Southern packaging

FORGING
SYNERGISTIC INNOVATION

ANNUAL REPORT 2018

CORPORATE CULTURE

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.

企业文化

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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CORPORATE PROFILE

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".

公司介绍

南方包装集团有限公司成为新加坡交易所主板市场的上市公司已有15年，集团是一所主营生产食品、药品、个人护理品及家庭用品行业的塑料软包装与硬包装的科技型企业，我们是众多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全球最大经济体之一的中国，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，拥有宽广的塑料包装工艺设备与技术，我们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。

环保、安全、高洁净的包装需求是我们市场所在，集团的竞争优势驻留在我们强大的高分子化学、材料科学及塑料成型领域；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。

软包装主要是采用塑料凹版印刷技术为客户提供以下的服务：

» 印刷
» 复合
» 分条、制袋

硬包装主要集中在中空成型技术为客户提供以下成型工艺服务：

» 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、烫印等附加服务

CHAIRMAN'S MESSAGE

"Through technical innovation and service innovation, we are confident to restore and enhance the market share of the company. It is worth mentioning that the group's investment in automation production lines in Jiangsu production base has reduced our cost of production."

Dear Shareholders,

FY2018 is a very challenging year for Southern Packaging Group Limited. In recent years, the China's economic growth has slowed down and its market demand changes rapidly. The market competitiveness has become more and more intense. With the further development of China's reform and open-up in recent year, China has become one of the largest economies in the world. Our long term strategy is to focus on developing business in China. As our business continues to grow, we had expanded our production base to Jiangsu, Eastern China and become one of the largest plastic packaging suppliers in China. Moreover, the international trade disputes have become more complicated. Facing this challenging environment, we will put in all our efforts to stabilise our market and maintain the sustainable development of the Group.

During the year, we work closely with the R&D centres in Asia-Pacific region of many multinational companies and launched new product projects successfully. This will compensate greatly for the declining share of the existing product market. We have a clear strategy on the target market. We focus on developing cooperative relationships with multinational companies by utilising our comprehensive manufacture advantages. These are our key for success.

In FY2018, the sales revenue increased by RMB 1 million (0.2%) to RMB 724 million compared to RMB 723 million in FY2017. With the recent investment in rigid packaging, the sales revenue of rigid packaging increased by RMB 44 million (10.3%) to RMB 472 million in FY2018 compared to RMB 428 million in FY2017. The sales revenue of flexible packaging decreased by RMB 42.9 million (14.5%) to RMB 252 million in FY2018 compared to RMB 295 million in FY2017.

CHAIRMAN'S MESSAGE

Due to a volatile fluctuation on price of raw material and exchange rate caused by unstable global economic situation, our production cost faced severe pressure. As a result, the gross profit decreased by RMB 25.4 million (15.6%) to RMB 137 million in FY2018 compared to RMB 163 million in FY2017. Due to market competitiveness, we did not manage to increase the product's selling price to mitigate the impact of the rise of material cost and labour cost. The loss after tax was RMB 2.22 million in FY2018. The net asset per share was RMB 7.78.

In FY2018, in order to meet the stricter national government's environment protection policy, we imported advanced volatile organic compound (VOC) treatment equipment from Europe to eliminate the harmful emission caused by the production of flexible packaging. Although this would increase the energy cost of production, we believe that this is essential for enhancing the quality of our neighborhood environment.

The Stricter national government environment protection policy has a huge impact on the packaging industry. Due to the installation of VOC treatment equipment as mentioned earlier, the group is well prepared in advanced for the stricter protection requirement and thus it provides advantages to our market competition. Through technical innovation and service innovation, we are confident to restore and enhance the market share of the company. It is worth mentioning that the group's investment in automation production lines in Jiangsu production base has reduced our cost of production. In addition, our customers gradually understood and accepted the increase of selling price of our products due to increase in raw material cost and labour cost. We will follow the changes of the market closely to maintain the Group's market competitiveness and seek the best return for the shareholders.

The Group is building a commercial property in Sanshan, Foshan, China. It consists of over 89,000 meter square of office and shop spaces and located very near to Guangzhou South High-Speed Railway Station. The building will be used for re-location of our headquarters as well as for future sale and rental. At present, the project has completed the underground structure construction.

On behalf of all employees of the Group, I would like to thank our customers, suppliers, and shareholders for their support, investment and confidence in the company. I am still confident about the future of the company. The Board of directors proposed that no dividend is paid in the fiscal year, and all of us will work together to meet the future challenges.

Thank you!

Pan Shun Ming
Executive Chairman
Southern Packaging Group Limited

2018年主席发言

各位亲爱的股东：

2018年是南方包装集团迈向持续成功路上最为挑战的一个年度。

我们的业务主要面向全球最大经济体之一的中国市场，伴随中国市场开放之路，业务不断发展壮大，生产基地也从中国南部的广东，拓展到中国东部的江苏，成为中国塑料包装市场的佼佼者。但这几年中国经济增长速度明显放缓、需求显得有些不足，市场竞争的激烈程度有所加剧；面向全球国际环境，贸易纠纷不断、经济增长同样乏力。面对挑战的环境，我们并不逃避、仍全力前行，努力稳住了市场、赢得了继续发展的机会。

在刚刚过去的一年里，我们通过与众多跨国企业的亚太地区研发中心的合作，成功在塑料包装事业上与跨国企业建立起全新的协作关系，与客户的这些良好互动使得新项目持续成功落地，大大地弥补了原有市场下滑的份额，为南方包装的发展夯实了基础。对于塑料包装领域的的多年耕耘与专注，我们对目标市场有着坚实的导向：跨国企业为主的客户基础，全面创新的软、硬包装技术与产品组合，以及拥有良好的市场服务地位，这些都是保证我们成功的决胜关键。

2018年度集团的销售收入为人民币7.24亿元，较2017年度的人民币7.23亿元上升了110万元人民币，基本维持了市场占有率。伴随这几年我们对硬包装生产及研发要素资源的投入，硬包装的销售仍然表现突出，硬包装全年销售收入从2017年的4.28亿元人民币增加到2018年的4.72亿元人民币，增加了4400万元人民币，增幅为10%，其销售收入继续创出历史新高； 软包装销售收入从2017年的2.95亿元人民币下降到2018年的2.52亿元人民币，下降了4290万元人民币，降幅为14.5%。

全球经济不稳定性所引致的汇率、原材料价格的大幅波动，年度内呈现激烈状态，原材料价格对我们的制造成本形成了较大的压力，体现在集团经营成果的主要指标—经营毛利表现不佳，2018年经营毛利为人民币1.37亿元，较2017年的1.63亿元人民币，下降了2540万元人民币，降幅为15.6%。公司的市场保有策略未能最大限度地消化原材料价格上升以及劳动力成本增长的压力，最终录得税后年度利润亏损222万元人民币。年度末集团净资产为人民币7.78元/股。

2018年我们兑现社会责任承诺，成功引入欧洲先进的环保处理设备，保证了集团软包装业务能适应新的环保政策需求，为保护环境、保护地球尽显了我们的责任。诚然，这也是提高了我们生产成本的因素之一，

我们将与客户一起担负起绿色发展的社会责任，为人类建立和维护健康环境的共同使命作出贡献。

面对未来，我们仍拥有非常正面的营运发展空间，集团将利用中国环保政策带来的行业洗牌和变革机遇，通过技术创新、服务机制的创新，恢复和提升软包装市场的份额及盈利水平；值得一提的是集团投资在中国江苏生产基地的高效能自动化生产线正逐步进入最佳生产状态，这将有效地改善我们的产品成本构成；原材料成本端压力的合理转移也逐步得到市场的理解与支持，我们将动态跟进市场的变化，在保持集团市场竞争力的同时，为股东谋求最佳的回报。

作为集团未来总部的城市商业载体项目"港金大厦"—位于中国佛山南海的32亩写字楼，乘着中国粤港澳大湾区、佛山三龙湾建设的政策利好，正如火如荼的建设中，我们相信所在区域会有非常好的前景，目前项目已基本完成地下结构工程，将在2019年度末形成对外销售资产，为集团中国业务总部提供切实的基地资源，同时为我们带来资产出售、出租收入的可期业务。

我谨代表集团全体员工，感谢我们的客户、供应商和股东对公司的支持、投资和信心，我对公司的未来仍然充满信心。

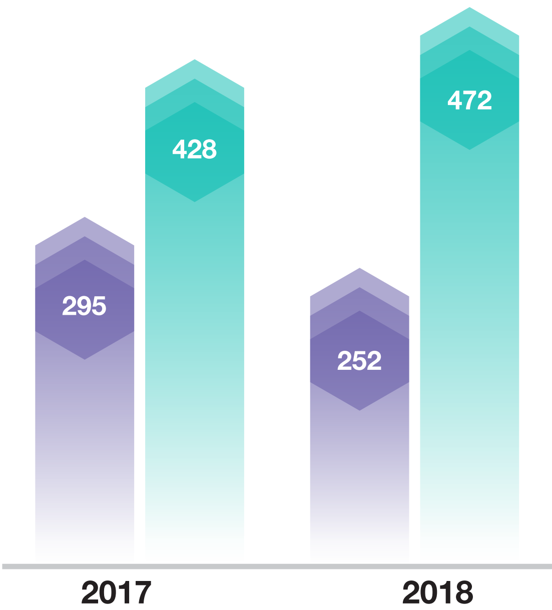
为应对经营挑战，董事局提议本会计年度不作分红，万众一心共同迎战未来。

谢谢！

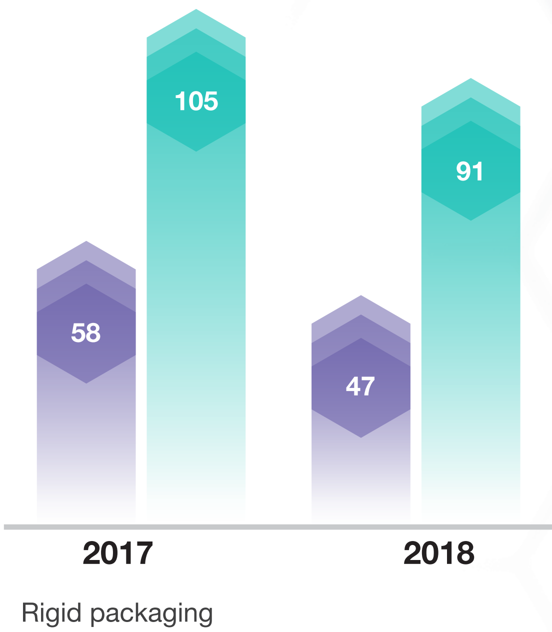
彭顺铭
执行主席
南方包装集团有限公司

FINANCIAL HIGHLIGHT
AS AT 31 DECEMBER 2018

SEGMENTAL REVENUE
(IN RMB MILLION)



SEGMENTAL GROSS PROFIT
(IN RMB MILLION)



12 MONTHS ENDED 31 DECEMBER 2018
(IN RMB MILLION)

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

OPERATIONS &
FINANCIAL REVIEW

The sales revenue increased by 0.2% to RMB 724.2 million in FY2018. Sales of rigid packaging increased by 10.3% to RMB 471.9 million and sales of flexible packaging decreased by 14.5% to RMB 252.2 million in FY2018.

Revenue By Business Segments	FY2018		FY2017		Change
	RMB`000	%	RMB`000	%	
Rigid packaging	471,916	65.2%	427,878	59.2%	10.3%
Flexible packaging	252,238	34.8%	295,137	40.8%	-14.5%
Total	724,154	100%	723,015	100%	0.2%

During the year, the Group's gross profit decreased by 15.6% to RMB 137.2 million. The gross profit of rigid packaging decreased by 13.3% to RMB 90.6 million. The gross profit of flexible packaging decreased by 19.8% to RMB 46.6 million. The gross profit decreased mainly due to the increase in purchase price of raw materials and labor costs.

Gross Profit By Business Segments	FY2018		FY2017		Change
	RMB`000	%	RMB`000	%	
Rigid packaging	90,647	66.1%	104,581	64.3%	-13.3%
Flexible packaging	46,579	33.9%	58,078	35.7%	-19.8%
Total	137,226	100%	162,659	100%	-15.6%

In terms of sales revenue by geographical regions, PRC region sales revenue increased by 0.9% to RMB 674 million in FY2018, accounting for 93.1% of Group's total revenue for FY2018. Revenue from other regions declined slightly.

Revenue By Geographical Segment	FY2018		FY2017		Change
	RMB`000	%	RMB`000	%	
PRC	673,902	93.1%	667,709	92.4%	0.9%
Europe	3,231	0.4%	4,935	0.7%	-34.5%
Hong Kong, PRC	15,298	2.1%	19,737	2.7%	-22.5%
America	4,900	0.7%	6,376	0.9%	-23.1%
Australia	11,573	1.6%	6,628	0.9%	74.6%
Other Asia region excluding PRC	15,250,	2.1%	17,630	2.4%	-13.5%
Total	724,154	100%	723,015	100%	0.2%

2018年度集团销售收入7.24亿，同比上涨0.2%。其中硬包装销售收入4.72亿，同比上涨10.3%;软包装销售收入2.52亿，同比下降14.5%。

销售额 类别	FY2018		FY2017		变化
	RMB`000	%	RMB`000	%	
硬包装	471,916	65.2%	427,878	59.2%	10.3%
软包装	252,238	34.8%	295,137	40.8%	-14.5%
合计	724,154	100%	723,015	100%	0.2%

今年，集团的毛利为1.37亿，同比下降15.6%。其中硬包装毛利0.91亿，同比下降13.3%；软包装毛利为0.47亿，同比下降19.8%。毛利下降的主要原因是原材料价格及人力成本的上涨。

毛利 类别	FY2018		FY2017		变化
	RMB`000	%	RMB`000	%	
硬包装	90,647	66.1%	104,581	64.3%	-13.3%
软包装	46,579	33.9%	58,078	35.7%	-19.8%
合计	137,226	100%	162,659	100%	-15.6%

从区域销售情况来看，中国区的销售收入上涨0.9%，其销售额达人民币6.74亿元，占销售总额的93.1%；中国区以外的销售额轻微下降。

销售额 地区	FY2018		FY2017		Change
	RMB`000	%	RMB`000	%	
中国	673,902	93.1%	667,709	92.4%	0.9%
欧洲	3,231	0.4%	4,935	0.7%	-34.5%
香港，中国	15,298	2.1%	19,737	2.7%	-22.5%
美国	4,900	0.7%	6,376	0.9%	-23.1%
澳洲	11,573	1.6%	6,628	0.9%	74.6%
亚洲（中国外）	15,250,	2.1%	17,630	2.4%	-13.5%
合计	724,154	100%	723,015	100%	0.2%

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 Tinplate Co., Ltd. since 2004.

Pu Jinbo
Executive Director and Deputy Chief Executive Officer

Mr. Pu, our Executive Director and Deputy Chief Executive Officer, joined our Group in 1999. He is currently 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.

BOARD OF DIRECTORS

Mai Shuying
Executive Director

Madam Mai is our Finance Director, Executive Director and the co-founder of our Group. Madam Mai founded our Group together with Mr. Pan in the early 1980s. 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
Executive Director and Chief Operating Officer

Mr. Li Yonghua, the Executive Director and Chief Operating Officer, joined our Group in 2002. He is currently 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 Dec 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.

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.

BOARD OF DIRECTORS

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 practising as an advocate and solicitor since 1981, and is presently a director of Citilegal LLC., a law corporation. Mr Chia is a distinguished solicitor, a Fellow of the Singapore Institute of Arbitrators and a member of that Institute's Panel of Arbitrators. He is an accredited adjudicator and an associate mediator with the Singapore Mediation Centre. He is also a commissioner for oaths as well as a notary public. Mr Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review), and 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. He is also a member of the Singapore Road Safety Council. In recognition of his 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.

Chung Tang Fong
Independent Director

Mr 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. Mr 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, Mr 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 Chairman of its Tenders and Contracts Committee. He is also a Board Member of Keming Primary School Advisory Committee 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, Mr Chung was awarded the Pingat Bakti Masyarkat (Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (Public Service Star) in 2008 by the President of Singapore. In addition, Mr Chung was sanctioned admission as Member of the Order of St. John (SBStJ) by Her Majesty The Queen of United Kingdom in 2018.

BOARD OF DIRECTORS

Tan Jiansheng
Independent Director

Mr. Tan was appointed as an Independent Director of our Company in February 2017. Mr Tan is an Economist. He is currently the member of Asset management committee of Foshan Dongjian Group Limited which work in the real estate development, asset management and participate in the management of assets approximately RMB 16 billion. He is currently the General Manager of Bodun Investment Management Company Limited (estate development industry) and Foshan Shenggen Investment Management Company Limited (finance and investment industry).

Guo Weihai
Independent Director

Mr. Guo was appointed as an Independent Director of our Company in February 2017. Mr Guo obtained a college degree in mechanical design and manufacturing. He was the General Manager of Guangzhou Food Industry and Health Inspection Institute between 2007 and 2013 and Guangzhou Food Inspection Institute between 2013 and 2016. He has over 25 years of overall management in operation of enterprises and institutes and familiar with relevant laws, regulations and policies in the manufacturing industry.

KEY MANAGEMENT

Pan Zhaojin
Deputy Chief Operating Officer

Mr. Pan Zhaojin joined our Group in 2007. He is appointed as Deputy Chief Operating Officer in February 2017. He is responsible for marketing and business development for the Group. 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.

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 Practicing 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.

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.

The Board of Directors of Southern Packaging Group Limited (the "**Board**") (the "**Company**"), is committed to maintain high standards of corporate governance within the Company and its subsidiaries (the "**Group**") to ensure effective self regulation practices are in place to enhance corporate performance and accountability.

The Board, guided by the Singapore Code of Corporate Governance 2012 (the "**CG Code 2012**") issued by the Monetary Authority of Singapore ("**MAS**") and the disclosure guide developed by the Singapore Securities Trading Limited (the "**SGX-ST**") (the "**Guide**"), remains committed to the principles and guidelines stated therein to achieve high standards of business integrity, ethics and professionalism across all its activities. The Company has generally complied with key principles and guidelines set out in the CG Code 2012 for the financial year ended 31 December 2018 ("**FY2018**"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the CG Code 2012 and/or the Guide.

The MAS had on 6 August 2018 issued the revised Code of Corporate Governance 2018 (the "**2018 CG code**") which supersedes the CG Code 2012 and will take effect for annual reports covering financial years commencing 1 January 2019. The Board will review and set out the appropriate corporate practices in place to comply with the 2018 CG Code in the next annual report covering the financial year ended 31 December 2019.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1 **Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.**

1.1 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.

1.2 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 approve the nominations to the Board and appointment of key management, as may be recommended by the Nominating Committee;

c) 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;

d) 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;

e) to review management performance;

f) to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

g) to set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders and others are understood and met;

h) to monitor and manage potential conflict of interests between the key management personnel, the Board and the shareholders; and

i) to promote corporate social responsibilities throughout the Group and include environmental and social factors as part of its strategic formulation.

1.3 Delegation by the Board

To facilitate effective management and to support the Board in the execution of its duties, the Board has established Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The names of the members, principal roles and responsibilities of respective Board Committees are set out in this Report. 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.

1.4 Board 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.

The Independent Directors of the Company discuss issues via meetings, telephone and electronic devices as the situations require without the presence of the other Directors. The Lead Independent Director will provide feedback to the Chairman if it is deemed necessary.

