at fixed and variable interest rates.

The interest rates and terms of repayment of the Group's interest-bearing financial instruments are disclosed in Notes 20, 21, 25 and 26 to the financial statements.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's borrowings at the end of the financial year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year in the case of instruments that have variable interest rates. A 100 basis point (2019: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates increase/decrease by an instantaneous 100 basis points (2019: 100 basis points) with all other variables held constant, the Group's profit before income tax for the financial year ended 31 December 2020 would have been lower/higher by approximately RMB1,917,743 (2019: higher/lower by approximately RMB1,387,732) as a result of changes in interest rates on the variable rate borrowings.

No sensitivity analysis is prepared on the cash and bank balances and fixed deposits as the impact of the change in interest rates is not significant.

The Company's profit or loss is not affected by changes in interest rates as the Company does not have interest-bearing financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. Financial instruments and financial risks (Continued)

(iii) Liquidity risk

Liquidity risk refer to the risk in which the Group encounters difficulties in meeting its short-term obligations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and borrowings deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity for financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group and Company is expected to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or within 1 year RMB	Within 2 to 5 years RMB	Total RMB
Group				
2020				
Trade payables	-	103,241,756	-	103,241,756
Other payables*	-	27,347,135	-	27,347,135
Borrowings, fixed interest rate	4.2	97,730,289	38,086,513	135,816,802
Borrowings, variable interest rate	5.1	167,427,399	91,031,750	258,459,149
Lease liabilities	5.0	2,452,694	-	2,452,694
		<u>398,199,273</u>	<u>129,118,263</u>	<u>527,317,536</u>
2019				
Trade payables	-	123,861,037	-	123,861,037
Other payables*	-	29,335,865	-	29,335,865
Borrowings, fixed interest rate	5.2	106,795,518	35,646,079	142,441,597
Borrowings, variable interest rate	5.8	149,738,642	126,410,784	276,149,426
Lease liabilities	5.0	2,726,362	70,890	2,797,252
		<u>412,457,424</u>	<u>162,127,753</u>	<u>574,585,177</u>
Company				
2020				
Other payables**		24,435,191	-	24,435,191
Financial guarantee contracts		115,751,109	-	115,751,109
		<u>140,186,300</u>	<u>-</u>	<u>140,186,300</u>
2019				
Other payables**	-	34,347,165	-	34,347,165
Financial guarantee contracts	-	137,051,437	-	137,051,437
		<u>171,398,602</u>	<u>-</u>	<u>171,398,602</u>

* Excluding contract liabilities.

** Excluding fair value of financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

34. Fair value of financial assets and financial liabilities

The carrying amounts of the Group and the Company's current financial assets and current financial liabilities approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments.

The fair values of the Group's non-current financial liabilities in relation to borrowings approximates its carrying amount as these financial instruments are at floating interest rates. For the fixed rate non-current borrowings, the management estimates that the carrying amount approximate its fair value as the interest rate of the borrowings approximate the market lending rate for similar types of loan at the end of the reporting period. The carrying amount of current borrowings is a reasonable approximation of its fair value due to its relatively short-term maturity.

35. Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and maintain an optimal capital structure so as to maximise shareholders' values.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issues new shares or sell assets to reduce debts.

The management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables, borrowings plus lease liabilities less cash and bank balances and fixed deposits. Total capital is calculated as equity attributable to owners of the parent plus net debt.

The management constantly reviews the capital structure to ensure that the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from the previous financial year.

	Group		Company	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Trade payables	103,241,756	123,861,037	-	-
Other payables	34,830,785	37,968,634	24,435,191	34,358,821
Borrowings	367,287,514	377,751,422	-	-
Lease liabilities	2,399,745	2,741,644	-	-
Less: Cash and bank balances	(66,018,840)	(125,817,400)	(1,001,507)	(1,021,790)
Less: Fixed deposits	(1,239,335)	(2,994,039)	-	-
Net debt	440,501,625	413,511,298	23,433,684	33,337,031
Equity attributable to owners of the parent	560,574,785	556,715,740	443,804,138	433,901,518
Total capital	1,001,076,410	970,227,038	467,237,822	467,238,549
Gearing ratio	44%	43%	5%	7%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

35. Capital management policies and objectives (Continued)

Subsidiaries of the Group established in the PRC are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC as disclosed in Note 23 to the financial statements.