The numbers of the Board and respective Board Committees meetings held during the FY2018 and the attendance of each Director where relevant are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings	3	3	1	1
Attendance :				
Pan Shun Ming	3	N/A	N/A	N/A
Chen Xiang Zhi	3	N/A	N/A	N/A
Pu Jinbo	3	N/A	N/A	N/A
Mai Shuying	2	N/A	N/A	N/A
Li Yonghua	3	N/A	N/A	N/A
Yeung Koon Sang @ David Yeung	3	3	1	1
Chung Tang Fong	3	3	1	1
Chia Chor Leong	3	3	1	1
Tan Jiansheng	3	3	1	1
Guo Weihai	3	3	1	1

1.5 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 management level, to facilitate operational efficiency.

The following matters have been reserved for the Board's decision:

- 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 and Audited Financial Statements;
- recommendation or declaration of dividend;
- reviewing the performance of the Board annually;
- appointment or removal of director from the Board (with recommendation made by the Nominating Committee) and the appointment or removal of the Company Secretary;
- make changes to the structure and size of the Board, following receipt of recommendation from the Nominating Committee;

- 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;
- 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.

1.6 Board induction and training

The Company does not have a formal training program for the Directors but newly appointed Directors are provided with sufficient information regarding the Group's businesses and governance practices. Directors also have the opportunity to visit the Group's operational facilities and meet Management to familiar with the business operations. For future appointments, the Company will provide each newly appointed Director with a formal letter of appointment setting out the Director's duties and obligations.

During FY2018, the Company held site visits for the Directors to the Company's corporate office and its operation site, during which they received updates and information in relation to the Group's businesses, production facilities, commercial risks faced by the Group, industry developments, business initiatives, Listing Manual and accounting standards. The AC and the Board had in the meetings held during FY2018 received briefings and updates on (i) development in accounting and governance standards, in particular, the adoption of the Singapore Financial Reporting Standards (International); (ii) updates and amendments to SGX-ST Listing Manual; (iii) revisions on the Code of Corporate Governance; and (iv) strategic and business developments 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. The Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("**SID**") and the SGX-ST, which would be funded by the Company.

1.7 Formal appointment letter to each Director

Newly appointed Directors will receive a formal letter from the Company setting out the duties and responsibilities as a director and the Company will register relevant training courses i.e. jointly organised by SID and SGX-ST for new Director. The training and professional development for new Director will be funded by the Company.

There was no new Director appointed during FY2018. The NC will going forward and in accordance with the revised SGX-ST Listing Manual, ensure that any newly appointed Director who has no prior experience as a director of an issuer listed on the SGX-ST, must 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 in relation to the business of the Group, shares dealing policy of the Group, 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.

Board Composition and Guidance

Principle 2 **There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

2.1,2.2 & 3.3 Independent Directors

The Board currently comprises the following members:

1. Pan Shun Ming (Executive Chairman and Chief Executive Officer ("CEO"))

2. Chen Xiang Zhi (Executive Director and Vice Chairman)

3. Pu Jinbo (Executive Director and Deputy Chief Executive Officer)

4. Mai Shuying (Executive Director)

5. Li Yonghua (Executive Director and Chief Operating Officer)

6. Yeung Koon Sang @ David Yeung (Lead Independent Director)

7. Chung Tang Fong (Independent Director)

8. Chia Chor Leong (Independent Director)

9. Tan Jiansheng (Independent Director)

10. Guo Weihai (Independent Director)

The current Board of Directors comprises ten (10) Directors, five (5) of whom are Independent Directors and Mr Yeung Koon Sang @ David Yeung ("**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 at least half of the Board. The Company complies with the Guideline 2.2 of the 2012 CG Code which provides that the independent directors should make up at least half of the Board as the Chairman of the Board is not an independent director and the Chairman of the Board and the CEO is the same person.

2.3 Review of Directors' independence

The independence of each Director is reviewed annually by the NC.

Mr David Yeung, Mr Chung Tang Fong, Mr Chia Chor Leong, Mr Tan Jiansheng and Mr Guo Weihai have confirmed that they do not have any relationships (including immediate family relationships) with any existing Director, existing executive officer, the Company, its related corporations and/or its substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. In addition, none of them is or has been employed by the Company or any of its related corporations for the current or any past three financial years or has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC of the Company.

All the said Directors had submitted the confirmation of their independence and the NC has reviewed and determined that the said Directors are independent. Taking into account the views of the NC, the Board determined that the said Directors are independent in character and judgement and no relationships or circumstances which are likely to affect, or could appear to affect, the said Directors' judgement. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in Guideline 2.3 of the CG Code 2012 that would otherwise deem him not to be independent. No NC member was involved in the deliberation in respect of his independence.

2.4 Duration of Independent Director's tenure

Rigorous reviews have been carried out by the Board to assess the independent status of Mr David Yeung (who was appointed on 23 September 2004), who has served on the Board beyond nine years.

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 provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company.

In its annual review, the NC was of the view that Mr David Yeung is objective and independent in expressing his views and in participating in 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.

2.5 & 2.6 Board Composition

The NC and the Board examines the present size and composition of the Board and is satisfied that: (i) it 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 Group; (ii) it 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 in this Annual Report.

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 steps to maintain or enhance its balance and diversity by conducting annual evaluation of the Board and individual Director assessment by the NC to assess if the Board has the right mix of expertise, gender, experience and skills for the effectiveness of the Board.

2.7 & 2.8 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. 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 necessary, the Non-Executive Directors meet or via telephone and electronic devices discuss on the Group's affairs without the presence of Management.

Chairman and Chief Executive Officer

Principle 3 **There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

3.1 & 3.2 Role of Chairman and the CEO

The Group's Executive Chairman, Pan Shun Ming ("**Mr Pan**"), also assumes the role of a CEO as he is the founder of the Group. 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.

As the Executive Chairman of the Company, he 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; and (v) facilitating the effective contribution of the Non-Executive Directors; (vi) 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.

The Company has not adopted the recommendation of the CG Code 2012 to have different individuals appointed as the Chairman and the CEO. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered as well as to ensure that the Group is able to grasp business opportunities efficiently and promptly. The Board also considered that there is already a strong independence element and Chairman of all Board Committees is independent, non-executive Directors.

3.3 Lead Independent Director

In compliance with Guideline 3.3 of the CG Code 2012, the Company has appointed Mr David Yeung as the Lead Independent Director of the Company. Mr David Yeung is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Group Financial Controller has failed to resolve or is inappropriate.

3.4 Independent Director Meetings in Absence of Other Directors

From time to time, the Independent Directors discuss issues via meetings, telephone and electronic devices without presence of the other Directors where required. The Lead Independent Director will provide feedback to the Executive Chairman if it is deemed necessary.

Board Membership

Principle 4 **There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

4.1 Nominating Committee

The NC comprises the following five (5) members, all of whom including the Chairman are Independent Directors:

(i)	Chia Chor Leong	Independent Director	(Chairman)
(ii)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Member)
(iii)	Chung Tang Fong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member)
(v)	Guo Weihai	Independent Director	(Member)

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) reviewing and recommending candidates for appointments to the Board 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 listed companies and entities within the Company and its subsidiaries;

(d) re-nomination of directors for re-election of directors in accordance with the Constitution at each annual general meeting 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 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) implementing a process for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board;

(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) In addition to the relevant performance criteria which the Board may propose, other performance criteria that may be used include the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed;

(j) recommending to the Board the review of board succession plans for Directors, in particular, the Chairman and for the CEO;

(k) 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

(l) reviewing and assessing from time to time whether any director or any person involved in the day-to-day management of the Group is related to, or is appointed pursuant to an agreement or arrangement with, a Controlling Shareholder and/or its Associates.

During FY2018, 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.

<u>4.2 & 4.6 Recommendations to the Board & Board Nomination Process</u>

The Company has in place policies and 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 and attributes of existing directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes.

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 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 candidate 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 qualification and experience of each candidate, 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 require 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 Chen Xiang Zhi, Mr Li Yonghua, Mr David Yeung and Mr Guo Weihai 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 qualification, 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 SGX-ST Listing Manual pursuant to Rule 720(6) of the SGX-ST Listing Manual is enclosed under section titled "Additional Information of Directors Seeking Re-election" in this Annual Report.

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.

4.4 Multiple Board Representations

All Directors declare their board memberships as and when practicable.

During FY2018, 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 NC takes into account the Directors' actual conduct on the Board, in making this determination. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorships a director can hold. The NC considers 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.

4.7 Directors' Key information

The key information required under Guideline 4.7 of the CG Code 2012 is set out below:

Director	Date of Initial Appointment as a Director	Date of Last Re-election/ Re-appointment as a Director	Relationships including immediate family relationships between the directors, the Company and its 10% shareholders	Directorships or Chairmanships in other listed companies	
				Current	Past three years
Pan Shun Ming	30.12.2003	28.4.2017	Spouse to Mai Shuying and Parent to Pan Zhaojin	Nil	Nil
Chen Xiang Zhi	26.1.2010	29.4.2016	Nil	Nil	Nil
Pu Jinbo	16.4.2004	26.4.2018	Nil	Nil	Nil

Director	Date of Initial Appointment as a Director	Date of Last Re-election/ Re-appointment as a Director	Relationships including immediate family relationships between the directors, the Company and its 10% shareholders	Directorships or Chairmanships in other listed companies	
				Current	Past three years
Mai Shuying	30.12.2003	26.4.2018	Spouse to Pan Shun Ming and Parent to Pan Zhaojin	Nil	Nil
Li Yonghua	1.2.2011	28.4.2017	Nil	Nil	Nil
Yeung Koon Sang @ David Yeung	23.9.2004	28.4.2017	Nil	• AEI Corporation Limited • Mary Chia Holdings Limited • Citic Envirotech Ltd. • CNA Group Ltd (under judicial management)	• Ace Achieve Infocom Ltd
Chung Tang Fong	2.5.2014	26.4.2018	Nil	• Chewathai Ltd	• Ace Achieve Infocom Ltd
Chia Chor Leong	10.10.2014	26.4.2018	Nil	• Frencken Group Limited	• Mary Chia Holdings Limited
Tan Jiansheng	27.2.2017	28.4.2017	Nil	Nil	Nil
Guo Weihai	27.2.2017	28.4.2017	Nil	Nil	Nil

The Company does not have alternative director.

The Board Committees that respective Director served on (as a member or chairman) during FY2018 are disclosed under Principles 4, 7 and 12 in this Report. Other key information regarding the Directors such as academic, professional qualifications, principal commitments, shareholdings in the Company and its related corporations is disclosed in the "Board of Directors", "Directors' Statement" and "Shareholders' Information" sections in this Annual Report.

Board Performance

Principle 5 **There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

5.1-5.3 Board 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 and the performance of Board Committees is included in the Board Evaluation Questionnaire.

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 or her 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.

Access to Information

Principle 6 **In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

6.1 & 6.2 Provision of Information to the Board

The Board has separate and independent access to senior management, the Group's records and the Company Secretary at all times to enable them in carrying out their duties. Requests for information from the Board are dealt promptly by Management. The Board is informed of all material events and transactions as and when they occur.

Management provides the Board with information and explanations (briefing, circulation via email or by presentation at meeting) on the half-year and full-year financial results, progress reports of the Group's operations, corporate development, regulatory updates, market and business developments and audit reports. 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. Management also seek consultation from the Board regularly whenever necessary and appropriate.

The Board is provided with the contact details of Management and Company Secretary; and has separate and independent access to such persons.

The Board is issued with meeting agenda and board papers timely and prior to Board meetings. 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.

6.3 & 6.4 Company Secretary

The Company Secretary or her representative is always present at all Board and Board Committee meetings to administer, record the proceedings, and together with Management of the Company, assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Constitution, Listing Manual of the SGX-ST, Companies Act (Chapter 50) and other relevant rules and regulations that are applicable to the Company and the Group are complied with. The appointment and removal of the company secretary is a matter for consideration by the Board as a whole.

6.5 Independent Professional Advice

The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint an independent professional adviser to render professional advice.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7 **There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

7.1 & 7.2 Remuneration Committee

The RC comprises the following five (5) members, all of whom including the Chairman of the RC are Independent Directors:-

(i)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Chairman)
(ii)	Chung Tang Fong	Independent Director	(Member)
(iii)	Chia Chor Leong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member)
(v)	Guo Weihai	Independent Director	(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 approve the policy for determining the remuneration of the executives of the Group, including that of the executive director, chief executive officer and other key management personnel;

(b) review the on-going appropriateness 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 member of key management (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 all directors 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;

(h) approve the remuneration framework (including directors' fees) for the non-executive directors on the relevant boards of directors within the Group;

(i) review the remuneration of employees who are related to the Directors and substantial shareholders 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) No director shall participate in decision on his/her own remuneration.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement.

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.

There is no other termination, retirement and post-employment benefits granted to the Directors, the CEO or any key management personnel.

7.3 Remuneration Consultant

The RC may from time to time, where necessary or required, seek expect advice internal or 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 in this respect. During FY2018, the Company did not engage any external remuneration consultant.

Level and Mix of Remuneration

Principle 8 **The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

8.1 & 8.3 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. The recommendations of the RC on remuneration of executive directors would be submitted for endorsement by the entire Board. The Company adopts a remuneration policy for staff consisting of a fixed component and a variable component. The fixed component is in the form of a base / fixed salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance.

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 relative performance. No Director is involved in the discussion and in deciding his own remuneration.

The RC ensures that the level and structure of remuneration of the Executive 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 Executive Directors and key management personnel to provide good stewardship and management of the Company.

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 Non-Executive Directors are paid a fixed base fee and an additional fixed fee for serving on any of the Board Committees.

The Chairman of each Board Committee is compensated for his additional 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. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

8.4 Contractual provisions

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.

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.

In addition, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9 **Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

9.1 & 9.2 Directors' Remuneration

The Company adopts a remuneration policy for staff that is responsive to market elements and performance of the Group and business segments respectively.

The breakdown (in the percentage terms) of the level and mix of Directors' remuneration for FY2018 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Directors					
S$500,000 to below S$750,000					
Pan Shun Ming	97.2	1.4	1.4	–	100
S$250,000 to below S$500,000					
Mai Shuying	96.9	1.4	1.7	–	100
Below S$250,000					
Chen Xiang Zhi	89.7	9.4	0.9	–	100
Pu Jinbo	84.1	8.5	7.4	–	100
Li Yonghua	80.6	18.5	0.9	–	100
Yeung Koon Sang @ David Yeung	–	–	–	100	100
Chung Tang Fong	–	–	–	100	100
Chia Chor Leong	–	–	–	100	100
Tan Jiansheng	–	–	–	100	100
Guo Weihai	–	–	–	100	100

The Company does not disclose the remuneration of each individual director and the top five (5) key management personnel to the nearest thousand dollars in accordance with the Principle 9.2 and 9.3 of the CG Code 2012 as the Board of Directors believes that it is not in the best interests of the Group's business to fully disclose such information given the highly competitive plastic packaging industry in the People's Republic of China.

9.3 Key Management Personnel's Remuneration

A breakdown of the level and mix of top three (3) key management personnel's (who are not Directors or the CEO) remuneration for FY2018 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Total %
Key Management Personnel				
Below S$250,000				
Pan Zhaojin	81.6	7.8	10.6	100
Zhang Jianling	90.4	9.5	0.1	100
Lao Jing Wen	91.4	8.3	0.3	100

The Company only have top three (3) key management personnel during FY2018, the annual aggregate remuneration paid to the key management personnel (excluding the director and the CEO) for FY2018 is S$351,818.48.

9.4 Employees who are immediate family members of a Director or the CEO

During FY2018, there are two (2) employees who have family relationship with a director or CEO, whose remuneration exceeds S$50,000/-, details relating thereto are appended below:

Name	Remuneration Band
Pan Zhaojin (son of Mr Pan Shun Ming and Madam Mai Shuying)	S$150,000 to below S$200,000
Ang Wei Jun* (son in law of Mr Pan Shun Ming and Madam Mai Shuying) ** Mr Ang resigned on 28 July 2018*	S$50,000 to below S$100,000

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10 **The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

10.1-10.3 Balanced and understandable assessment of the Company's performance, position and prospect

In presenting the annual financial statements and half yearly results announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, financial position and business prospects. The annual budgets, including any material variances between the projections and actual results are disclosed and explained to the Board by Management via email or during the Board meetings.

Management provides the Board with a periodic updates/information covering operational performance, financial results and summary of business development efforts as well as other important and relevant information as the Board may require from time to time, to enable the Board to monitor and make a balanced and informed assessment of the Group's performance, position and prospects.

The Board is primarily responsible to present a fair and balanced report of the financial affairs of the Group, which is prepared in accordance with the Listing Manual of the SGX-ST, the Companies Act (Chapter 50) and the Singapore Financial Reporting Standards (International) prescribed by the Accounting and Standards Council.

The financial performance and annual reports are announced or issued within the mandatory period under the Listing Manual of the SGX-ST and are available on the Company's website. The Board also provides negative assurance confirmation to shareholders for the half-yearly financial results announcements pursuant to Listing Manual of the SGX-ST.

Other ways in which information is disseminated to shareholders are further disclosed under Principles 14, 15 and 16 of this Report.

Risk Management and Internal Controls

Principle 11 **The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

11.1 Risk Management and Internal Controls
11.2 & 11.3 Adequacy and effectiveness of the Internal Controls

The Board recognises that no internal control system will preclude all errors and irregularities. The Board ensures that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets, and determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The AC and the Board is 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 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.

In FY2018, 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 noncompliance 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 Board had received assurance from the CEO and the Group Financial Controller that the Group's financial records as at 31 December 2018 have been properly maintained and the financial statements for FY2018 give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems are effective.

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 adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value.

Audit Committee

Principle 12 **The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.**

<u>12.1, 12.2 & 12.4 Audit Committee</u>

The AC comprises the following five (5) members, all of whom, including the Chairman of the AC, are Independent Directors:-

(i)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Chairman)
(ii)	Chung Tang Fong	Independent Director	(Member)
(iii)	Chia Chor Leong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member)
(v)	Guo Weihai	Independent Director	(Member)

None of the AC members were previous partners or directors of the Company's existing auditing firm or hold any financial interest in the auditing firm. 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. Majority of the AC have many years of experience in accounting and related financial management given their experience as directors and/or senior management in accounting and financial fields as the Board interprets such qualification in its business judgment.

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) assist the Board in the discharge of its responsibilities on financial reporting matters;

(b) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, the management letters and the management's response, and results of audits complied by the internal and external auditors;

(c) 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, 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;

(d) review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, and the management, reviewing 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 the management where necessary;

(e) review the adequacy and effectiveness of the Group's internal audit function and the scope and results of the external audits as well as the independence and objectivity of the external auditors;

(f) 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;

(g) review with external auditors the impact of any new or proposed changes in accounting policies or regulatory requirements on the financial statements of our Group;

(h) review the co-operation given by the management to the external auditors;
(i) to meet with the External and Internal Auditors without the presence of the Management at least once a year;

(j) review the performance of Financial Controller on an annual basis to ensure satisfactory performance;

(k) review and discuss with the external 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) take 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;

(m) review significant financial reporting issues and judgments with the 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;

(n) review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the Financial Controller and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

(o) review filings with the SGX-ST or other regulatory bodies which contain the Group's financial statements and ensure proper disclosure;

(p) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);

(q) review interested person transactions and any 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;

(r) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(s) 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 Audit Committee;

(t) review and establish procedures for receipt, retention and treatment of complaints received by the Group;

(u) propose and establish a "Whistle-blowing policy" and review the procedures by which employees of the Group may, in confidence, report to the chairman of 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;

(v) report to the Board of the Company the work performed by the AC in carrying out its functions; and

(w) to undertake such other functions and duties as may be required by statue or the Listing Manual, and by such amendments made thereto from time to time.

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.

12.3 & 12.5 Authority of AC and meeting with auditors

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. The AC has met with the external auditors and internal auditors without presence of Management at least once a year to ascertain if there are any material weaknesses or control deficiencies in the Group's financial and operating systems.

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

12.6 Independence of External Auditors

The aggregate amount of fees paid and/or payable by the Group to BDO LLP for FY2018 is RMB485,252, of which audit fees amounted to approximately RMB470,548 and non-audit fees amounted to approximately RMB14,704.

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 is 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 2019 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 of SGX-ST.

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 FY2018, 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.

12.7 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.

12.8 AC Activities

In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2018 in the discharge of its functions and duties including the deliberation and review of:

(a) the 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 internal audit findings report including internal control processes and procedures;

(e) the adequacy and effectiveness of the Group's internal audit function;

(f) the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and reporting the findings to the Board;

(g) interested person transactions and any potential conflicts of interests;

(h) the co-operation and assistance given by Management to the Group's external and internal auditors;

(i) the independence 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.

AC's commentary on KAMs

In the review of the financial statements for FY2018, the AC has discussed with 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 matter has 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 this matter has 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.

Internal Audit

Principle 13 **The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

13.1-13.5 Internal Audit

The Board recognises the importance of maintaining an internal audit function, independent of the activities it audits. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner.

The internal audit function of the Group is outsourced to Da Xin LLP. The internal auditors are expected to meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditors have unrestricted access to all the Company's documents, records, properties and personnel, and reports directly to the AC on audit matters. The AC will also meet with the internal auditors at least once a year without the presence of Management. To ensure adequacy and effectiveness of the internal audit function, the AC will review and approve the internal audit plan on an annual basis.

During the financial year reported on, the internal auditors will conduct its audit reviews based on the approved internal audit plan. The internal audit report detailing audit findings and recommendations are provided to Management who would respond on the actions to be taken. The internal auditors would then submit a report on the status of audit plan, audit findings and actions taken by Management on such findings to AC. Any material non-compliance or lapses in the internal controls together with the corrective measures taken up by Management are highlighted to the AC. The AC would monitor the timely and proper implementation of such corrective measures and will follow up on the required corrective, preventive or improvement measures undertaken or to be undertaken by Management.

For FY2018, the AC had reviewed the effectiveness of the internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group to fulfil its mandate. The AC will review annually, the adequacy and effectiveness of the internal audit function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14 **Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

14.1 & 14.3 Shareholder Rights

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 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. All shareholders can vote in person or to appoint up to two (2) proxies during his 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.

Communication with Shareholders

Principle 15 **Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

15.2-15.4 Communication with Shareholders

The Company has put in place a comprehensive 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 Group strives for timeliness and transparency in its disclosures to the shareholders and the public. In addition to the regular dissemination of information on major developments through SGXNet, the Company also responds to enquiries from investors, analysts, fund managers and the press. 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 and press releases via SGXNet;
- price sensitive information, significant transactions or matters are communicated to shareholders via SGXNet;
- Annual Reports and notice of general meetings issued to all shareholders; and
- the Company's website at www.southern-packaging.com at which shareholders can access to information on the Group.

15.5 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 not declared or recommended a dividend in respect of FY2018 as the Group has sustained losses in FY2018.

Conduct of Shareholder Meetings

Principle 16 **Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

16.1-16.5 Conduct of Shareholder Meetings

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 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.

The Company Secretary prepares minutes of general meeting that include substantial and relevant comments or queries relating to the agenda of the meetings; and responses from the Board and Management. The minutes of general meetings, subsequently approved by the Board, are available to shareholders during office hours upon their requests.

The chairpersons of the Audit, Nominating and Remuneration Committees, majority of the Directors and Management are normally present and available to address shareholders' questions at general meetings. The external auditors are also present to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditors' report.

At AGMs, the Directors ensure that separate resolutions are set out on distinct issues for approval by shareholders. 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 independent scrutineers. 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.

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 for the service agreements entered into between the Executive Directors and the Company and the contracts which have been published via SGXNet, there are no other material contracts or loans entered into by or taken up by the Company of its subsidiaries involving the interest of any Director or controlling shareholder which are still subsisting as at the end of FY2018 or if not then subsisting, entered into since the end of previous financial year.

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 FY2018 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) FY2018	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) FY2018
Guangdong Xing Hua Health Drink Co. Ltd[1]	RMB1,832,940 (S$373,170)	–
Mai Shuying, Pan Shun Ming[2]	RMB781,815 (S$159,171)	–
Foshan Unibott Technology Limited[3]	RMB6,054,634 (S$1,232,671)	–

(1) Rental payment for factory occupied by Foshan Southern Packaging Co., Ltd.

(2) Rental payment for office occupied by Southern (HK) Packaging Company Limited.

(3) Supply of products by Foshan Southern Packaging Co., Ltd.

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 proving 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 provides mandatory orientation programmes to familiarise them with the Group's corporate identity, policy and standard operation practise.

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 2018 and the statement of financial position of the Company as at 31 December 2018 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 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 2018, 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
Pu Jinbo
Mai Shuying
Li Yonghua
Yeung Koon Sang @ David Yeung
Chung Tang Fong
Chia Chor Leong
Tan Jiansheng
Guo Weihai

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.

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 2018	Balance as at 31 December 2018	Balance as at 1 January 2018	Balance as at 31 December 2018
	Number of ordinary shares			
Company				
Pan Shun Ming (1)	27,384,697	27,384,697	13,739,015	17,925,265
Mai Shuying (1)	13,739,015	17,925,265	27,384,697	27,384,697
Pu Jinbo (2)	182,954	182,954	2,500	2,500

(1) Mr Pan Shun Ming and Mdm Mai Shuying are spouses and are deemed to be interested in each other's shares. By virtue of Section 7 of the Act, Mr Pan Shun Ming and Mdm Mai Shuying are deemed to have an interest in all subsidiaries of the Company.

(2) 2,500 shares are held through CIMB Securities (Singapore) Pte Ltd.

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 2019 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2018.

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, Chia Chor Leong, Guo Weihai and Tan Jiansheng, 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 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	**Mai Shuying**
Director	Director

1 April 2019

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 pages 48 to 110, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2018, 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.

Separate Opinion in Relation to International Financial Reporting Standards

As explained in Note 2.1 to the financial statements, the Group, in addition to applying SFRS(I)s, have also applied International Financial Reporting Standards ("IFRSs").

In our opinion, the consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with IFRSs.

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.

Report on the Audit of the Financial Statements (Continued)	
KEY AUDIT MATTER	**AUDIT RESPONSE**
1 Adoption of SFRS(I) 15 Revenue from Contracts with Customers	
The Group is primarily engaged in the trading and manufacturing of packaging products used in the food, medical, personal grooming and household industries. During the financial year, the Group recognised revenue of RMB724 million from the sale of rigid and flexible packaging products. Revenue from sale of goods is recognised at point in time when the goods have been transferred and accepted by the customers. In certain arrangements, the Group enters into separate contracts with customers to provide moulds and tooling sourcing service, which are distinct from the sale of goods. As the Group is acting as an agent for customers, the income associated with such arrangements, after deducting related expenses, is recognised separately as "Service income" within "Other income" on profit or loss. The Group also receives moulds and tooling from certain customers to fulfil the sales contracts, which require significant judgement to determine whether the Group has control over the moulds and tooling contributed by those customers. We focused on this area as significant effort was spent in evaluating management's assessment of the initial application of SFRS(I) 15. Refer to Notes 2.4, 3 and 4 of the accompanying financial statements.	We performed the following audit procedures, amongst others: ▪ Held discussions with management to understand management's assessment on the impact of revenue recognition upon adoption of SFRS(I) 15; ▪ Examined the Group's contracts with customers to understand the significant terms and conditions; ▪ Evaluated the appropriateness of management's assessment of the accounting treatment of their role in providing moulds and tooling sourcing services; ▪ Assessed the appropriateness of management's judgement of whether the Group has control over moulds and tooling contributed by customers; ▪ Tested the quantitative impact arising from the initial application of SFRS(I) 15, which management has determined to be immaterial; and ▪ Assessed the adequacy of related disclosures in the financial statements.

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.

- 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.

Report on the Audit of the Financial Statements (Continued)

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

- 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.

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 Lew Wan Ming.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2018

	Note	2018 RMB	2017 RMB
Revenue	4	724,154,250	723,015,024
Cost of sales		(586,928,072)	(560,356,004)
Gross profit		137,226,178	162,659,020
Other item of income			
Other income	5	8,650,111	8,504,087
Other items of expense			
Distribution expenses		(42,829,677)	(41,337,162)
Administrative expenses		(87,231,833)	(87,817,958)
Finance costs	6	(18,235,897)	(13,689,611)
(Loss)/Profit before income tax	7	(2,421,118)	28,318,376
Income tax credit/(expense)	8	196,163	(2,640,893)
(Loss)/Profit for the financial year, representing (loss)/profit for the financial year attributable to owners of the parent		(2,224,955)	25,677,483
Other comprehensive income:			
Item that may be reclassified subsequently to profit:			
Exchange differences on translation of foreign operations		837,724	(1,056,392)
Other comprehensive income for the financial year, net of tax		837,724	(1,056,392)
Total comprehensive income for the financial year, representing total comprehensive income attributable to owners of the parent		(1,387,231)	24,621,091
Earnings per share			
- Basic and diluted (RMB cents)	9	(3.16)	36.52

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 31 December 2018 RMB	Group 31 December 2017 RMB (Restated)	Group 1 January 2017 RMB	Company 31 December 2018 RMB	Company 31 December 2017 RMB	Company 1 January 2017 RMB
ASSETS							
Non-current assets							
Property, plant and equipment	10	523,702,605	536,651,654	462,534,568	-	-	-
Investment property	11	435,149	452,555	469,961	-	-	-
Investments in subsidiaries	12	-	-	-	465,932,925	465,932,925	449,312,741
Prepaid lease payments	13	41,828,404	59,049,137	60,487,312	-	-	-
Deferred tax assets	14	2,545,776	1,449,906	2,163,147	-	-	-
Total non-current assets		568,511,934	597,603,252	525,654,988	465,932,925	465,932,925	449,312,741
Current assets							
Property under development	15	65,125,557	-	-	-	-	-
Inventories	16	82,163,735	75,170,401	72,437,361	-	-	-
Trade receivables	17	164,093,110	169,150,524	155,522,615	-	-	-
Other receivables and prepayments	18	28,889,480	32,507,690	41,848,007	1,305,122	1,304,753	693,209
Cash and bank balances	19	66,475,324	115,380,923	106,690,487	1,437,190	535,566	1,305,318
Fixed deposits	20	12,252,170	13,998,721	7,902,619	-	-	-
Total current assets		418,999,376	406,208,259	384,401,089	2,742,312	1,840,319	1,998,527
Total assets		987,511,310	1,003,811,511	910,056,077	468,675,237	467,773,244	451,311,268
LIABILITIES AND EQUITY							
Equity							
Share capital	21	230,592,765	230,592,765	230,592,765	230,592,765	230,592,765	230,592,765
Capital contribution	22	12,638,812	12,638,812	12,638,812	-	-	-
Statutory reserve	22	56,937,599	56,292,235	55,313,017	-	-	-
Foreign currency translation account	22	(2,274,444)	(3,112,168)	(2,055,776)	-	-	-
Retained earnings		249,070,804	253,153,382	232,622,793	212,638,234	223,139,252	213,088,387
Total equity		546,965,536	549,565,026	529,111,611	443,230,999	453,732,017	443,681,152
Non-current liabilities							
Deferred government subsidies	23	12,239,310	13,154,740	14,276,900	-	-	-
Deferred tax liabilities	14	1,000,000	1,000,000	2,313,139	-	-	-
Borrowings	24	24,767,002	97,433,690	58,896,500	-	-	-
Total non-current liabilities		38,006,312	111,588,430	75,486,539	-	-	-
Current liabilities							
Deferred government subsidies	23	915,430	915,430	561,035	-	-	-
Current income tax payable		5,161,329	4,698,197	5,844,186	-	-	-
Trade payables	25	109,632,839	120,305,915	103,952,721	-	-	-
Other payables	26	31,900,460	32,595,522	28,065,347	25,444,238	14,041,227	7,630,116
Borrowings	24	254,929,404	184,142,991	167,034,638	-	-	-
Total current liabilities		402,539,462	342,658,055	305,457,927	25,444,238	14,041,227	7,630,116
Total liabilities		440,545,774	454,246,485	380,944,466	25,444,238	14,041,227	7,630,116
Total liabilities and equity		987,511,310	1,003,811,511	910,056,077	468,675,237	467,773,244	451,311,268

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2018

	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 2018		230,592,765	12,638,812	56,292,235	(3,112,168)	253,153,382	549,565,026
Loss for the financial year		-	-	-	-	(2,224,955)	(2,224,955)
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		-	-	-	837,724	-	837,724
Total comprehensive income for the financial year		-	-	-	837,724	(2,224,955)	(1,387,231)
Distributions to owners of the parent							
Dividends	29	-	-	-	-	(1,212,259)	(1,212,259)
Others							
Transfer to statutory reserve	22	-	-	645,364	-	(645,364)	-
Balance as at 31 December 2018		230,592,765	12,638,812	56,937,599	(2,274,444)	249,070,804	546,965,536
Balance as at 1 January 2017		230,592,765	12,638,812	55,313,017	(2,055,776)	232,622,793	529,111,611
Profit for the financial year		-	-	-	-	25,677,483	25,677,483
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		-	-	-	(1,056,392)	-	(1,056,392)
Total comprehensive income for the financial year		-	-	-	(1,056,392)	25,677,483	24,621,091
Distributions to owners of the parent							
Dividends	29	-	-	-	-	(4,167,676)	(4,167,676)
Others							
Transfer to statutory reserve	22	-	-	979,218	-	(979,218)	-
Balance as at 31 December 2017		230,592,765	12,638,812	56,292,235	(3,112,168)	253,153,382	549,565,026

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

	Note	Share capital RMB	Retained earnings RMB	Total equity RMB
Company				
Balance as at 1 January 2018		230,592,765	223,139,252	453,732,017
Loss for the financial year, representing total comprehensive income for the financial year		-	(9,288,759)	(9,288,759)
Distributions to owners of the parent				
Dividends	29	-	(1,212,259)	(1,212,259)
Balance as at 31 December 2018		230,592,765	212,638,234	443,230,999
Balance as at 1 January 2017		230,592,765	213,088,387	443,681,152
Profit for the financial year, representing total comprehensive income for the financial year		-	14,218,541	14,218,541
Distributions to owners of the parent				
Dividends	29	-	(4,167,676)	(4,167,676)
Balance as at 31 December 2017		230,592,765	223,139,252	453,732,017

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2018

	2018 RMB	2017 RMB
Operating activities		
(Loss)/Profit before income tax	(2,421,118)	28,318,376
Adjustments for:		
Reversal of loss allowance for trade receivables	(533,707)	(1,714,002)
Amortisation of deferred government subsidy	(915,430)	(767,765)
Amortisation of prepaid lease payments	1,288,313	1,438,175
Depreciation of investment property	17,406	17,406
Depreciation of property, plant and equipment	58,873,891	50,432,961
Interest expense	18,235,897	13,689,611
Interest income	(452,603)	(532,675)
Loss on disposal of property, plant and equipment	464,785	90,439
Loss on property, plant and equipment written off	678,015	-
Unrealised foreign currency exchange gain	(422,477)	(141,577)
Write-back of inventories	(200,032)	(745,227)
Operating cash flows before working capital changes	74,612,940	90,085,722
Working capital changes:		
Property under development	(48,056,921)	-
Inventories	(6,770,568)	(2,003,514)
Trade receivables	7,393,058	(11,141,732)
Other receivables and prepayments	4,586,725	9,323,023
Trade payables	(37,826,668)	(7,177,026)
Other payables	(800,576)	4,643,859
Cash (used in)/from operations	(6,862,010)	83,730,332
Income tax paid	(435,093)	(4,384,073)
Net cash (used in)/from operating activities	(7,297,103)	79,346,259
Investing activities		
Purchase of property, plant and equipment	(23,488,189)	(102,693,261)
Proceeds from disposal of property, plant and equipment	422,218	228,000
Interest received	452,603	532,675
Net cash used in investing activities	(22,613,368)	(101,932,586)

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

	2018 RMB	2017 RMB
Financing activities		
Interest paid	(18,235,897)	(13,689,611)
Proceeds from borrowings (Note A)	246,981,089	308,769,923
Repayment of borrowings (Note A)	(248,801,421)	(252,776,701)
Decrease/(Increase) in fixed deposits pledged	789,636	(5,139,187)
Dividends paid	(1,212,259)	(4,167,676)
Net cash (used in)/from financing activities	(20,478,852)	32,996,748
Net change in cash and cash equivalents	(50,389,323)	10,410,421
Cash and cash equivalents as at the beginning of the financial year	116,337,838	106,690,487
Effect of exchange rate changes on the balance of cash held in foreign currencies	526,809	(763,070)
Cash and cash equivalents as at the end of the financial year (Note 19)	66,475,324	116,337,838

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

	2017 RMB	Cash flows RMB	Non-cash changes: Foreign exchange differences RMB	2018 RMB
Borrowings (Note 24)	281,576,681	(1,820,332)	(59,943)	279,696,406

	2016 RMB	Cash flows RMB	Non-cash changes: Foreign exchange differences RMB	2017 RMB
Borrowings (Note 24)	225,931,138	55,993,222	(347,679)	281,576,681

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

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, 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 2018 were authorised for issue by the Board of Directors on 1 April 2019.

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 the Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. Together with the convergence of SFRS(I)s, the Group and the Company have elected to simultaneously comply with IFRSs in its first SFRS(I) financial statements, and thereafter, in its subsequent SFRS(I) financial statements. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The transition to SFRS(I)s does not have material impact on the financial statements of the Group and the Company.

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.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) Interpretations ("SFRS(I) INTs") issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INTs that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 9 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2019 Cycle		
- SFRS(I) 3 (Amendments)	: Business combinations	1 January 2019
- SFRS(I) 1-12 (Amendments)	: Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
- SFRS(I) 1-23 (Amendments)	: Borrowing Costs eligible for Capitalisation	1 January 2019
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020

Consequential amendments were also made to various standards as a result of these new/ revised standards.

The management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INTs in future periods will not have a material impact on the financial statements of the Group in the period of initial adoption, except as discussed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) INTs issued but not yet effective (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

Based on its currently available assessment as well as recognition exemptions under SFRS(I) 16, the Group expects to capitalise its operating leases on factory spaces on the statements of financial position by recognising a 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group is in the process of quantifying the impact on the adoption of SFRS(I) 16.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

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.

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 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.

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.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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 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 advances received from customers is included in "Other payables".

In certain situations where customers contribute moulds and tooling to facilitate 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.

Interest income

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

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. Summary of significant accounting policies (Continued)

2.5 Government subsidies

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 the 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.

2.8 Leases

The Group as a lessee

Operating leases

Rentals payable under operating leases are charged to profit or loss 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 economic benefits from the leased asset are consumed.