In addition to the above, the Group and the Company are in compliance with all externally imposed capital requirements in relation to financial covenants on its borrowings for the financial years ended 31 December 2020 and 2019.

36. Significant related party transactions

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2020 RMB	2019 RMB
<u>With certain Director of the Company</u>		
Rental expense	824,367	781,815
<u>With companies in which certain Director have control</u>		
Rental expense	1,832,940	1,832,940
Sale of goods	(4,990,121)	(2,652,619)

The outstanding balances as at 31 December with related parties are disclosed in Notes 18 and 28 to the financial statements and are unsecured, interest-free and repayable on demand, unless otherwise stated.

Certain borrowings (Note 26) are supported by individual guarantees given by a Director. No charge has been made for these guarantees.

Compensation of Directors and key management personnel

The remuneration of Directors and other members of key management during the financial year were as follows:

	Group	
	2020 RMB	2019 RMB
Directors		
- short-term benefits	3,553,049	5,941,424
- post-employment benefits	34,793	105,040
- Directors' fees	604,631	766,778
Other key management personnel		
- short-term benefits	6,084,363	2,790,008
- post-employment benefits	167,415	102,594
	10,444,251	9,705,844

The remuneration of Directors and key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

37. Impact of Novel Coronavirus (“Covid-19”) on the Group’s Operations

The Covid-19 pandemic had brought a persistent uncertainty to the global economy and resulted in decreased demand for the Company’s goods due to government-imposed closures of non-essential businesses. During the financial year, the Group experienced decrease in overall sales as a result of the restrictions in the first quarter of the financial year. However, this was mitigated by gradual resumption of operations with strong bounce back in local demand from the second quarter.

The Group will continue to pursue its strategy of automation and product innovation, optimise production efficiency as well as working with customers to develop new products using recycled and biodegradable materials to ensure that the long-term business remains robust.

SHAREHOLDERS' INFORMATION

As at 16 March 2021

Issued and paid-up share capital	:	SGD45,735,199.216
Number of issued and paid-up shares excluding treasury shares and subsidiary holdings	:	70,319,164
Class of share	:	Ordinary shares fully paid
Voting rights	:	One vote for each ordinary share
Number and percentage of treasury shares and subsidiary holdings held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	20	4.17	583	0.00
100 - 1,000	100	20.88	44,909	0.06
1,001 - 10,000	238	49.69	868,060	1.24
10,001 - 1,000,000	116	24.22	6,983,363	9.93
1,000,001 and ABOVE	5	1.04	62,422,249	88.77
TOTAL	479	100.00	70,319,164	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	PAN SHUN MING	27,384,697	38.94
2	MAI SHUYING	17,925,265	25.49
3	JEN SHEK CHUEN	9,562,787	13.60
4	BERRY PLASTICS ASIA PTE. LTD.	5,825,000	8.28
5	DB NOMINEES (SINGAPORE) PTE LTD	1,724,500	2.45
6	PAN ZHAOJIN	816,000	1.16
7	OCBC SECURITIES PRIVATE LIMITED	553,279	0.79
8	EST OF LIM TCHEN NAN, DEC'D	387,500	0.55
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	353,806	0.50
10	HUANG BAOJIA	330,100	0.47
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	321,409	0.46
12	TAN SIEW KENG CHRISTINA	279,000	0.40
13	PU JINBO	182,954	0.26
14	HSU SHU HAO	168,000	0.24
15	ZHANG JIANLING	156,818	0.22
16	DONALD QUEK JEE KWEE	150,000	0.21
17	JENNIFER LEUNG MAN CHU	146,250	0.21
18	TTH DEVELOPMENT PTE LTD	100,000	0.14
19	WOO KIM FONG	97,452	0.14
20	LIM POH FAH VICTOR	92,703	0.13
	TOTAL	66,557,520	94.64