The Group as a lessor

Operating leases

Rental income from operating leases 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.

2. Summary of significant accounting policies (Continued)

2.9 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.10 Taxes

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

<u>Current income tax</u>

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.

<u>Deferred tax</u>

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.

2. Summary of significant accounting policies (Continued)

2.10 Taxes (Continued)

Deferred tax (Continued)

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.

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.

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. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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.

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 Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the lease terms of 40 or 50 years.

2.15 Property under development

Property under development which is held for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease and aggregate cost of development. Property under development is stated at the lower of cost and net realisable value.

On completion, the properties are transferred to property held for sale. Cost is calculated using the weighted average method.

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. Summary of significant accounting policies (Continued)

2.16 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.

2.17 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.

2.18 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.

<u>Financial assets</u>

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:

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Financial assets (Continued)

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 using the provision matrix to determine the lifetime expected credit losses. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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 and other receivables, cash and bank balances as well as fixed deposits the consolidated statement 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.

Accounting policy for financial assets prior to 1 January 2018

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.

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments.

Financial assets

Financial assets are initially measured at fair value, plus transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables in the statements of financial position comprise trade receivables, other receivables and prepayments (excluding prepayments, advances to suppliers and prepayments for construction in progress), cash and bank balances and fixed deposits.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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 customers advances) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

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).

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

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.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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.

2.19 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.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

2. Summary of significant accounting policies (Continued)

2.20 Provisions (Continued)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.21 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

(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.

2.22 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.

2.23 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.

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 are the critical judgements, 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) Non-cash contributions from customers

The Group receives moulds and tooling from customers to fulfil the sales contracts in producing packaging products. The assessment requires significant judgement in determining whether the Group has the ability to direct the use of, and obtain substantially all of the remaining benefits from, these assets. Management has determined that the Group does not have control over moulds and tooling contributed by customers and has not accounted this as non-cash consideration.

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. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. A loss allowance of RMB685,175 (31 December 2017: RMB1,304,928, 1 January 2017: RMB3,050,773) was recognised as at 31 December 2018.

(ii) Inventory valuation method

Inventories are valued at the lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from the market of similar items. 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 2018 was RMB82,163,735 (31 December 2017: RMB75,170,401, 1 January 2017: RMB72,437,361).

4. Revenue

Disaggregation of revenue

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

	Group					
Segments	**Rigid packaging**		**Flexible packaging**		**Total**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**RMB**
Primary geographical markets						
People's Republic of China ("PRC")	442,441,367	396,104,969	231,460,591	271,604,525	673,901,958	667,709,494
Europe	3,041,938	4,935,180	189,158	-	3,231,096	4,935,180
Hong Kong, PRC	7,598,195	10,001,382	7,699,405	9,735,340	15,297,600	19,736,722
America	1,219,576	1,253,755	3,680,678	5,122,579	4,900,254	6,376,334
Australia	11,572,737	6,628,148	-	-	11,572,737	6,628,148
Other Asia region excluding PRC	6,042,463	8,954,994	9,208,142	8,674,152	15,250,605	17,629,146
	471,916,276	427,878,428	252,237,974	295,136,596	724,154,250	723,015,024
Type of customers						
Corporate	471,916,276	427,878,428	252,237,974	295,136,596	724,154,250	723,015,024

5. Other income

	Group	
	2018	**2017**
	RMB	**RMB**
Amortisation of deferred government subsidy related to assets*	915,430	767,765
Foreign exchange gains, net	-	196,993
Government subsidies related to expenditure	3,183,324	1,523,100
Interest income - bank deposits	452,603	532,675
Miscellaneous income**	775,345	577,079
Rental income - investment property	109,401	137,143
Rental income - office premises	214,867	174,628
Income from sales of raw materials	1,807,303	4,202,773
Service income	1,191,838	391,931
	8,650,111	8,504,087

* Various government subsidies have been received mainly from the People's Republic of China 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.

6. Finance costs

	Group	
	2018	2017
	RMB	RMB
Interest expense on borrowings	18,235,897	13,689,611

7. (Loss)/Profit before income tax

The above is arrived at after charging/(crediting):

	Group	
	2018	2017
	RMB	RMB
Cost of sales		
Cost of inventories recognised as an expense	586,928,072	560,356,004
Included in the above are:		
Direct labour costs	74,919,312	69,175,459
Depreciation of property, plant and equipment	53,724,741	45,442,736
Operating lease expenses – factory space	1,585,657	1,117,177
Write-back of inventories	(200,032)	(745,227)
Distribution expenses		
Advertisement and promotional expenses	24,734	24,717
Depreciation of property, plant and equipment	227,779	204,152
Entertainment expenses	2,863,732	3,002,509
Employee benefits expense		
- Salaries, bonuses and allowances	6,534,879	5,431,233
- Contributions to defined contribution plans	467,954	404,264
- Staff welfare	153,877	101,272
Operating lease expenses – sales offices	199,800	265,000
Transportation costs	27,544,757	26,781,528
Travelling and accommodation expenses	1,913,991	2,152,407
Upkeep of motor vehicles expenses	587,365	716,093

7. (Loss)/Profit before income tax (Continued)

The above is arrived at after charging/(crediting): (Continued)

	Group	
	2018	2017
	RMB	RMB
Administrative expenses		
Reversal of loss allowance for trade receivables	(533,707)	(1,714,002)
Amortisation of prepaid lease payments	1,288,313	1,438,175
Audit fee		
- Auditors of the Company	470,548	456,403
- Other auditors (a member firm of BDO International Limited)	523,109	509,000
- Other auditors	34,283	35,004
Non-audit fee		
- Auditors of the Company	14,704	14,649
Bank charges	668,590	726,092
Depreciation of investment property	17,406	17,406
Depreciation of property, plant and equipment	4,921,371	4,786,073
Directors' remuneration(1)		
- Directors' fees	796,151	795,081
- Salaries, bonuses and allowances	7,599,274	8,033,309
- Contributions to defined contribution plans	175,170	221,139
Duty and tax	5,499,102	6,188,360
Employee benefits expense(1)		
- Salaries, bonuses and allowances	11,059,417	12,412,890
- Contributions to defined contribution plans	1,258,729	1,188,158
- Other related costs	1,736,714	1,592,937
Foreign exchange loss, net	1,259,209	-
Loss on disposal of property, plant and equipment	464,785	90,439
Loss on property, plant and equipment written off	678,015	-
Office repairs and maintenance expenses	264,809	145,619
Operating lease expenses – office premises	781,353	664,820
R&D expenditure(2)	30,485,290	30,387,026
Telephone and fax charges	1,084,326	1,121,466
Travelling and accommodation expenses	2,924,420	2,469,348

(1) Directors' remuneration is included in key management personnel remuneration as disclosed in Note 34 to the financial statements.

(2) Employee benefit expense for R&D division of RMB14,162,011 (2017: RMB13,310,217) is included in R&D expenditure.

8. Income tax (credit)/expense

	Group	
	2018	2017
	RMB	RMB
Current income tax		
- current financial year	899,707	2,409,336
Withholding tax	-	831,455
	899,707	3,240,791
Deferred tax		
- current financial year	(1,095,870)	(599,898)
	(196,163)	2,640,893

Subsidiaries of the Group which are incorporated in People's Republic of China are subject to China income tax of 25% except for Foshan Southern Packaging Co., Ltd and Southern Packaging (Jiangsu) 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 ending 31 December 2019. Southern (HK) Packaging Company Limited, a subsidiary incorporated in Hong Kong is subject to Hong Kong income tax of 16.5%.

The income tax expense varies from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to (loss)/profit before income tax and resulting the following differences:

	Group	
	2018	2017
	RMB	RMB
(Loss)/Profit before income tax	(2,421,118)	28,318,376
Tax at Singapore statutory income tax rate	(411,590)	4,814,124
Tax effect of expenses that are not deductible in determining taxable profit	2,259,888	3,243,061
Tax effect of income that are not taxable in determining taxable profit	(170,841)	(820,351)
Enhanced tax deductions	(1,790,724)	(1,190,171)
Utilisation of previously unrecognised deferred tax benefits	-	(2,224,481)
Recognition of previously unrecognised deferred tax benefits	-	(1,369,939)
Effect of different tax rates of overseas operations	(82,896)	(642,805)
Withholding tax	-	831,455
Income tax (credit)/expense for the financial year	(196,163)	2,640,893

9. Earnings per share

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

	Group	
	2018	**2017**
The calculation of basic earnings per share is based on:		
(Loss)/Profit for the financial year attributable to owners of the parent (RMB)	(2,224,955)	25,677,483
Number of ordinary shares	70,319,164	70,319,164
Earnings per share (RMB cents)		
- Basic earnings per share	(3.16)	36.52

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

10. Property, plant and equipment

	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Group							
Cost							
Balance as at 1 January 2018	266,886,630	461,007,081	217,763,806	13,608,736	340,589	47,232,077	1,006,838,919
Additions	863,212	13,013,854	11,938,592	63,675	-	22,746,505	48,625,838
Disposals	-	(6,211,814)	-	(226,660)	-	-	(6,438,474)
Written off	-	(8,842,440)	(766,650)	-	-	-	(9,609,090)
Reclassification	17,291,477	28,918,635	-	-	-	(46,210,112)	-
Transfer to property under development	-	-	-	-	-	(1,136,216)	(1,136,216)
Currency translation differences	-	-	4,912	-	16,420	-	21,332
Balance as at 31 December 2018	285,041,319	487,885,316	228,940,660	13,445,751	357,009	22,632,254	1,038,302,309
Accumulated depreciation							
Balance as at 1 January 2018	41,389,910	262,007,449	157,383,247	8,855,344	340,589	-	469,976,539
Depreciation for the financial year	12,498,345	26,817,432	18,541,942	1,016,172	-	-	58,873,891
Disposals	-	(5,336,144)	-	(215,327)	-	-	(5,551,471)
Written off	-	(8,230,287)	(700,788)	-	-	-	(8,931,075)
Currency translation differences	-	-	4,674	-	16,420	-	21,094
Balance as at 31 December 2018	53,888,255	275,258,450	175,229,075	9,656,189	357,009	-	514,388,978
Accumulated impairment loss							
Balance as at 1 January 2018 and 31 December 2018	-	182,482	28,244	-	-	-	210,726
Carrying amount							
Balance as at 31 December 2018	231,153,064	212,444,384	53,683,341	3,789,562	-	22,632,254	523,702,605

10. Property, plant and equipment (Continued)

	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Group							
Cost							
Balance as at 1 January 2017	251,405,926	399,586,951	203,283,996	12,577,110	364,466	17,859,215	885,077,664
Additions	2,408,725	13,819,867	11,261,299	1,950,126	-	97,007,166	126,447,183
Disposals	-	(3,366,193)	(5,256)	(918,500)	-	(365,343)	(4,655,292)
Reclassification	13,071,979	50,966,456	3,230,526	-	-	(67,268,961)	-
Currency translation differences	-	-	(6,759)	-	(23,877)	-	(30,636)
Balance as at 31 December 2017	266,886,630	461,007,081	217,763,806	13,608,736	340,589	47,232,077	1,006,838,919
Accumulated depreciation							
Balance as at 1 January 2017	30,032,811	244,499,973	139,011,283	8,423,837	364,466	-	422,332,370
Depreciation for the financial year	11,357,099	19,390,297	18,381,483	1,304,082	-	-	50,432,961
Disposals	-	(1,882,821)	(2,760)	(872,575)	-	-	(2,758,156)
Currency translation differences	-	-	(6,759)	-	(23,877)	-	(30,636)
Balance as at 31 December 2017	41,389,910	262,007,449	157,383,247	8,855,344	340,589	-	469,976,539
Accumulated impairment loss							
Balance as at 1 January 2017 and 31 December 2017	-	182,482	28,244	-	-	-	210,726
Carrying amount							
Balance as at 31 December 2017	225,496,720	198,817,150	60,352,315	4,753,392	-	47,232,077	536,651,654
Balance as at 1 January 2017	221,373,115	154,904,496	64,244,469	4,153,273	-	17,859,215	462,534,568

10. Property, plant and equipment (Continued)

	Furniture, fixture and equipment RMB
Company	
Cost	
Balance as at 1 January 2018 and 31 December 2018	28,074
Accumulated depreciation	
Balance as at 1 January 2018 and 31 December 2018	28,074
Carrying amount	
Balance as at 31 December 2018	-
Cost	
Balance as at 1 January 2017 and 31 December 2017	28,074
Accumulated depreciation	
Balance as at 1 January 2017 and 31 December 2017	28,074
Carrying amount	
Balance as at 1 January 2017 and 31 December 2017	-

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	
	2018 RMB	**2017 RMB**
Additions to property, plant and equipment	48,625,838	126,447,183
Trade payables	(25,137,649)	(23,753,922)
Cash payments to acquire property, plant and equipment	23,488,189	102,693,261

The Group has pledged buildings and plant and machinery with carrying amounts of RMB121,533,292 (31 December 2017: RMB127,127,588, 1 January 2017: RMB118,627,759) and RMB88,599,071 (31 December 2017: RMB93,825,981, 1 January 2017: RMB23,481,013) respectively to secure banking facilities granted to the Group (Note 24).

11. Investment property

	Group RMB
Cost	
Balance as at 1 January 2018 and 31 December 2018	732,859
Accumulated depreciation	
Balance as at 1 January 2018	280,304
Depreciation for the financial year	17,406
Balance as at 31 December 2018	297,710
Carrying amount	
Balance as at 31 December 2018	435,149
Cost	
Balance as at 1 January 2017 and 31 December 2017	732,859
Accumulated depreciation	
Balance as at 1 January 2017	262,898
Depreciation for the financial year	17,406
Balance as at 31 December 2017	280,304
Carrying amount	
Balance as at 31 December 2017	452,555
Balance as at 1 January 2017	469,961

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, People's Republic of China.

The Group's investment property is leased out under operating leases and generate rental income amounted to RMB109,401 (2017: RMB137,143). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to RMB19,386 (2017: RMB24,302).

The Group's investment property has been pledged to secure banking facilities granted to the Group (Note 24).

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

12. Investments in subsidiaries

	Company 31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Unquoted equity contribution/shares, at cost	456,236,365	456,236,365	441,050,108
Deemed investment arising from the issuance of financial guarantees	9,696,560	9,696,560	8,262,633
	465,932,925	465,932,925	449,312,741

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 24) in prior years.

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Country of incorporation (or registration) and place of business	Effective equity interest held by the Group 2018 %	2017 %	Principal activities
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	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.

Increase in investments in subsidiaries

As at 31 December 2017, the Company injected additional capital amounted to RMB15,186,257, by way of reinvesting part of dividends declared from its subsidiary, Southern Packaging (Jiangsu) Co., Ltd. as registered and paid-up capital.

12. Investments in subsidiaries (Continued)

Significant restrictions

As at 31 December 2018, cash and bank balances and fixed deposits pledged amounted to RMB66,561,679 (31 December 2017: RMB115,978,503, 1 January 2017: RMB103,633,183) held in People's Republic of China 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.

13. Prepaid lease payments

	Group RMB
Cost	
Balance as at 1 January 2018	70,325,827
Transfer to property under development (Note 15)	(18,002,835)
Balance as at 31 December 2018	52,322,992
Accumulated amortisation	
Balance as at 1 January 2018	11,276,690
Amortisation for the financial year	1,288,313
Transfer to property under development (Note 15)	(2,070,415)
Balance as at 31 December 2018	10,494,588
Carrying amount as at 31 December 2018	41,828,404
Cost	
Balance as at 1 January 2017 and 31 December 2017	70,325,827
Accumulated amortisation	
Balance as at 1 January 2017	9,838,515
Amortisation for the financial year	1,438,175
Balance as at 31 December 2017	11,276,690
Carrying amount as at 31 December 2017	59,049,137
Carrying amount as at 1 January 2017	60,487,312

Prepaid lease payments represent land use rights held by subsidiaries in the People's Republic of China.

Prepaid lease payments 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 People's Republic of China.

The Group has pledged certain of its land use rights with carrying amount of RMB41,205,430 (31 December 2017: RMB41,722,783, 1 January 2017: 42,690,491) to secure banking facilities granted to the Group (Note 24).

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

14. 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	Prepaid lease payments RMB	Tax losses* RMB	Total RMB
Group						
Balance as at 1 January 2018	390,808	2,110,526	(1,000,000)	(2,421,367)	1,369,939	449,906
(Charged)/Credited to profit or loss	(115,574)	(137,314)	-	31,505	1,317,253	1,095,870
Balance as at 31 December 2018	275,234	1,973,212	(1,000,000)	(2,389,862)	2,687,192	1,545,776
Balance as at 1 January 2017	1,266,155	3,709,484	(1,000,000)	(4,125,631)	-	(149,992)
(Charged)/Credited to profit or loss	(875,347)	(1,598,958)	-	1,704,264	1,369,939	599,898
Balance as at 31 December 2017	390,808	2,110,526	(1,000,000)	(2,421,367)	1,369,939	449,906

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
31 December 2018	
Deferred tax assets	2,545,776
Deferred tax liabilities	(1,000,000)
	1,545,776
31 December 2017	
Deferred tax assets	1,449,906
Deferred tax liabilities	(1,000,000)
	449,906
1 January 2017	
Deferred tax assets	2,163,147
Deferred tax liabilities	(2,313,139)
	(149,992)

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

Unutilised tax losses

At the end of the financial year, the Group had unutilised tax losses of approximately RMB17,914,613 (31 December 2017: RMB9,132,927, 1 January 2017: RMB23,962,800) 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 People's Republic of China. The expiry dates for tax losses arising in certain foreign tax jurisdictions are as follows:

		Group		
Year incurred	**Year of expiry**	**31 December 2018**	**31 December 2017**	**1 January 2017**
2016	2021	9,132,927	9,132,927	23,962,800
2018	2023	8,781,686	-	-
		17,914,613	9,132,927	23,962,800

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 2018, total unremitted earnings of certain subsidiaries in the People's Republic of China amounted to RMB97,658,300 (31 December 2017: RMB102,213,000, 1 January 2017: RMB107,501,000). 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 2018, a deferred tax liability of RMB1,000,000 (31 December 2017: RMB1,000,000, 1 January 2017: 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 RMB78,127,000 (31 December 2017: RMB81,770,000, 1 January 2017: RMB86,000,000) 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.

15. Property under development

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	RMB	**RMB**	**RMB**
Prepaid lease payments (Note 13)	15,932,420	-	-
Development costs	49,193,137	-	-
	65,125,557	-	-

At 31 December 2018, property under development amounted to RMB65,125,557 are expected to be recovered within its operating cycle. On completion, the properties will be transferred to properties held for sale.

15. Property under development (Continued)

Contingent liability

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 San Shan land use rights at a sale price of RMB17.47 million. The period of the land use rights is 50 years.

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.

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.

As at end 31 December 2018, FSP had obtained two out of three key permits required to commence construction on San Shan Lands. On 25 January 2019, FSP had obtained the third key permit ("construction permit") and the entire construction process is estimated to take about 1.5 to 2 years.

Management has estimated the liquidated damages to be approximately RMB4.418 million (31 December 2017: RMB1.724 million, 1 January 2017: Nil). As at the date of the financial statements, no impairment loss on San Shan 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:

- 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;
- 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 during the financial year; and
- All permits required to commence construction have been obtained on 25 January 2019.

16. Inventories

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB
Raw materials and consumables	41,235,130	40,542,914	35,573,154
Work in progress	4,618,807	10,167,566	6,032,918
Finished goods	36,309,798	24,459,921	30,831,289
	82,163,735	75,170,401	72,437,361

During the financial year ended 31 December 2018, the Group carried out a review of the realisable values of its inventories and recognised a reversal of RMB200,032 (2017: RMB745,227) being part of an inventory write-down made in the previous financial years. The reversal was a result of inventories being sold above their carrying amount in the current financial year.

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

17. Trade receivables

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB
Trade receivables			
- third parties	139,040,186	143,893,590	129,360,742
- a related party	2,364,477	3,019,720	88,035
	141,404,663	146,913,310	129,448,777
Bills receivables	23,373,622	23,542,142	29,124,611
	164,778,285	170,455,452	158,573,388
Less: Loss allowance for trade receivables – third parties	(685,175)	(1,304,928)	(3,050,773)
	164,093,110	169,150,524	155,522,615

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.

17. Trade receivables (Continued)

As at 31 December 2018, the range of expected loss rate for Group's non-credit impaired trade receivables are as follows:

	Group 31 December 2018
By geographical areas	
People's Republic of China ("PRC")	0%-3.17%
Europe	0%
Hong Kong, PRC	0%
America	0%
Australia	0%
Other Asia region excluding PRC	0%

The Group has assessed that the ECL allowance arising from non-credit impaired trade receivables is insignificant.

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

		Group	
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
By geographical areas			
People's Republic of China ("PRC")	154,860,127	156,466,727	144,398,049
Europe	781,682	1,097,328	284,223
Hong Kong, PRC	1,190,545	2,864,201	3,557,196
America	855,185	726,566	5,333,370
Australia	3,562,652	3,454,382	-
Other Asia region excluding PRC	2,842,919	4,541,320	1,949,777
Total trade receivables	164,093,110	169,150,524	155,522,615

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

		Group	
	31 December 2018	31 December 2017	1 January 2017
	ECL model	Incurred loss model	
	RMB	RMB	RMB
Not past due and not impaired	154,014,766	155,507,081	145,499,959
Past due but not impaired (i)	10,078,344	13,643,443	10,022,656
Credit impaired receivables (ii)	685,175	1,304,928	3,050,773
Less: Loss allowance for trade receivables	(685,175)	(1,304,928)	(3,050,773)
	164,093,110	169,150,524	155,522,615

17. Trade receivables (Continued)

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
<90 days	6,412,933	9,260,023	6,103,373
91 to 180 days	3,543,164	4,275,543	3,919,283
181 to 365 days	13,235	11,993	-
>365 days	109,012	95,884	-
	10,078,344	13,643,443	10,022,656

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 hold any collateral over these balances.

(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	
	2018 RMB	2017 RMB
At 1 January	1,304,928	3,050,773
Reversal recognised in profit or loss	(533,707)	(1,714,002)
Currency translation differences	(86,046)	(31,843)
At 31 December	685,175	1,304,928

During the financial year ended 31 December 2018, the Group recognised a reversal of loss allowance for trade receivables amounting to RMB533,707 (2017: RMB1,714,002) as there were collections received from the customers on which impairment was previously provided for.

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:			
United States Dollar	7,985,918	9,623,011	7,694,726

18. Other receivables and prepayments

	Group			Company		
	31 December 2018 RMB	31 December 2017 RMB (Restated)	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Other receivables						
- third parties	4,717,963	2,910,466	3,658,605	15,019	14,649	14,399
- subsidiaries	-	-	-	1,290,103	1,290,104	678,810
	4,717,963	2,910,466	3,658,605	1,305,122	1,304,753	693,209
Advances to suppliers	16,356,744	22,065,833	32,512,800	-	-	-
Refundable deposits	3,172,199	1,577,576	1,804,881	-	-	-
Value added tax	4,468,720	4,560,176	-	-	-	-
Prepayments for construction in progress	90,000	640,612	1,335,764	-	-	-
Prepayments	83,854	753,027	2,535,957	-	-	-
Other receivables and prepayments	28,889,480	32,507,690	41,848,007	1,305,122	1,304,753	693,209
Add:						
Trade receivables	164,093,110	169,150,524	155,522,615	-	-	-
Cash and bank balances	66,475,324	115,380,923	106,690,487	1,437,190	535,566	1,305,318
Fixed deposits	12,252,170	13,998,721	7,902,619	-	-	-
Less:						
Advances to suppliers	(16,356,744)	(22,065,833)	(32,512,800)	-	-	-
Value added tax	(4,468,720)	(4,560,176)	-	-	-	-
Prepayments for construction in progress	(90,000)	(640,612)	(1,335,764)	-	-	-
Prepayments	(83,854)	(753,027)	(2,535,957)	-	-	-
Financial assets at amortised cost/ Loans and receivables (2017)	250,710,766	303,018,210	275,579,207	2,742,312	1,840,319	1,998,527

Other receivables from third parties relate mainly advances to third parties and non-trade balances due from customers. These 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.

18. Other receivables and prepayments (Continued)

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

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Denominated in:						
Singapore dollar	15,019	14,649	14,399	15,019	14,649	14,399
Japanese yen	-	-	145,402	-	-	-

19. Cash and cash equivalents

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Cash and bank balances	66,475,324	115,380,923	106,690,487	1,437,190	535,566	1,305,318
Fixed deposits (Note 20)	12,252,170	13,998,721	7,902,619	-	-	-
	78,727,494	129,379,644	114,593,106	1,437,190	535,566	1,305,318
Less: Fixed deposits pledged	(12,252,170)	(13,041,806)	(7,902,619)			
Cash and cash equivalents as shown in the statements of cash flows	66,475,324	116,337,838	106,690,487			

Cash at bank earns interest of 0.30% (31 December 2017: 0.30%, 1 January 2017: 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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Denominated in:						
Euro	58,631	62,946	61,883	-	-	-
United States dollar	18,844,381	12,215,507	12,321,324	81,994	78,024	82,792
Hong Kong dollar	352,316	214,819	138,140	73,851	74,570	75,280
Singapore dollar	1,281,345	382,972	1,147,246	1,281,345	382,972	1,147,246
Japanese yen	2	2	2	-	-	-

20. Fixed deposits

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Fixed deposits	-	956,915	-
Fixed deposits pledged	12,252,170	13,041,806	7,902,619
	12,252,170	13,998,721	7,902,619

The Group has pledged fixed deposits of RMB12,252,170 (31 December 2017: RMB13,041,806, 1 January 2017: RMB7,902,619) to secure short-term borrowings. The fixed deposits earn interest of 1.1% (31 December 2017: 1.1% to 1.35%, 1 January 2017: 1.35%) per annum and for a tenure of approximately 60 days to 90 days.

Fixed deposits are denominated in Chinese renminbi.

21. Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		RMB	RMB
Issued and paid up				
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.

22. Reserves

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Capital contribution	12,638,812	12,638,812	12,638,812
Statutory reserve	56,937,599	56,292,235	55,313,017
Foreign currency translation account	(2,274,444)	(3,112,168)	(2,055,776)
	67,301,967	65,818,879	65,896,053

22. Reserves (Continued)

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

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.

23. Deferred government subsidies

	Group	
	31 December 2018 RMB	31 December 2017 RMB
Balance as at the beginning of the financial year	14,070,170	14,837,935
Recognised as income during the financial year (Note 5)	(915,430)	(767,765)
Balance as at the end of the financial year	13,154,740	14,070,170
Portion classified as current liabilities	(915,430)	(915,430)
Portion classified as non-current liabilities	12,239,310	13,154,740

As at 1 January 2017, current and non-current liabilities of deferred government subsidies amounted to RMB561,035 and RMB14,276,900 respectively.

23. Deferred government subsidies (Continued)

The Group received subsidies from the People's Republic of China 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 2018 for the purchase of land use rights and plant and machinery were RMB 5,904,880 (31 December 2017: RMB6,045,114, 1 January 2017: RMB6,185,348) and RMB 7,249,859 (31 December 2017: RMB8,025,056, 1 January 2017: RMB8,652,587) respectively.

24. Borrowings

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Bank borrowings			
- Bank A	82,589,600	50,000,000	41,000,000
- Bank B	62,845,000	113,797,500	114,395,000
- Bank C	11,000,000	-	15,000,000
- Bank D	36,745,340	46,066,273	16,584,425
- Bank E	378,333	3,167,354	6,066,713
- Bank F	16,171,750	14,960,000	3,000,000
- Bank G	-	-	20,000,000
- Bank H	31,153,928	28,171,031	9,885,000
- Bank I	25,000,000	20,000,000	-
- Bank J	6,831,368	5,414,523	-
Other financial institution	6,981,087	-	-
	279,696,406	281,576,681	225,931,138
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(254,929,404)	(184,142,991)	(167,034,638)
Amounts due for settlement after 12 months	24,767,002	97,433,690	58,896,500

The borrowings have average effective interest rates ranging from 3.32% to 6.50% (31 December 2017: 2.32% to 7.36%, 1 January 2017: 2.20% to 7.36%) per annum with maturity dates ranging from 4 January 2019 to 30 September 2021 (31 December 2017: 2 January 2018 to 18 December 2020, 1 January 2017: 21 January 2017 to 29 November 2019).

Borrowings of RMB135.6 million (31 December 2017: RMB171.8 million, 1 January 2017: RMB129.9 million) are arranged at fixed interest rates ranging from 4.90% to 6.175% (31 December 2017: 2.32% to 6.175%, 1 January 2017: 2.20% to 5.66%) per annum and expose the Group to fair value interest rate risk. Other borrowings of RMB144.1 million (31 December 2017: RMB109.8 million, 1 January 2017: RMB96 million) are arranged at floating rates based on prevailing interbank rate in the People's Republic of China, thus exposing the Group to cash flow interest rate risk.

24. Borrowings (Continued)

The Group has borrowings as follows:

a) Borrowings obtained from Bank A are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, investment property and supported by individual guarantee by a Director/shareholder of the Company and a subsidiary.

b) Borrowings obtained from Bank B are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, fixed deposits pledged and supported by a corporate guarantee by the Company.

c) Borrowings obtained from Bank C are supported by a corporate guarantee by the Company.

d) Borrowings obtained from Bank D amounting to RMB18.6 million (31 December 2017: RMB16.8 million, 1 January 2017: RMB16.6 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 RMB18.1 million (31 December 2017: RMB29.3million, 1 January 2017: Nil) are secured by a charge over certain of the Group's property, plant and equipment.

e) Borrowings obtained from Bank E are supported by a corporate guarantee by the Company.

f) Borrowings obtained from Bank F are secured by a charge over the Group's fixed deposits pledged and supported by a corporate guarantee by the Company.

g) Borrowings obtained from Bank G are secured by a charge over certain of the Group's prepaid lease payments.

h) Borrowings obtained from Bank H amounting to RMB22 million (31 December 2017: RMB18 million, 1 January 2017: RMB9.9 million) are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, fixed deposits pledged and supported by a corporate guarantee by the Company. The remaining borrowings obtained from the Bank H amounting to RMB9.2 million (31 December 2017: RMB10.2 million, 1 January 2016: Nil) are secured by a charge over certain of the Group's property, plant and equipment.

i) Borrowings obtained from Bank I are secured by a charge over certain of the Group's prepaid lease payments.

j) Borrowings obtained from Bank J are supported by a corporate guarantee by the Company.

k) Borrowing obtained from other financial institution is secured by a charge over certain of the Group's property, plant and equipment.

24. Borrowings (Continued)

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:			
United States dollar	27,799,301	8,581,877	6,066,713
Japanese yen	-	4,409,610	4,090,326

25. Trade payables

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Third parties	109,632,839	120,305,915	103,952,721

The average credit period on purchases of goods is 3 months.

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:			
Euro	171,801	141,777	132,773
Japanese yen	-	571,884	-
United States dollar	9,449,867	5,836,218	4,822,395

26. Other payables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Other payables						
- third parties	4,511,764	4,578,096	3,432,297	-	-	-
- a related party	2,332,575	2,332,575	2,332,575	-	-	-
- subsidiaries	-	-	-	22,876,525	9,984,937	3,196,879
	6,844,339	6,910,671	5,764,872	22,876,525	9,984,937	3,196,879
Financial guarantee contracts	-	-	-	343,041	1,489,345	1,789,110
Accrued expenses	17,957,323	18,533,075	17,384,800	2,224,672	2,566,945	2,644,127
Customers advances	7,098,798	7,151,776	4,915,675	-	-	-
Other payables	31,900,460	32,595,522	28,065,347	25,444,238	14,041,227	7,630,116
Add:						
Trade payables	109,632,839	120,305,915	103,952,721	-	-	-
Borrowings	279,696,406	281,576,681	225,931,138	-	-	-
Less:						
Customers advances	(7,098,798)	(7,151,776)	(4,915,675)	-	-	-
Other financial liabilities at amortised cost	414,130,907	427,326,342	353,033,531	25,444,238	14,041,227	7,630,116

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

The balance due to a related party, which is a company controlled by two Directors 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.

The customers advances represent deposits for goods ordered and are unsecured, non-interest bearing and expected to be utilised 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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Denominated in:						
Hong Kong dollar	-	-	-	22,496,875	9,605,286	2,817,229
Singapore dollar	2,224,672	4,056,290	4,433,236	2,224,672	4,056,290	4,433,236

27. Operating lease commitments

The Group as lessee

	Group		
	31 December 2018 RMB	**31 December 2017 RMB**	**1 January 2017 RMB**
Minimum lease payments under operating leases recognised as expense during the financial year	2,687,371	2,190,952	1,881,971

At the end of the financial year, the Group has outstanding commitments under non-cancellable operating leases for the rental of factory space/office premises/sales offices, which fall due as follows:

	Group		
	31 December 2018 RMB	**31 December 2017 RMB**	**1 January 2017 RMB**
Not later than one year	2,281,405	2,658,608	2,505,563
Later than one year and not later than five years	-	2,484,523	-
	2,281,405	5,143,131	2,505,563

Leases are negotiated and rentals are fixed for an average term of 1 to 2 years (31 December 2017: 1 to 5 years, 1 January 2017: 1 to 2 years).

The Group as lessor

The Group rents out its investment property and office premises in the People's Republic of China under operating leases. Property rental income earned during the financial year was RMB324,268 (2017: RMB311,771). Leases are negotiated and rentals are fixed for an average term of 1 to 3 years (2017: 1 to 3 years).

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

	Group		
	31 December 2018 RMB	**31 December 2017 RMB**	**1 January 2017 RMB**
Not later than one year	243,371	164,286	254,286
Later than one year and not later than five years	31,429	9,524	125,714
	274,800	173,810	380,000

28. Capital commitments

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

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB
Capital expenditure contracted but not provided for			
- Commitments for the acquisition of property, plant and equipment	9,036,603	6,604,073	8,953,701

29. Dividends

	Group and Company	
	31 December 2018	31 December 2017
	RMB	RMB
Final tax-exempt dividends of S$0.0036 per ordinary share in respect of the financial year ended 31 December 2017	1,212,259	-
Final tax-exempt dividends of S$0.012 per ordinary share in respect of the financial year ended 31 December 2016	-	4,167,676
	1,212,259	4,167,676

30. 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 polythylene 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.

30. Segment information (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.23. 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, prepaid lease payments, trade receivable - a related party, value added tax, investment property and deferred tax 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, current income tax payable, deferred government subsidies, other payables – a related party and deferred tax 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.

30. 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	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Gro up								
Revenue								
External sales	471,916,276	427,878,428	252,237,974	295,136,596	-	-	724,154,250	723,015,024
Results								
Segment gross profits	90,647,178	104,580,992	46,579,000	58,078,028	-	-	137,226,178	162,659,020
Allocated expense	(78,161,396)	(71,955,963)	(41,312,245)	(46,262,609)	-	-	(119,473,641)	(118,218,572)
Allocated income	2,375,105	3,946,481	638,370	3,172,394	-	-	3,013,475	7,118,875
Segment result	14,860,887	36,571,510	5,905,125	14,987,813	-	-	20,766,012	51,559,323
Unallocated expenses							(10,587,869)	(10,936,548)
Unallocated income							5,184,033	852,537
Interest income							452,603	532,675
Interest expense							(18,235,897)	(13,689,611)
(Loss)/Profit before income tax							(2,421,118)	28,318,376
Income tax credit/(expense)							196,163	(2,640,893)
(Loss)/Profit for the financial year attributable to owners of the parent							(2,224,955)	25,677,483

30. Segment information (Continued)

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

Segment revenue, results and assets (Continued)

	Rigid packaging			Flexible packaging			Property development			Consolidated		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Assets												
Segment assets	553,082,334	539,764,836	527,594,567	238,918,383	266,120,888	204,533,612	65,125,557	-	-	857,126,274	805,885,724	732,128,179
Unallocated corporate assets										130,385,036	197,925,787	177,927,898
Consolidated total assets										987,511,310	1,003,811,511	910,056,077
Liabilities												
Segment liabilities	85,841,113	84,306,796	69,659,393	51,057,322	62,976,242	57,211,646	-	-	-	136,898,435	147,283,038	126,871,039
Unallocated corporate liabilities										303,647,339	306,963,447	254,073,427
Consolidated total liabilities										440,545,774	454,246,485	380,944,466

30. Segment information (Continued)

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Rigid packaging	30,874,862	109,216,755	40,218,676	32,061,629
Flexible packaging	17,750,976	17,230,428	18,655,214	18,371,332
Unallocated segments	-	-	1,305,720	1,455,581
	48,625,838	126,447,183	60,179,610	51,888,542

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 People's Republic of China.

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		
	2018	2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB
People's Republic of China ("PRC")	673,901,958	667,709,494	565,959,163	596,153,346	523,491,841
Europe	3,231,096	4,935,180	-	-	-
Hong Kong, PRC	15,297,600	19,736,722	6,995	-	-
America	4,900,254	6,376,334	-	-	-
Australia	11,572,737	6,628,148	-	-	-
Other Asia region excluding PRC	15,250,605	17,629,146	-	-	-
	724,154,250	723,015,024	565,966,158	596,153,346	523,491,841

Information about major customers

Included in revenue arising from rigid packaging and flexible packaging are revenues of RMB160,256,824 (2017: RMB130,004,499) and RMB10,542,699 (2017: RMB12,823,692) respectively which arose from sales to the Group's largest customer.

31. 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 26% (31 December 2017: 20%, 1 January 2017: 19%) of the Group's trade receivable from third parties were due from 3 (31 December 2017: 3, 1 January 2017: 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 17 to the financial statements.

Bank balances (including fixed deposits)

The Group and Company held bank balances (including fixed deposits) of RMB78,724,121 and RMB1,437,190 respectively (31 December 2017: RMB128,991,228 and RMB535,566, 1 January 2017: RMB114,023,247 and RMB1,305,318) as at 31 December 2018. The 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.

31. 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 RMB137.9 million (31 December 2017: RMB172.1 million, 1 January 2017: RMB177.0 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 RMB137.9 million (31 December 2017: RMB172.1 million, 1 January 2017: RMB177.0 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 (31 December 2017: one year, 1 January 2017: 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.

<u>Foreign exchange risk</u>

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.