SHAREHOLDERS' INFORMATION

As at 16 March 2021

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2021

NAME OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Pan Shun Ming	27,384,697	38.94	17,925,265 ⁽¹⁾	25.49
Mai Shuying	17,925,265	25.49	27,384,697 ⁽²⁾	38.94
Pan Zhaojin	816,000	1.16	45,309,962 ⁽³⁾	64.43
Jen Shek Chuen	9,562,787	13.60	-	-
Berry Plastics Asia Pte. Ltd.	5,825,000	8.28	-	-

Notes :-

- (1) Deemed interest in the shares held by his spouse, Madam Mai Shuying.
- (2) Deemed interest in the shares held by her spouse, Mr Pan Shun Ming.
- (3) Deemed interest in the shares held by his parents, Mr Pan Shun Ming and Madam Mai Shuying.

To the best knowledge of the Company and based on the Shareholders' Information provided to the Company as at 16 March 2021, approximately 12.26% of the issued and paid-up ordinary shares of the Company are held in the hands of the public as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"). Accordingly, the Company has complied with Rule 723 of the Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Southern Packaging Group Limited (the “Company”) will be held by way of electronic means on Friday, 30 April 2021 at 10 a.m. (Singapore time), to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2020 and the Directors’ Statement together with the Auditors’ Report. **Resolution 1**
2. To declare a first and final one-tier tax exempt dividend of 0.25 Singapore cents per ordinary share for the year ended 31 December 2020. **Resolution 2**
(Explanatory Note 1)
3. To approve the payment of Directors’ fees of S\$123,000 for the financial year ended 31 December 2020. (2019: S\$148,376) **Resolution 3**
4. To re-elect Mr Chia Chor Leong who is retiring by rotation pursuant to Article 91 of the Company’s Constitution and being eligible, offers himself for re-election. **Resolution 4**
(Explanatory Note 2)
5. To re-elect Mr Yeung Koon Sang @ David Yeung who is retiring by rotation pursuant to Article 91 of the Company’s Constitution and being eligible, offer himself for re-election. **Resolution 5**
(Explanatory Note 2)
6. To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modifications, the following as ordinary resolutions:

7. **Authority to allot and issue shares** **Resolution 7**

That, pursuant to Section 161 of the Companies Act (Chapter 50) and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below).
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards, provided the share options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue or consolidation or subdivision of Shares,

provided further that adjustments in accordance with sub-paragraphs (2)(i) and (ii) above are only to be made in respect of new Shares arising from convertible securities, share options and share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (3) in this Resolution, "subsidiary holdings" shall have the meaning ascribed to it in the Listing Manual of the SGX-ST;
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting (“**AGM**”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

(Explanatory Note 3)

8. **Approval for the Continued Appointment of Mr Yeung Koon Sang @ David Yeung as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders** **Resolution 8**

That, subject to and contingent upon the passing of Ordinary Resolution 5 by shareholders and the passing of Ordinary Resolution 9 by shareholders (excluding the directors, chief executive officer of the Company, and their associates) and in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the Singapore Exchange Securities Trading Limited (which will take effect from 1 January 2022):

- (a) the continued appointment of Mr Yeung Koon Sang @ David Yeung as an Independent Director be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of: (i) the retirement or resignation of Mr Yeung Koon Sang @ David Yeung as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

(Explanatory Note 4)

9. **Approval for the Continued Appointment of Mr Yeung Koon Sang @ David Yeung as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders excluding the directors and the chief executive officer of the Company and their associates** **Resolution 9**

That, subject to and contingent upon the passing of Ordinary Resolutions 5 and 8 by shareholders and in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the Singapore Exchange Securities Trading Limited (which will take effect from 1 January 2022):

- (a) the continued appointment of Mr Yeung Koon Sang @ David Yeung as an Independent Director be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of: (i) the retirement or resignation of Mr Yeung Koon Sang @ David Yeung as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

(Explanatory Note 4)

NOTICE OF ANNUAL GENERAL MEETING

10. To transact any other business which may be transacted at an AGM.

By Order of the Board

Pan Shun Ming
Executive Chairman and CEO
8 April 2021

Explanatory Notes:-

1. Resolution 2

This resolution is to approve the declaration of the first and final dividend. The Share Transfer Books and Register of Members of the Company will be closed on 7 May 2021 at 5 p.m. for the purpose of determining the entitlement of shareholders of the Company to the first and final dividend. Duly completed registrable transfers of ordinary shares of the Company received up to 5.00 p.m. on 7 May 2021 will be entitled to the first and final dividend. If approved at the AGM, the first and final dividend will be paid on 25 May 2021.