31. Financial instruments and financial risks (Continued)

(ii) Market risks (Continued)

Foreign exchange risk (Continued)

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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Group						
Euro	58,631	70,935	61,883	171,801	145,658	132,773
US$	96,778,774	99,725,995	20,016,050	107,197,643	92,613,261	10,889,108
JPY	2	2	145,404	-	4,981,494	4,090,326
HK$	352,316	214,819	138,140	22,496,875	9,605,286	2,817,229
S$	1,296,364	397,621	1,161,645	2,224,672	4,056,290	4,433,236
Company						
Euro	-	-	-	-	-	-
US$	81,994	78,024	82,792	-	-	-
JPY	-	-	-	-	-	-
HK$	73,851	74,570	75,280	22,496,875	9,605,286	2,817,229
S$	1,296,364	397,621	1,161,645	2,224,672	4,056,290	4,433,236

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 8% (31 December 2017: 4%, 1 January 2017: 7%) increase in Euro, US$, JPY, HK$ and S$ against RMB. 8% (31 December 2017: 4%, 1 January 2017: 7%) 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 8% (31 December 2017: 4%, 1 January 2017: 7%) 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.

31. 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 8% (31 December 2017: 4%, 1 January 2017: 7%) against RMB, (loss)/profit before income tax will increase/(decrease) by:

	Group			Company		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Euro impact	(9,054)	(2,989)	(4,962)	-	-	-
US$ impact	(833,510)	284,509	638,886	6,560	3,121	5,795
JPY impact	-	(199,260)	(276,145)	-	-	-
HK$ impact	(1,771,565)	(375,619)	(187,536)	(1,793,842)	(381,229)	(191,936)
S$ impact	(74,265)	(146,347)	(229,011)	(74,265)	(146,347)	(229,011)

If the relevant foreign currency weakens by 8% (31 December 2017: 4%, 1 January 2017: 7%) 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 19, 20 and 24 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 (31 December 2017: 100 basis point, 1 January 2017: 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 (31 December 2017: 100 basis points, 1 January 2017: 100 basis points) with all other variables held constant, the Group's (loss)/profit before income tax for the financial year ended 31 December 2018 would have been lower/higher by approximately RMB944,041 (31 December 2017: higher/lower by approximately RMB719,744, 1 January 2017: higher/lower by approximately RMB841,154) 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.

31. 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	Within 2 to 5 years	Total
	%	RMB	RMB	RMB
Group				
31 December 2018				
Trade payables	-	109,632,839	-	109,632,839
Other payables*	-	24,801,662	-	24,801,662
Borrowings, fixed interest rate	5.4	130,492,879	10,595,217	141,088,096
Borrowings, variable interest rate	5.4	133,968,575	15,627,045	149,595,620
		398,895,955	26,222,262	425,118,217
31 December 2017				
Trade payables	-	120,305,915	-	120,305,915
Other payables*	-	25,443,746	-	25,443,746
Borrowings, fixed interest rate	5.0	151,577,684	28,514,433	180,092,117
Borrowings, variable interest rate	6.2	43,972,684	77,656,778	121,629,462
		341,300,029	106,171,211	447,471,240
1 January 2017				
Trade payables	-	103,952,721	-	103,952,721
Other payables*	-	23,149,672	-	23,149,672
Borrowings, fixed interest rate	4.8	124,103,350	9,879,712	133,983,062
Borrowings, variable interest rate	5.2	51,460,373	57,841,220	109,301,593
		302,666,116	67,720,932	370,387,048

31. Financial instruments and financial risks (Continued)

(iii) Liquidity risk (Continued)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Total
	%	RMB	RMB	RMB
Company				
31 December 2018				
Other payables**	-	25,101,197	-	25,101,197
Financial guarantee contracts	-	137,854,482	-	137,854,482
		162,955,679	-	162,955,679
31 December 2017				
Other payables**	-	12,551,882	-	12,551,882
Financial guarantee contracts	-	172,084,739	-	172,084,739
		184,636,621	-	184,636,621
1 January 2017				
Other payables**	-	5,841,006	-	5,841,006
Financial guarantee contracts	-	177,046,138	-	177,046,138
		182,887,144	-	182,887,144

* Excluding customers advances.
** Excluding fair value of financial guarantee contracts.

32. 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.

33. 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 plus borrowings 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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Trade payables	109,632,839	120,305,915	103,952,721	-	-	-
Other payables	31,900,460	32,595,522	28,065,347	25,444,238	14,041,227	7,630,116
Borrowings	279,696,406	281,576,681	225,931,138	-	-	-
Less: Cash and bank balances	(66,475,324)	(115,380,923)	(106,690,487)	(1,437,190)	(535,566)	(1,305,318)
Less: Fixed deposits	(12,252,170)	(13,998,721)	(7,902,619)	-	-	-
Net debt	342,502,211	305,098,474	243,356,100	24,007,048	13,505,661	6,324,798
Equity attributable to owners of the parent	546,965,536	549,565,026	529,111,611	443,230,999	453,732,017	443,681,152
Total capital	889,467,747	854,663,500	772,467,711	467,238,047	467,237,678	450,005,950
Gearing ratio	39%	36%	32%	5%	3%	1%

Subsidiaries of the Group established in the People's Republic of China 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 People's Republic of China as disclosed in Note 22 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 2018 and 2017.

34. 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	
	2018	2017
	RMB	RMB
With certain Directors of the Company		
Rental expense	781,815	664,820
With companies in which certain Directors have control		
Rental expense	1,832,940	1,293,036
Sale of goods	(6,054,634)	(5,992,860)

The outstanding balances as at 31 December with related parties are disclosed in Notes 17 and 26 to the financial statements and are unsecured, interest-free and repayable on demand, unless otherwise stated.

Certain borrowings (Note 24) 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		Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Directors				
- Short-term benefits	7,599,274	8,033,309	5,386,255	5,855,701
- Post-employment benefits	175,170	221,139	146,464	176,210
- Directors' fees	796,151	795,081	604,151	603,081
Other key management personnel				
- Short-term benefits	1,647,130	2,122,259	547,749	504,370
- Post-employment benefits	80,932	66,571	70,071	66,572
	10,298,657	11,238,359	6,754,690	7,205,934

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

35. Restatement of comparative figures

During the financial year, management reclassified the amount of value added tax receivables that was previously classified as part of current income tax payable as at 31 December 2017 to better reflect the nature of the transactions.

The items were reclassified as follows:

	Group		
	Previously reported	Prior year reclassification	As restated
	31 December 2017	31 December 2017	31 December 2017
STATEMENT OF FINANCIAL POSITION	**RMB**	**RMB**	**RMB**
ASSETS			
Current assets			
Other receivables and prepayments	27,947,514	4,560,176	32,507,690
Liabilities			
Current liabilities			
Current income tax payable	(138,021)	(4,560,176)	(4,698,197)

SHAREHOLDERS' INFORMATION

As at 18 March 2019

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	17	3.40	433	0.00
100 - 1,000	104	20.80	47,292	0.07
1,001 - 10,000	249	49.80	915,252	1.30
10,001 - 1,000,000	125	25.00	7,319,474	10.41
1,000,001 and above	5	1.00	62,036,713	88.22
TOTAL	**500**	**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	9,177,251	13.05
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.	359,706	0.51
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	349,909	0.50
11	TAN SIEW KENG CHRISTINA	279,000	0.40
12	HUANG BAOJIA	277,000	0.39
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	**66,153,284**	**94.06**

SHAREHOLDERS' INFORMATION

As at 18 March 2019

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2019

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	9,177,251	13.05	–	–
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 18 March 2019, approximately 12.81% 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 IS HEREBY GIVEN that the Annual General Meeting of Southern Packaging Group Limited (the "**Company**") ("**AGM**") will be held at Minto Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2019 at 10 a.m., to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report. **Resolution 1**

2. To approve the payment of Directors' fees of S$162,160 for the financial year ended 31 December 2018. (2017: S$162,160) **Resolution 2**

3. To re-elect Mr Chen Xiang Zhi who is retiring by rotation pursuant to Article 91 of the Company's Constitution and being eligible, offer himself for re-election. **Resolution 3**

   (Explanatory Note 1)

4. To re-elect Mr Li Yonghua 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 1)

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, offers himself for re-election. **Resolution 5**

   *Note: Mr Yeung Koon Sang @ David Yeung will, upon his re-election, remains as 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

   (Explanatory Note 1)

6. To re-elect Mr Guo WeiHai who is retiring by rotation pursuant to Article 91 of the Company's Constitution and being eligible, offers himself for re-election. **Resolution 6**

   Note: Mr Guo WeiHai will, upon his re-election, remains as member of Audit, Nominating and Remuneration Committees. The Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

   (Explanatory Note 1)

7. To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS:

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

8. **Ordinary Resolution: Authority to allot and issue shares** **Resolution 8**

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 ("**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

(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 or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) 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

(4) (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 2)

9 **Ordinary Resolution: Authority to allot and issue shares at a discount**

That subject to and pursuant to the share issue mandate in the Resolution 8 above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a 10 per cent discount for new shares to the weighted average price per share determined in accordance with the requirements of the Listing Manual of the SGX-ST. **Resolution 9**

(Explanatory Note 3)

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
15 April 2019

Explanatory Notes:-

1. **Resolutions 3, 4, 5 and 6**

Detailed information of Mr Chen, Mr Li, Mr David Yeung and Mr Guo can be found under "Board of Directors", "Corporate Governance Report" and "Additional Information on Directors Seeking Re-Election" in the Company's Annual Report 2018.

2. **Resolution 8**

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.

3. **Resolution 9**

   This Ordinary Resolution, if passed, will authorise the Directors, pursuant to the share issue mandate set out in Resolution 8, to allot and issue shares other than on a pro rata basis to shareholders of the Company, at a discount not exceeding 10% to the weighted average price of the shares on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day).

   In exercising the authority conferred by Resolution 9, the Company shall comply with the provisions of the Listing Manual of the SGX-ST (unless such compliance has been waived by the SGX-ST), all applicable legal requirements and the Company's Constitution. Rule 811(1) of the Listing Manual of the SGX-ST presently provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day).

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where such member appoints more than one (1) proxy, the proportion of the shareholdings concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50).

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.

4. A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy two (72) hours before the time appointed for holding the meeting in order for the Depositor to be entitled to attend and vote at the AGM.

5. The instrument appointing a proxy(ies) must be deposited 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, not less than forty eight (48) hours before the time appointed for holding the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Shareholder (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including and adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

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 2018:

Name of Person	**Chen Xiang Zhi**	**Li Yonghua**	**Yeung Koon Sang @ David Yeung**	**Guo Weihai**
Date of Appointment	26 January 2010	1 February 2011	23 September 2004	27 February 2017
Date of last re-appointment	29 April 2016	28 April 2017	28 April 2017	28 April 2017
Age	56	43	69	62
Country of principal residence	China	China	Singapore	China
The Board's comments on this re-appointment	The re-election of Mr Chen was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his overall contribution and performance.	The re-election of Mr Li was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his 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.	The re-election of Mr Guo 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	Executive. He is responsible for assisting the Chairman and CEO for the development of the Group's business strategies and policies.	Executive. 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).	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Vice Chairman	Executive Director and Chief Operating Officer	Lead Independent Director, Chairman of Audit Committee and Remuneration Committee and Member of Nominating Committee	Independent Director, and member of Audit Committee, Remuneration Committee and Nominating Committee

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
Professional Qualifications	Master of Science in Management from University of Management and Technology, United States of America	MBA from Hong Kong University of Science and Technology	• Master of Social Science (Accounting) degree from the University of Birmingham, England • Practising member of the Institute of Singapore Chartered Accountants • Fellow of the Association of Chartered Certified Accountants, United Kingdom	Degree in mechanical design and manufacturing from Guangzhou Industry Polytechnic
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	None	None
Conflict of interests (including any competing business)	No	No	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
Working experience and occupation(s) during the past 10 years	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 Southern Packaging group since 2010.	Mr Li joined Foshan Southern Packaging in Dec 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. He was appointed to our Board and Chief Operating Officer on 1 February 2011.	Mr David Yeung is a director of Kreston David Yeung PAC, a company proving 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 independent director of other SGX-ST listed companies.	Mr Guo has over 35 years of overall management and operation of enterprises and institutes. He was the General Manager of Guangzhou Food Industry and Health Inspection Institute (Guangzhou Green Food Supervision and Inspection Center) between 2007 and 2013, and Guangzhou Food Inspection Institute (Guangzhou Alcohol Testing Center) between 2013 and 2016.
Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil	Nil
Other Principal Commitments Including Directorships: Past (for the last 5 years)	<u>Directorships</u>: Nil <u>Other Principal Commitment</u>: Nil	<u>Directorships</u>: Nil <u>Other Principal Commitment</u>: Nil	<u>Directorships</u>: • ACE Achieve Infocom Ltd <u>Other Principal Commitment</u>: Nil	<u>Directorships</u>: Nil <u>Other Principal Commitment</u>: Guangzhou Food Inspection Institute (Guangzhou Alcohol Testing Center)

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
Present	Directorships: • 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 • Southern Packaging (Jiangsu) Co., Ltd • Foshan Jia Yu Corporate Advisory Co., Ltd • Foshan Jia Bei Le Property Management Co., Ltd Other Principal Commitment: Nil	Directorships: • Foshan Energetic Film Co., Ltd • Foshan Southern Packaging Co., Ltd • Southern (HK) Packaging Co., Ltd Other Principal Commitment: Nil	Directorships: • AEI Corporation Limited • Mary Chia Holdings Limited • Citic Envirotech Ltd • CNA Group Ltd (under judicial management) • Daxin Consulting (S) Pte Ltd • Daxin Yeung PAC • Kreston David Yeung PAC Other Principal Commitment: Nil	Directorships: Nil Other Principal Commitment: Nil
(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	No	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	Yes. A statutory demand for winding up was filed in 2015 against CNA Group Ltd, which Mr David Yeung is an independent director. Subsequent to the statutory demand, CNA Group was placed under judicial management from July 2015 until present.	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	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	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	No	No
(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	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	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	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	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	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	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	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	No	No

SOUTHERN PACKAGING GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200313312N)

Important:
1. A relevant intermediary (as defined in Section 181 of the Companies Act (Chapter 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy Southern Packaging Group Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have queries regarding their appointment as proxies.

ANNUAL GENERAL MEETING PROXY FORM

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

of ______________________________ (address)
being a member/members of **SOUTHERN PACKAGING GROUP LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (strike as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held at Minto Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for/against the resolutions to be proposed at the Meeting as indicated hereunder. In the absent of specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the meeting.

Ordinary	ORDINARY BUSINESS	No. of votes FOR*	No. of votes AGAINST*
Resolution 1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report.		
Resolution 2	Approval of Directors' fees of S$162,160 for the financial year ended 31 December 2018.		
Resolution 3	Re-election of Mr Chen Xiang Zhi as Director.		
Resolution 4	Re-election of Mr Li Yonghua as Director.		
Resolution 5	Re-election of Mr Yeung Koon Sang @ David Yeung as Director.		
Resolution 6	Re-election of Mr Guo WeiHai as Director.		
Resolution 7	Re-appointment of Messrs BDO LLP as the auditors of the Company and authorisation to the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
Resolution 8	Authority to allot and issue shares.		
Resolution 9	Authority to allot and issue shares at a discount.		

* *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" or "Against" the relevant resolution, please indicate the number of shares in the boxes provided.*

Dated this __________ day of ________________ 2019

Total Number of Shares held (Note 1)

____
Signature(s) of Members(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 instrument appointing proxy or proxies will be deemed to relate to all the Shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) (the "**Act**").

3. A proxy need not be a member of the Company.

4. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and/or SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and/or SRS Investors shall be precluded from attending the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than forty eight (48) hours before the time appointed for holding the Meeting.

6. Where an instrument appointing a proxy or proxies 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.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.

8. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

9. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting, in accordance with its Constitution and Section 179 of the Act.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the Meeting, 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 15 April 2019.

The Board of Directors of Southern Packaging Group Limited (the "**Board**") (the "**Company**"), is committed to maintain high standards of corporate governance within the Company and its subsidiaries (the "**Group**") to ensure effective self regulation practices are in place to enhance corporate performance and accountability.

The Board, guided by the Singapore Code of Corporate Governance 2012 (the "**CG Code 2012**") issued by the Monetary Authority of Singapore ("**MAS**") and the disclosure guide developed by the Singapore Securities Trading Limited (the "**SGX-ST**") (the "**Guide**"), remains committed to the principles and guidelines stated therein to achieve high standards of business integrity, ethics and professionalism across all its activities. The Company has generally complied with key principles and guidelines set out in the CG Code 2012 for the financial year ended 31 December 2018 ("**FY2018**"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the CG Code 2012 and/or the Guide.

The MAS had on 6 August 2018 issued the revised Code of Corporate Governance 2018 (the "**2018 CG code**") which supersedes the CG Code 2012 and will take effect for annual reports covering financial years commencing 1 January 2019. The Board will review and set out the appropriate corporate practices in place to comply with the 2018 CG Code in the next annual report covering the financial year ended 31 December 2019.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1 **Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.**

1.1 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.

1.2 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 approve the nominations to the Board and appointment of key management, as may be recommended by the Nominating Committee;

c) 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;

d) 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;

e) to review management performance;

f) to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

g) to set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders and others are understood and met;

h) to monitor and manage potential conflict of interests between the key management personnel, the Board and the shareholders; and

i) to promote corporate social responsibilities throughout the Group and include environmental and social factors as part of its strategic formulation.

1.3 Delegation by the Board

To facilitate effective management and to support the Board in the execution of its duties, the Board has established Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The names of the members, principal roles and responsibilities of respective Board Committees are set out in this Report. 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.

1.4 Board 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.

The Independent Directors of the Company discuss issues via meetings, telephone and electronic devices as the situations require without the presence of the other Directors. The Lead Independent Director will provide feedback to the Chairman if it is deemed necessary.

The numbers of the Board and respective Board Committees meetings held during the FY2018 and the attendance of each Director where relevant are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings	3	3	1	1
Attendance :				
Pan Shun Ming	3	N/A	N/A	N/A
Chen Xiang Zhi	3	N/A	N/A	N/A
Pu Jinbo	3	N/A	N/A	N/A
Mai Shuying	2	N/A	N/A	N/A
Li Yonghua	3	N/A	N/A	N/A
Yeung Koon Sang @ David Yeung	3	3	1	1
Chung Tang Fong	3	3	1	1
Chia Chor Leong	3	3	1	1
Tan Jiansheng	3	3	1	1
Guo Weihai	3	3	1	1

1.5 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 management level, to facilitate operational efficiency.

The following matters have been reserved for the Board's decision:

- 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 and Audited Financial Statements;
- recommendation or declaration of dividend;
- reviewing the performance of the Board annually;
- appointment or removal of director from the Board (with recommendation made by the Nominating Committee) and the appointment or removal of the Company Secretary;
- make changes to the structure and size of the Board, following receipt of recommendation from the Nominating Committee;

- 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;
- 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.

1.6 Board induction and training

The Company does not have a formal training program for the Directors but newly appointed Directors are provided with sufficient information regarding the Group's businesses and governance practices. Directors also have the opportunity to visit the Group's operational facilities and meet Management to familiar with the business operations. For future appointments, the Company will provide each newly appointed Director with a formal letter of appointment setting out the Director's duties and obligations.

During FY2018, the Company held site visits for the Directors to the Company's corporate office and its operation site, during which they received updates and information in relation to the Group's businesses, production facilities, commercial risks faced by the Group, industry developments, business initiatives, Listing Manual and accounting standards. The AC and the Board had in the meetings held during FY2018 received briefings and updates on (i) development in accounting and governance standards, in particular, the adoption of the Singapore Financial Reporting Standards (International); (ii) updates and amendments to SGX-ST Listing Manual; (iii) revisions on the Code of Corporate Governance; and (iv) strategic and business developments 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. The Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("**SID**") and the SGX-ST, which would be funded by the Company.

1.7 Formal appointment letter to each Director

Newly appointed Directors will receive a formal letter from the Company setting out the duties and responsibilities as a director and the Company will register relevant training courses i.e. jointly organised by SID and SGX-ST for new Director. The training and professional development for new Director will be funded by the Company.

There was no new Director appointed during FY2018. The NC will going forward and in accordance with the revised SGX-ST Listing Manual, ensure that any newly appointed Director who has no prior experience as a director of an issuer listed on the SGX-ST, must 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 in relation to the business of the Group, shares dealing policy of the Group, 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.

Board Composition and Guidance

Principle 2 **There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

2.1,2.2 & 3.3 Independent Directors

The Board currently comprises the following members:

1. Pan Shun Ming (Executive Chairman and Chief Executive Officer ("CEO"))
2. Chen Xiang Zhi (Executive Director and Vice Chairman)
3. Pu Jinbo (Executive Director and Deputy Chief Executive Officer)
4. Mai Shuying (Executive Director)
5. Li Yonghua (Executive Director and Chief Operating Officer)
6. Yeung Koon Sang @ David Yeung (Lead Independent Director)
7. Chung Tang Fong (Independent Director)
8. Chia Chor Leong (Independent Director)
9. Tan Jiansheng (Independent Director)
10. Guo Weihai (Independent Director)

The current Board of Directors comprises ten (10) Directors, five (5) of whom are Independent Directors and Mr Yeung Koon Sang @ David Yeung ("**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 at least half of the Board. The Company complies with the Guideline 2.2 of the 2012 CG Code which provides that the independent directors should make up at least half of the Board as the Chairman of the Board is not an independent director and the Chairman of the Board and the CEO is the same person.

2.3 Review of Directors' independence

The independence of each Director is reviewed annually by the NC.

Mr David Yeung, Mr Chung Tang Fong, Mr Chia Chor Leong, Mr Tan Jiansheng and Mr Guo Weihai have confirmed that they do not have any relationships (including immediate family relationships) with any existing Director, existing executive officer, the Company, its related corporations and/or its substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. In addition, none of them is or has been employed by the Company or any of its related corporations for the current or any past three financial years or has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC of the Company.

All the said Directors had submitted the confirmation of their independence and the NC has reviewed and determined that the said Directors are independent. Taking into account the views of the NC, the Board determined that the said Directors are independent in character and judgement and no relationships or circumstances which are likely to affect, or could appear to affect, the said Directors' judgement. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in Guideline 2.3 of the CG Code 2012 that would otherwise deem him not to be independent. No NC member was involved in the deliberation in respect of his independence.

2.4 Duration of Independent Director's tenure

Rigorous reviews have been carried out by the Board to assess the independent status of Mr David Yeung (who was appointed on 23 September 2004), who has served on the Board beyond nine years.

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 provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company.

In its annual review, the NC was of the view that Mr David Yeung is objective and independent in expressing his views and in participating in 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.

2.5 & 2.6 Board Composition

The NC and the Board examines the present size and composition of the Board and is satisfied that: (i) it 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 Group; (ii) it 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 in this Annual Report.

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 steps to maintain or enhance its balance and diversity by conducting annual evaluation of the Board and individual Director assessment by the NC to assess if the Board has the right mix of expertise, gender, experience and skills for the effectiveness of the Board.

2.7 & 2.8 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. 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 necessary, the Non-Executive Directors meet or via telephone and electronic devices discuss on the Group's affairs without the presence of Management.

Chairman and Chief Executive Officer

Principle 3 **There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

3.1 & 3.2 Role of Chairman and the CEO

The Group's Executive Chairman, Pan Shun Ming ("**Mr Pan**"), also assumes the role of a CEO as he is the founder of the Group. 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.

As the Executive Chairman of the Company, he 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; and (v) facilitating the effective contribution of the Non-Executive Directors; (vi) 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.

The Company has not adopted the recommendation of the CG Code 2012 to have different individuals appointed as the Chairman and the CEO. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered as well as to ensure that the Group is able to grasp business opportunities efficiently and promptly. The Board also considered that there is already a strong independence element and Chairman of all Board Committees is independent, non-executive Directors.

3.3 Lead Independent Director

In compliance with Guideline 3.3 of the CG Code 2012, the Company has appointed Mr David Yeung as the Lead Independent Director of the Company. Mr David Yeung is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Group Financial Controller has failed to resolve or is inappropriate.

3.4 Independent Director Meetings in Absence of Other Directors

From time to time, the Independent Directors discuss issues via meetings, telephone and electronic devices without presence of the other Directors where required. The Lead Independent Director will provide feedback to the Executive Chairman if it is deemed necessary.

Board Membership

Principle 4 **There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

4.1 Nominating Committee

The NC comprises the following five (5) members, all of whom including the Chairman are Independent Directors:

(i)	Chia Chor Leong	Independent Director	(Chairman)
(ii)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Member)
(iii)	Chung Tang Fong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member)
(v)	Guo Weihai	Independent Director	(Member)

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) reviewing and recommending candidates for appointments to the Board 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 listed companies and entities within the Company and its subsidiaries;

(d) re-nomination of directors for re-election of directors in accordance with the Constitution at each annual general meeting 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 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) implementing a process for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board;

(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) In addition to the relevant performance criteria which the Board may propose, other performance criteria that may be used include the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed;

(j) recommending to the Board the review of board succession plans for Directors, in particular, the Chairman and for the CEO;

(k) 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

(l) reviewing and assessing from time to time whether any director or any person involved in the day-to-day management of the Group is related to, or is appointed pursuant to an agreement or arrangement with, a Controlling Shareholder and/or its Associates.

During FY2018, 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.

<u>4.2 & 4.6 Recommendations to the Board & Board Nomination Process</u>

The Company has in place policies and 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 and attributes of existing directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes.

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 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 candidate 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 qualification and experience of each candidate, 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 require 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 Chen Xiang Zhi, Mr Li Yonghua, Mr David Yeung and Mr Guo Weihai 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 qualification, 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 SGX-ST Listing Manual pursuant to Rule 720(6) of the SGX-ST Listing Manual is enclosed under section titled "Additional Information of Directors Seeking Re-election" in this Annual Report.

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.

4.4 Multiple Board Representations

All Directors declare their board memberships as and when practicable.

During FY2018, 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 NC takes into account the Directors' actual conduct on the Board, in making this determination. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorships a director can hold. The NC considers 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.

4.7 Directors' Key information

The key information required under Guideline 4.7 of the CG Code 2012 is set out below:

Director	Date of Initial Appointment as a Director	Date of Last Re-election/ Re-appointment as a Director	Relationships including immediate family relationships between the directors, the Company and its 10% shareholders	Directorships or Chairmanships in other listed companies	
				Current	Past three years
Pan Shun Ming	30.12.2003	28.4.2017	Spouse to Mai Shuying and Parent to Pan Zhaojin	Nil	Nil
Chen Xiang Zhi	26.1.2010	29.4.2016	Nil	Nil	Nil
Pu Jinbo	16.4.2004	26.4.2018	Nil	Nil	Nil

Director	Date of Initial Appointment as a Director	Date of Last Re-election/ Re-appointment as a Director	Relationships including immediate family relationships between the directors, the Company and its 10% shareholders	Directorships or Chairmanships in other listed companies	
				Current	Past three years
Mai Shuying	30.12.2003	26.4.2018	Spouse to Pan Shun Ming and Parent to Pan Zhaojin	Nil	Nil
Li Yonghua	1.2.2011	28.4.2017	Nil	Nil	Nil
Yeung Koon Sang @ David Yeung	23.9.2004	28.4.2017	Nil	• AEI Corporation Limited • Mary Chia Holdings Limited • Citic Envirotech Ltd. • CNA Group Ltd (under judicial management)	• Ace Achieve Infocom Ltd
Chung Tang Fong	2.5.2014	26.4.2018	Nil	• Chewathai Ltd	• Ace Achieve Infocom Ltd
Chia Chor Leong	10.10.2014	26.4.2018	Nil	• Frencken Group Limited	• Mary Chia Holdings Limited
Tan Jiansheng	27.2.2017	28.4.2017	Nil	Nil	Nil
Guo Weihai	27.2.2017	28.4.2017	Nil	Nil	Nil

The Company does not have alternative director.

The Board Committees that respective Director served on (as a member or chairman) during FY2018 are disclosed under Principles 4, 7 and 12 in this Report. Other key information regarding the Directors such as academic, professional qualifications, principal commitments, shareholdings in the Company and its related corporations is disclosed in the “Board of Directors”, “Directors’ Statement” and “Shareholders’ Information” sections in this Annual Report.

Board Performance

Principle 5 **There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

5.1-5.3 Board 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 and the performance of Board Committees is included in the Board Evaluation Questionnaire.

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 or her 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.

Access to Information

Principle 6 **In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

6.1 & 6.2 Provision of Information to the Board

The Board has separate and independent access to senior management, the Group's records and the Company Secretary at all times to enable them in carrying out their duties. Requests for information from the Board are dealt promptly by Management. The Board is informed of all material events and transactions as and when they occur.

Management provides the Board with information and explanations (briefing, circulation via email or by presentation at meeting) on the half-year and full-year financial results, progress reports of the Group's operations, corporate development, regulatory updates, market and business developments and audit reports. 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. Management also seek consultation from the Board regularly whenever necessary and appropriate.

The Board is provided with the contact details of Management and Company Secretary; and has separate and independent access to such persons.

The Board is issued with meeting agenda and board papers timely and prior to Board meetings. 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.

6.3 & 6.4 Company Secretary

The Company Secretary or her representative is always present at all Board and Board Committee meetings to administer, record the proceedings, and together with Management of the Company, assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Constitution, Listing Manual of the SGX-ST, Companies Act (Chapter 50) and other relevant rules and regulations that are applicable to the Company and the Group are complied with. The appointment and removal of the company secretary is a matter for consideration by the Board as a whole.

6.5 Independent Professional Advice

The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint an independent professional adviser to render professional advice.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7 **There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

7.1 & 7.2 Remuneration Committee

The RC comprises the following five (5) members, all of whom including the Chairman of the RC are Independent Directors:-

(i)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Chairman)
(ii)	Chung Tang Fong	Independent Director	(Member)
(iii)	Chia Chor Leong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member)
(v)	Guo Weihai	Independent Director	(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 approve the policy for determining the remuneration of the executives of the Group, including that of the executive director, chief executive officer and other key management personnel;

(b) review the on-going appropriateness 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 member of key management (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 all directors 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;

(h) approve the remuneration framework (including directors' fees) for the non-executive directors on the relevant boards of directors within the Group;

(i) review the remuneration of employees who are related to the Directors and substantial shareholders 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) No director shall participate in decision on his/her own remuneration.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement.

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.

There is no other termination, retirement and post-employment benefits granted to the Directors, the CEO or any key management personnel.

7.3 Remuneration Consultant

The RC may from time to time, where necessary or required, seek expect advice internal or 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 in this respect. During FY2018, the Company did not engage any external remuneration consultant.

Level and Mix of Remuneration

Principle 8 **The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

8.1 & 8.3 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. The recommendations of the RC on remuneration of executive directors would be submitted for endorsement by the entire Board. The Company adopts a remuneration policy for staff consisting of a fixed component and a variable component. The fixed component is in the form of a base / fixed salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance.

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 relative performance. No Director is involved in the discussion and in deciding his own remuneration.

The RC ensures that the level and structure of remuneration of the Executive 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 Executive Directors and key management personnel to provide good stewardship and management of the Company.

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 Non-Executive Directors are paid a fixed base fee and an additional fixed fee for serving on any of the Board Committees.

The Chairman of each Board Committee is compensated for his additional 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. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

8.4 Contractual provisions

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.

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.

In addition, the Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9 **Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

9.1 & 9.2 Directors' Remuneration

The Company adopts a remuneration policy for staff that is responsive to market elements and performance of the Group and business segments respectively.

The breakdown (in the percentage terms) of the level and mix of Directors' remuneration for FY2018 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Directors					
S$500,000 to below S$750,000					
Pan Shun Ming	97.2	1.4	1.4	–	100
S$250,000 to below S$500,000					
Mai Shuying	96.9	1.4	1.7	–	100
Below S$250,000					
Chen Xiang Zhi	89.7	9.4	0.9	–	100
Pu Jinbo	84.1	8.5	7.4	–	100
Li Yonghua	80.6	18.5	0.9	–	100
Yeung Koon Sang @ David Yeung	–	–	–	100	100
Chung Tang Fong	–	–	–	100	100
Chia Chor Leong	–	–	–	100	100
Tan Jiansheng	–	–	–	100	100
Guo Weihai	–	–	–	100	100

The Company does not disclose the remuneration of each individual director and the top five (5) key management personnel to the nearest thousand dollars in accordance with the Principle 9.2 and 9.3 of the CG Code 2012 as the Board of Directors believes that it is not in the best interests of the Group's business to fully disclose such information given the highly competitive plastic packaging industry in the People's Republic of China.

9.3 Key Management Personnel's Remuneration

A breakdown of the level and mix of top three (3) key management personnel's (who are not Directors or the CEO) remuneration for FY2018 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Total %
Key Management Personnel				
Below S$250,000				
Pan Zhaojin	81.6	7.8	10.6	100
Zhang Jianling	90.4	9.5	0.1	100
Lao Jing Wen	91.4	8.3	0.3	100

The Company only have top three (3) key management personnel during FY2018, the annual aggregate remuneration paid to the key management personnel (excluding the director and the CEO) for FY2018 is S$351,818.48.

9.4 Employees who are immediate family members of a Director or the CEO

During FY2018, there are two (2) employees who have family relationship with a director or CEO, whose remuneration exceeds S$50,000/-, details relating thereto are appended below:

Name	Remuneration Band
Pan Zhaojin (son of Mr Pan Shun Ming and Madam Mai Shuying)	S$150,000 to below S$200,000
Ang Wei Jun* (son in law of Mr Pan Shun Ming and Madam Mai Shuying) * *Mr Ang resigned on 28 July 2018*	S$50,000 to below S$100,000

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10 **The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

10.1-10.3 Balanced and understandable assessment of the Company's performance, position and prospect

In presenting the annual financial statements and half yearly results announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, financial position and business prospects. The annual budgets, including any material variances between the projections and actual results are disclosed and explained to the Board by Management via email or during the Board meetings.

Management provides the Board with a periodic updates/information covering operational performance, financial results and summary of business development efforts as well as other important and relevant information as the Board may require from time to time, to enable the Board to monitor and make a balanced and informed assessment of the Group's performance, position and prospects.

The Board is primarily responsible to present a fair and balanced report of the financial affairs of the Group, which is prepared in accordance with the Listing Manual of the SGX-ST, the Companies Act (Chapter 50) and the Singapore Financial Reporting Standards (International) prescribed by the Accounting and Standards Council.

The financial performance and annual reports are announced or issued within the mandatory period under the Listing Manual of the SGX-ST and are available on the Company's website. The Board also provides negative assurance confirmation to shareholders for the half-yearly financial results announcements pursuant to Listing Manual of the SGX-ST.

Other ways in which information is disseminated to shareholders are further disclosed under Principles 14, 15 and 16 of this Report.

Risk Management and Internal Controls

Principle 11 **The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

11.1 Risk Management and Internal Controls
11.2 & 11.3 Adequacy and effectiveness of the Internal Controls

The Board recognises that no internal control system will preclude all errors and irregularities. The Board ensures that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets, and determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The AC and the Board is 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 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.

In FY2018, 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 noncompliance 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 Board had received assurance from the CEO and the Group Financial Controller that the Group's financial records as at 31 December 2018 have been properly maintained and the financial statements for FY2018 give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems are effective.

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 adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value.

Audit Committee

Principle 12 **The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.**

12.1, 12.2 & 12.4 Audit Committee

The AC comprises the following five (5) members, all of whom, including the Chairman of the AC, are Independent Directors:-

(i)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Chairman)
(ii)	Chung Tang Fong	Independent Director	(Member)
(iii)	Chia Chor Leong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member)
(v)	Guo Weihai	Independent Director	(Member)

None of the AC members were previous partners or directors of the Company's existing auditing firm or hold any financial interest in the auditing firm. 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. Majority of the AC have many years of experience in accounting and related financial management given their experience as directors and/or senior management in accounting and financial fields as the Board interprets such qualification in its business judgment.

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) assist the Board in the discharge of its responsibilities on financial reporting matters;

(b) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, the management letters and the management's response, and results of audits complied by the internal and external auditors;

(c) 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, 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;

(d) review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, and the management, reviewing 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 the management where necessary;

(e) review the adequacy and effectiveness of the Group's internal audit function and the scope and results of the external audits as well as the independence and objectivity of the external auditors;

(f) 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;

(g) review with external auditors the impact of any new or proposed changes in accounting policies or regulatory requirements on the financial statements of our Group;

(h) review the co-operation given by the management to the external auditors;
(i) to meet with the External and Internal Auditors without the presence of the Management at least once a year;

(j) review the performance of Financial Controller on an annual basis to ensure satisfactory performance;

(k) review and discuss with the external 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) take 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;

(m) review significant financial reporting issues and judgments with the 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;

(n) review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the Financial Controller and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

(o) review filings with the SGX-ST or other regulatory bodies which contain the Group's financial statements and ensure proper disclosure;

(p) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);

(q) review interested person transactions and any 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;

(r) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(s) 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 Audit Committee;

(t) review and establish procedures for receipt, retention and treatment of complaints received by the Group;

(u) propose and establish a “Whistle-blowing policy” and review the procedures by which employees of the Group may, in confidence, report to the chairman of 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;

(v) report to the Board of the Company the work performed by the AC in carrying out its functions; and

(w) to undertake such other functions and duties as may be required by statue or the Listing Manual, and by such amendments made thereto from time to time.

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.

12.3 & 12.5 Authority of AC and meeting with auditors

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. The AC has met with the external auditors and internal auditors without presence of Management at least once a year to ascertain if there are any material weaknesses or control deficiencies in the Group’s financial and operating systems.

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

12.6 Independence of External Auditors

The aggregate amount of fees paid and/or payable by the Group to BDO LLP for FY2018 is RMB485,252, of which audit fees amounted to approximately RMB470,548 and non-audit fees amounted to approximately RMB14,704.

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 is 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 2019 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 of SGX-ST.

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 FY2018, 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.

12.7 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.

12.8 AC Activities

In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2018 in the discharge of its functions and duties including the deliberation and review of:

(a) the 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 internal audit findings report including internal control processes and procedures;

(e) the adequacy and effectiveness of the Group's internal audit function;

(f) the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and reporting the findings to the Board;

(g) interested person transactions and any potential conflicts of interests;

(h) the co-operation and assistance given by Management to the Group's external and internal auditors;

(i) the independence 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.

AC's commentary on KAMs

In the review of the financial statements for FY2018, the AC has discussed with 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 matter has 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 this matter has 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.

Internal Audit

Principle 13 **The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

13.1-13.5 Internal Audit

The Board recognises the importance of maintaining an internal audit function, independent of the activities it audits. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner.