2. Resolutions 4 and 5

Mr Chia Chor Leong will, upon his re-election, remain as the Chairman of Nominating Committee and member of Audit and Remuneration Committees. The Board of Directors (the “**Board**”) considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Yeung Koon Sang @ David Yeung (“Mr David Yeung”) will, upon his re-election, remain as the Chairman of Audit and Remuneration Committees and member of Nominating Committee. The Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Detailed information of the retiring Directors can be found under “Board of Directors”, “Corporate Governance Report” and “Additional information on Directors Seeking Re-Election” sections in the Company’s Annual Report 2020.

3. Resolution 7

This Ordinary Resolution, if passed, will authorise and empower the Directors of the Company from the date of the AGM to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The aggregate number of shares (including shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) to be allotted and issued would not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, of which the total number of shares that may be issued other than on a pro-rata basis to shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time the resolution is passed. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

4. Resolutions 8 and 9

Ordinary Resolutions 8 and 9 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual which will take effect on 1 January 2022. Rule 210(5)(d)(iii) of the Listing Manual provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer, and their respective associates.

Mr David Yeung has served for more than nine (9) years on the Board of the Company and unless subject to the two-tier vote, he will not be considered as Independent Director from 1 January 2022. The Company is seeking a two-tier shareholders’ approval for the continued appointment of Mr David Yeung as Independent Director for a three (3) year term, with effect from passing of the Resolutions until the conclusion of the third AGM of the Company following the passing of the Resolutions. Directors and Chief Executive Officer of the Company, and their associates (as defined under Listing Manual) are required to abstain from voting on proposed Ordinary Resolution 9.

Ordinary Resolutions 8 and 9, if passed, will remain in force until the earlier of: (i) Mr David Yeung’s retirement or resignation as Director of the Company; or (ii) the conclusion of the third AGM of the Company following the passing of such Resolutions.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Annual Report, Notice of AGM and proxy form will be sent to members solely by electronic means via publication on the Company's website at URL <http://www.southern-packaging.com/en/notice/list.aspx> and on the SGX website at URL <https://www.sgx.com/securities/company-announcements>. Printed copies of these documents will not be despatched to members.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("Live Webcast") or "live" audio-only stream ("Live Audio Stream"), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy, are set out in the accompanying Company's announcement dated 8 April 2021 ("AGM Alternative Arrangements Announcement"). The AGM Alternative Arrangements Announcement, this Notice of AGM, Annual Report of the Company and proxy form have been made available on the Company's website at the URL <http://www.southern-packaging.com/en/notice/list.aspx> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **As the AGM will be held by way of electronic means. Members will NOT be able to attend the AGM in person. A member (whether individual or corporate) will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM may be accessed at the Company's website at URL <http://www.southern-packaging.com/en/notice/list.aspx> and at the SGX website at URL <https://www.sgx.com/securities/company-announcements>.**
4. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. The Chairman of the AGM, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the AGM as proxy must be submitted in the following manner:
 - a) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
 - b) if submitted electronically, be submitted via email to the Company's Share Registrar at srs.teamd@boardroomlimited.com,in either case, no later than 10 a.m. on 28 April 2021 being not less than forty-eight (48) hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**
7. The instrument appointing the Chairman of AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney duly authorised or its authorised officer or in such a manner as appropriate under applicable laws, failing which the instrument may be treated as invalid.
8. Where an instrument appointing the Chairman of AGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have Shares entered against their names in the Depository Register, as at seventy-two (72) hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
10. For investors who have used their CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) to buy shares, and wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM. For investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) should approach their respective relevant intermediaries as soon as possible to specify voting instructions.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By (a) submitting a proxy form appointing the Chairman of the AGM to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM or (c) submitting the pre-registration form in accordance with the AGM Alternative Arrangements Announcement, a member of the Company (i) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty; and (ii) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of (collectively, the "**Purposes**"):

- I. the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof);
- II. processing the pre-registration forms for purposes of granting access to members for the Live Webcast or Live Audio Stream and providing viewers with any technical assistance, where necessary;
- III. addressing selected substantive questions from members received prior, or at the AGM;
- IV. the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- V. enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the additional information as set out in Appendix 7.4.1 to the SGX-ST Listing Manual relating to the retiring Directors who are submitting themselves for re-election is disclosed below and to be read in conjunction with their respective biographies under the section entitled "Board of Directors" in the Annual Report 2020:

Name of Person	Chia Chor Leong	Yeung Koon Sang @ David Yeung
Date of Appointment	10 October 2014	23 September 2004
Date of last re-appointment	26 April 2018	30 April 2019
Age	65	71
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment	The re-election of Mr Chia was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his independence, overall contribution and performance.	The re-election of Mr David Yeung was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his independence, overall contribution and performance.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of Nominating Committee, and Member of Audit & Remuneration Committees	Lead Independent Director, Chairman of Audit & Remuneration Committees and Member of Nominating Committee
Professional Qualifications	<ul style="list-style-type: none"> LL.B. (Honours) degree from the University of Singapore Advocate and Solicitor of the Supreme Court of Singapore Fellow of the Singapore Institute of Arbitrators Member of the Panel of Arbitrators of the Singapore Institute of Arbitrators, Singapore International Arbitration Centre, and the Law Society of Singapore Senior Adjudicator and Principal Mediator with the Singapore Mediation Centre 	<ul style="list-style-type: none"> Master of Social Science (Accounting) degree from the University of Birmingham, England Practising Member of Institute of Singapore Chartered Accountants Fellow of the Association of Chartered Certified Accountants, United Kingdom

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chia Chor Leong	Yeung Koon Sang @ David Yeung
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interests (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	Mr Chia has been in private legal practice since 1981, and now practises mostly as an arbitrator, adjudicator, mediator, legal assessor and neutral evaluator. Mr Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review) and a member of the Singapore Road Safety Council. He presently serves as Chairman of the External Placement Review Board and on the Independent Review Panel of the Ministry of Home Affairs	Mr David Yeung is the managing director of Kreston David Yeung PAC, a company providing auditing, accounting and tax services, which he founded in 1987. He has over 30 years of experience in public accounting with previous employments in Deloitte & Touche, UK and Ernst & Young, Singapore. Mr David Yeung is also an independent director of other SGX-ST listed companies.
Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Other Principal Commitments Including Directorships: Past (for the last 5 years)	<u>Directorships:</u> <ul style="list-style-type: none"> ● Mary Chia Holdings Limited <u>Other Principal Commitment:</u> Nil	<u>Directorships:</u> <ul style="list-style-type: none"> ● ACE Achieve Infocom Ltd ● Mary Chia Holdings Limited ● Citic Envirotech Ltd. <u>Other Principal Commitment:</u> Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chia Chor Leong	Yeung Koon Sang @ David Yeung
Present	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> ● Frencken Group Limited <p><u>Other Principal Commitment:</u></p> <ul style="list-style-type: none"> ● Chairman of the External Placement Review Board ● Member of the Independent Review Panel of the Ministry of Home Affairs, Singapore 	<p><u>Directorships:</u></p> <ul style="list-style-type: none"> ● AEI Corporation Limited ● Kreston David Yeung PAC ● Daxin Consulting (S) Pte Ltd ● Daxin Yeung PAC ● Technicolor Asia Pacific Holdings Pte. Ltd. <p><u>Other Principal Commitment:</u></p> <p>Nil</p>
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	Yes. A statutory demand for winding up was filled in 2015 against CNA Group Ltd, which Mr David Yeung is an independent director. Subsequent to the statutory demand, CNA Group Ltd was placed under judicial management from July 2015, and is currently in liquidation.
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chia Chor Leong	Yeung Koon Sang @ David Yeung
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chia Chor Leong	Yeung Koon Sang @ David Yeung
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chia Chor Leong	Yeung Koon Sang @ David Yeung
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

SOUTHERN PACKAGING GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200313312N)

ANNUAL GENERAL MEETING PROXY FORM

Important:

1. The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means, submission of questions in advance of the AGM, addressing of substantial and relevant questions prior or at the AGM and voting by appointing the Chairman of the AGM as proxy, are set out in the accompanying Company's announcement dated 8 April 2021 ("AGM Alternative Arrangements Announcement").
3. The AGM Alternative Arrangements Announcement, notice of AGM and this proxy form have been made available on the SGX website at URL <https://www.sgx.com/securities/company-announcements> and the Company's website <http://www.southern-packaging.com/en/notice/list.aspx>. Printed copies of the notice of AGM and this proxy form will not be sent to members.
4. As the AGM will be held by way of electronic means, Member will NOT be able to attend the AGM in person. A member will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a Resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that Resolution will be treated as invalid.
5. This proxy form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Bank or SRS Operators to submit their votes at least seven (7) working days before this AGM.

I/We, _____ (name) _____ (NRIC/Passport/Company Registration No.)

of _____ (address)

being a member/members of **SOUTHERN PACKAGING GROUP LIMITED** (the "**Company**"), hereby appoint Chairman of the AGM, as my/our proxy to attend, speak and to vote for me/us on my/our behalf at the AGM to be held by way of electronic means on **Friday, 30 April 2021 at 10 a.m. (Singapore time)** and at any adjournment thereof. I/We direct the Chairman of the AGM, being my/our proxy, to vote for or against, or to abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder.

ORDINARY	ORDINARY BUSINESS	FOR*	AGAINST*	ABSTAIN*
Resolution 1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2020 and the Directors' Statement together with the Auditors' Report			
Resolution 2	Declaration of First and Final Dividend			
Resolution 3	Approval of Directors' fees of S\$123,000 for the financial year ended 31 December 2020			
Resolution 4	Re-election of Mr Chia Chor Leong as Director			
Resolution 5	Re-election of Mr Yeung Koon Sang @ David Yeung as Director			
Resolution 6	Re-appointment of Messrs BDO LLP as auditors and authorisation to the Directors to fix their remuneration			
ORDINARY	SPECIAL BUSINESS			
Resolution 7	Authority to allot and issue shares			
Resolution 8	Approval of Mr Yeung Koon Sang @ David Yeung's continued appointment as an Independent Director by shareholders			
Resolution 9	Approval of Mr Yeung Koon Sang @ David Yeung's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer, and their associates)			

Note:

- * Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "For" or "Against" the relevant resolution, please indicate with "X" within the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution, please indicate with "X" in the "Abstain" box for a particular resolution. Alternatively, please indicate the number of votes that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box for a particular resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2021

Total Number of Shares held (Note 1)

Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF



AFFIX
POSTAGE
STAMP
HERE

SOUTHERN PACKAGING GROUP LIMITED
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

FOLD HERE

NOTES:

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. **As the AGM will be held by way of electronic means. Members will NOT be able to attend the AGM in person. A member (whether individual or corporate) will also not be able to vote "live" on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
3. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the AGM as proxy must be submitted in the following manner:
 - a) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
 - b) if submitted electronically, be submitted via email to the Company's Share Registrar at srs.teamd@boardroomlimited.com,in either case, no later than 10 a.m. on 28 April 2021 being not less than forty-eight (48) hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must first complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**
6. The instrument appointing the Chairman of AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney duly authorised or its authorised officer or in such a manner as appropriate under applicable laws, failing which the instrument may be treated as invalid.
7. Where an instrument appointing the Chairman of AGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. For investors who have used their CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) to buy shares, this proxy form is not valid for their use and shall be ineffective for all intents and purpose if used or purported to be used by them. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions **by 5 p.m. on 20 April 2021**, being seven (7) working days before the AGM. For investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50) should approach their respective relevant intermediaries as soon as possible to specify voting instructions.
9. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (including any related attachment). In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have Shares entered against his/her name in the Depository Register at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2021.



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

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