The internal audit function of the Group is outsourced to Da Xin LLP. The internal auditors are expected to meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditors have unrestricted access to all the Company's documents, records, properties and personnel, and reports directly to the AC on audit matters. The AC will also meet with the internal auditors at least once a year without the presence of Management. To ensure adequacy and effectiveness of the internal audit function, the AC will review and approve the internal audit plan on an annual basis.

During the financial year reported on, the internal auditors will conduct its audit reviews based on the approved internal audit plan. The internal audit report detailing audit findings and recommendations are provided to Management who would respond on the actions to be taken. The internal auditors would then submit a report on the status of audit plan, audit findings and actions taken by Management on such findings to AC. Any material non-compliance or lapses in the internal controls together with the corrective measures taken up by Management are highlighted to the AC. The AC would monitor the timely and proper implementation of such corrective measures and will follow up on the required corrective, preventive or improvement measures undertaken or to be undertaken by Management.

For FY2018, the AC had reviewed the effectiveness of the internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group to fulfil its mandate. The AC will review annually, the adequacy and effectiveness of the internal audit function.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14 **Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

14.1 & 14.3 Shareholder Rights

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 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. All shareholders can vote in person or to appoint up to two (2) proxies during his 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.

Communication with Shareholders

Principle 15 **Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

15.2-15.4 Communication with Shareholders

The Company has put in place a comprehensive 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 Group strives for timeliness and transparency in its disclosures to the shareholders and the public. In addition to the regular dissemination of information on major developments through SGXNet, the Company also responds to enquiries from investors, analysts, fund managers and the press. 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 and press releases via SGXNet;
- price sensitive information, significant transactions or matters are communicated to shareholders via SGXNet;
- Annual Reports and notice of general meetings issued to all shareholders; and
- the Company's website at www.southern-packaging.com at which shareholders can access to information on the Group.

15.5 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 not declared or recommended a dividend in respect of FY2018 as the Group has sustained losses in FY2018.

Conduct of Shareholder Meetings

Principle 16 **Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

16.1-16.5 Conduct of Shareholder Meetings

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 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.

The Company Secretary prepares minutes of general meeting that include substantial and relevant comments or queries relating to the agenda of the meetings; and responses from the Board and Management. The minutes of general meetings, subsequently approved by the Board, are available to shareholders during office hours upon their requests.

The chairpersons of the Audit, Nominating and Remuneration Committees, majority of the Directors and Management are normally present and available to address shareholders' questions at general meetings. The external auditors are also present to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditors' report.

At AGMs, the Directors ensure that separate resolutions are set out on distinct issues for approval by shareholders. 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 independent scrutineers. 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.

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 for the service agreements entered into between the Executive Directors and the Company and the contracts which have been published via SGXNet, there are no other material contracts or loans entered into by or taken up by the Company of its subsidiaries involving the interest of any Director or controlling shareholder which are still subsisting as at the end of FY2018 or if not then subsisting, entered into since the end of previous financial year.

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 FY2018 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) FY2018	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) FY2018
Guangdong Xing Hua Health Drink Co. Ltd[1]	RMB1,832,940 (S$373,170)	–
Mai Shuying, Pan Shun Ming[2]	RMB781,815 (S$159,171)	–
Foshan Unibott Technology Limited[3]	RMB6,054,634 (S$1,232,671)	–

(1) Rental payment for factory occupied by Foshan Southern Packaging Co., Ltd.

(2) Rental payment for office occupied by Southern (HK) Packaging Company Limited.

(3) Supply of products by Foshan Southern Packaging Co., Ltd.

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 proving 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 provides mandatory orientation programmes to familiarise them with the Group's corporate identity, policy and standard operation practise.

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 2018 and the statement of financial position of the Company as at 31 December 2018 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 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 2018, 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
Pu Jinbo
Mai Shuying
Li Yonghua
Yeung Koon Sang @ David Yeung
Chung Tang Fong
Chia Chor Leong
Tan Jiansheng
Guo Weihai

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.

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 2018	Balance as at 31 December 2018	Balance as at 1 January 2018	Balance as at 31 December 2018
	Number of ordinary shares			
Company				
Pan Shun Ming (1)	27,384,697	27,384,697	13,739,015	17,925,265
Mai Shuying (1)	13,739,015	17,925,265	27,384,697	27,384,697
Pu Jinbo (2)	182,954	182,954	2,500	2,500

(1) Mr Pan Shun Ming and Mdm Mai Shuying are spouses and are deemed to be interested in each other's shares. By virtue of Section 7 of the Act, Mr Pan Shun Ming and Mdm Mai Shuying are deemed to have an interest in all subsidiaries of the Company.

(2) 2,500 shares are held through CIMB Securities (Singapore) Pte Ltd.

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 2019 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2018.

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, Chia Chor Leong, Guo Weihai and Tan Jiansheng, 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 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	**Mai Shuying**
Director	Director

1 April 2019

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 pages 48 to 110, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2018, 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.

Separate Opinion in Relation to International Financial Reporting Standards

As explained in Note 2.1 to the financial statements, the Group, in addition to applying SFRS(I)s, have also applied International Financial Reporting Standards ("IFRSs").

In our opinion, the consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with IFRSs.

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.

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
1 Adoption of SFRS(I) 15 Revenue from Contracts with Customers	
The Group is primarily engaged in the trading and manufacturing of packaging products used in the food, medical, personal grooming and household industries. During the financial year, the Group recognised revenue of RMB724 million from the sale of rigid and flexible packaging products. Revenue from sale of goods is recognised at point in time when the goods have been transferred and accepted by the customers. In certain arrangements, the Group enters into separate contracts with customers to provide moulds and tooling sourcing service, which are distinct from the sale of goods. As the Group is acting as an agent for customers, the income associated with such arrangements, after deducting related expenses, is recognised separately as "Service income" within "Other income" on profit or loss. The Group also receives moulds and tooling from certain customers to fulfil the sales contracts, which require significant judgement to determine whether the Group has control over the moulds and tooling contributed by those customers. We focused on this area as significant effort was spent in evaluating management's assessment of the initial application of SFRS(I) 15. Refer to Notes 2.4, 3 and 4 of the accompanying financial statements.	We performed the following audit procedures, amongst others: ▪ Held discussions with management to understand management's assessment on the impact of revenue recognition upon adoption of SFRS(I) 15; ▪ Examined the Group's contracts with customers to understand the significant terms and conditions; ▪ Evaluated the appropriateness of management's assessment of the accounting treatment of their role in providing moulds and tooling sourcing services; ▪ Assessed the appropriateness of management's judgement of whether the Group has control over moulds and tooling contributed by customers; ▪ Tested the quantitative impact arising from the initial application of SFRS(I) 15, which management has determined to be immaterial; and ▪ Assessed the adequacy of related disclosures in the financial statements.

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.

- 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.

Report on the Audit of the Financial Statements (Continued)

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

- 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.

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 Lew Wan Ming.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2018

	Note	2018 RMB	2017 RMB
Revenue	4	724,154,250	723,015,024
Cost of sales		(586,928,072)	(560,356,004)
Gross profit		137,226,178	162,659,020
Other item of income			
Other income	5	8,650,111	8,504,087
Other items of expense			
Distribution expenses		(42,829,677)	(41,337,162)
Administrative expenses		(87,231,833)	(87,817,958)
Finance costs	6	(18,235,897)	(13,689,611)
(Loss)/Profit before income tax	7	(2,421,118)	28,318,376
Income tax credit/(expense)	8	196,163	(2,640,893)
(Loss)/Profit for the financial year, representing (loss)/profit for the financial year attributable to owners of the parent		(2,224,955)	25,677,483
Other comprehensive income:			
Item that may be reclassified subsequently to profit:			
Exchange differences on translation of foreign operations		837,724	(1,056,392)
Other comprehensive income for the financial year, net of tax		837,724	(1,056,392)
Total comprehensive income for the financial year, representing total comprehensive income attributable to owners of the parent		(1,387,231)	24,621,091
Earnings per share			
- Basic and diluted (RMB cents)	9	(3.16)	36.52

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 31 December 2018 RMB	Group 31 December 2017 RMB (Restated)	Group 1 January 2017 RMB	Company 31 December 2018 RMB	Company 31 December 2017 RMB	Company 1 January 2017 RMB
ASSETS							
Non-current assets							
Property, plant and equipment	10	523,702,605	536,651,654	462,534,568	-	-	-
Investment property	11	435,149	452,555	469,961	-	-	-
Investments in subsidiaries	12	-	-	-	465,932,925	465,932,925	449,312,741
Prepaid lease payments	13	41,828,404	59,049,137	60,487,312	-	-	-
Deferred tax assets	14	2,545,776	1,449,906	2,163,147	-	-	-
Total non-current assets		568,511,934	597,603,252	525,654,988	465,932,925	465,932,925	449,312,741
Current assets							
Property under development	15	65,125,557	-	-	-	-	-
Inventories	16	82,163,735	75,170,401	72,437,361	-	-	-
Trade receivables	17	164,093,110	169,150,524	155,522,615	-	-	-
Other receivables and prepayments	18	28,889,480	32,507,690	41,848,007	1,305,122	1,304,753	693,209
Cash and bank balances	19	66,475,324	115,380,923	106,690,487	1,437,190	535,566	1,305,318
Fixed deposits	20	12,252,170	13,998,721	7,902,619	-	-	-
Total current assets		418,999,376	406,208,259	384,401,089	2,742,312	1,840,319	1,998,527
Total assets		987,511,310	1,003,811,511	910,056,077	468,675,237	467,773,244	451,311,268
LIABILITIES AND EQUITY							
Equity							
Share capital	21	230,592,765	230,592,765	230,592,765	230,592,765	230,592,765	230,592,765
Capital contribution	22	12,638,812	12,638,812	12,638,812	-	-	-
Statutory reserve	22	56,937,599	56,292,235	55,313,017	-	-	-
Foreign currency translation account	22	(2,274,444)	(3,112,168)	(2,055,776)	-	-	-
Retained earnings		249,070,804	253,153,382	232,622,793	212,638,234	223,139,252	213,088,387
Total equity		546,965,536	549,565,026	529,111,611	443,230,999	453,732,017	443,681,152
Non-current liabilities							
Deferred government subsidies	23	12,239,310	13,154,740	14,276,900	-	-	-
Deferred tax liabilities	14	1,000,000	1,000,000	2,313,139	-	-	-
Borrowings	24	24,767,002	97,433,690	58,896,500	-	-	-
Total non-current liabilities		38,006,312	111,588,430	75,486,539	-	-	-
Current liabilities							
Deferred government subsidies	23	915,430	915,430	561,035	-	-	-
Current income tax payable		5,161,329	4,698,197	5,844,186	-	-	-
Trade payables	25	109,632,839	120,305,915	103,952,721	-	-	-
Other payables	26	31,900,460	32,595,522	28,065,347	25,444,238	14,041,227	7,630,116
Borrowings	24	254,929,404	184,142,991	167,034,638	-	-	-
Total current liabilities		402,539,462	342,658,055	305,457,927	25,444,238	14,041,227	7,630,116
Total liabilities		440,545,774	454,246,485	380,944,466	25,444,238	14,041,227	7,630,116
Total liabilities and equity		987,511,310	1,003,811,511	910,056,077	468,675,237	467,773,244	451,311,268

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2018

	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 2018		230,592,765	12,638,812	56,292,235	(3,112,168)	253,153,382	549,565,026
Loss for the financial year		-	-	-	-	(2,224,955)	(2,224,955)
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		-	-	-	837,724	-	837,724
Total comprehensive income for the financial year		-	-	-	837,724	(2,224,955)	(1,387,231)
Distributions to owners of the parent							
Dividends	29	-	-	-	-	(1,212,259)	(1,212,259)
Others							
Transfer to statutory reserve	22	-	-	645,364	-	(645,364)	-
Balance as at 31 December 2018		230,592,765	12,638,812	56,937,599	(2,274,444)	249,070,804	546,965,536
Balance as at 1 January 2017		230,592,765	12,638,812	55,313,017	(2,055,776)	232,622,793	529,111,611
Profit for the financial year		-	-	-	-	25,677,483	25,677,483
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		-	-	-	(1,056,392)	-	(1,056,392)
Total comprehensive income for the financial year		-	-	-	(1,056,392)	25,677,483	24,621,091
Distributions to owners of the parent							
Dividends	29	-	-	-	-	(4,167,676)	(4,167,676)
Others							
Transfer to statutory reserve	22	-	-	979,218	-	(979,218)	-
Balance as at 31 December 2017		230,592,765	12,638,812	56,292,235	(3,112,168)	253,153,382	549,565,026

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

For the Financial Year Ended 31 December 2018

	Note	Share capital RMB	Retained earnings RMB	Total equity RMB
Company				
Balance as at 1 January 2018		230,592,765	223,139,252	453,732,017
Loss for the financial year, representing total comprehensive income for the financial year		-	(9,288,759)	(9,288,759)
Distributions to owners of the parent				
Dividends	29	-	(1,212,259)	(1,212,259)
Balance as at 31 December 2018		230,592,765	212,638,234	443,230,999
Balance as at 1 January 2017		230,592,765	213,088,387	443,681,152
Profit for the financial year, representing total comprehensive income for the financial year		-	14,218,541	14,218,541
Distributions to owners of the parent				
Dividends	29	-	(4,167,676)	(4,167,676)
Balance as at 31 December 2017		230,592,765	223,139,252	453,732,017

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2018

	2018 RMB	2017 RMB
Operating activities		
(Loss)/Profit before income tax	(2,421,118)	28,318,376
Adjustments for:		
Reversal of loss allowance for trade receivables	(533,707)	(1,714,002)
Amortisation of deferred government subsidy	(915,430)	(767,765)
Amortisation of prepaid lease payments	1,288,313	1,438,175
Depreciation of investment property	17,406	17,406
Depreciation of property, plant and equipment	58,873,891	50,432,961
Interest expense	18,235,897	13,689,611
Interest income	(452,603)	(532,675)
Loss on disposal of property, plant and equipment	464,785	90,439
Loss on property, plant and equipment written off	678,015	-
Unrealised foreign currency exchange gain	(422,477)	(141,577)
Write-back of inventories	(200,032)	(745,227)
Operating cash flows before working capital changes	74,612,940	90,085,722
Working capital changes:		
Property under development	(48,056,921)	-
Inventories	(6,770,568)	(2,003,514)
Trade receivables	7,393,058	(11,141,732)
Other receivables and prepayments	4,586,725	9,323,023
Trade payables	(37,826,668)	(7,177,026)
Other payables	(800,576)	4,643,859
Cash (used in)/from operations	(6,862,010)	83,730,332
Income tax paid	(435,093)	(4,384,073)
Net cash (used in)/from operating activities	(7,297,103)	79,346,259
Investing activities		
Purchase of property, plant and equipment	(23,488,189)	(102,693,261)
Proceeds from disposal of property, plant and equipment	422,218	228,000
Interest received	452,603	532,675
Net cash used in investing activities	(22,613,368)	(101,932,586)

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

	2018 RMB	2017 RMB
Financing activities		
Interest paid	(18,235,897)	(13,689,611)
Proceeds from borrowings (Note A)	246,981,089	308,769,923
Repayment of borrowings (Note A)	(248,801,421)	(252,776,701)
Decrease/(Increase) in fixed deposits pledged	789,636	(5,139,187)
Dividends paid	(1,212,259)	(4,167,676)
Net cash (used in)/from financing activities	(20,478,852)	32,996,748
Net change in cash and cash equivalents	(50,389,323)	10,410,421
Cash and cash equivalents as at the beginning of the financial year	116,337,838	106,690,487
Effect of exchange rate changes on the balance of cash held in foreign currencies	526,809	(763,070)
Cash and cash equivalents as at the end of the financial year (Note 19)	66,475,324	116,337,838

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

			Non-cash changes	
	2017 RMB	Cash flows RMB	Foreign exchange differences RMB	2018 RMB
Borrowings (Note 24)	281,576,681	(1,820,332)	(59,943)	279,696,406

			Non-cash changes	
	2016 RMB	Cash flows RMB	Foreign exchange differences RMB	2017 RMB
Borrowings (Note 24)	225,931,138	55,993,222	(347,679)	281,576,681

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

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, 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 2018 were authorised for issue by the Board of Directors on 1 April 2019.

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 the Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. Together with the convergence of SFRS(I)s, the Group and the Company have elected to simultaneously comply with IFRSs in its first SFRS(I) financial statements, and thereafter, in its subsequent SFRS(I) financial statements. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The transition to SFRS(I)s does not have material impact on the financial statements of the Group and the Company.

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.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) Interpretations ("SFRS(I) INTs") issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INTs that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 9 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2019 Cycle		
- SFRS(I) 3 (Amendments)	: Business combinations	1 January 2019
- SFRS(I) 1-12 (Amendments)	: Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
- SFRS(I) 1-23 (Amendments)	: Borrowing Costs eligible for Capitalisation	1 January 2019
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INTs in future periods will not have a material impact on the financial statements of the Group in the period of initial adoption, except as discussed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) INTs issued but not yet effective (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

Based on its currently available assessment as well as recognition exemptions under SFRS(I) 16, the Group expects to capitalise its operating leases on factory spaces on the statements of financial position by recognising a 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group is in the process of quantifying the impact on the adoption of SFRS(I) 16.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

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.

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 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.

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.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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 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 advances received from customers is included in "Other payables".

In certain situations where customers contribute moulds and tooling to facilitate 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.

Interest income

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

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. Summary of significant accounting policies (Continued)

2.5 Government subsidies

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 the 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.

2.8 Leases

The Group as a lessee

Operating leases

Rentals payable under operating leases are charged to profit or loss 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 economic benefits from the leased asset are consumed.

The Group as a lessor

Operating leases

Rental income from operating leases 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.

2. Summary of significant accounting policies (Continued)

2.9 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred using the effective interest method.

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.

2. Summary of significant accounting policies (Continued)

2.10 Taxes (Continued)

Deferred tax (Continued)

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.

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.

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. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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.

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 Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the lease terms of 40 or 50 years.

2.15 Property under development

Property under development which is held for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease and aggregate cost of development. Property under development is stated at the lower of cost and net realisable value.

On completion, the properties are transferred to property held for sale. Cost is calculated using the weighted average method.

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. Summary of significant accounting policies (Continued)

2.16 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.

2.17 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.

2.18 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.

<u>Financial assets</u>

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:

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Financial assets (Continued)

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 using the provision matrix to determine the lifetime expected credit losses. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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 and other receivables, cash and bank balances as well as fixed deposits the consolidated statement 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.

Accounting policy for financial assets prior to 1 January 2018

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.

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments.

Financial assets

Financial assets are initially measured at fair value, plus transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables in the statements of financial position comprise trade receivables, other receivables and prepayments (excluding prepayments, advances to suppliers and prepayments for construction in progress), cash and bank balances and fixed deposits.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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 customers advances) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

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).

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

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.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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.

2.19 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.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

2. Summary of significant accounting policies (Continued)

2.20 Provisions (Continued)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.21 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

(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.

2.22 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.

2.23 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.

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 are the critical judgements, 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) Non-cash contributions from customers

The Group receives moulds and tooling from customers to fulfil the sales contracts in producing packaging products. The assessment requires significant judgement in determining whether the Group has the ability to direct the use of, and obtain substantially all of the remaining benefits from, these assets. Management has determined that the Group does not have control over moulds and tooling contributed by customers and has not accounted this as non-cash consideration.

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. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. A loss allowance of RMB685,175 (31 December 2017: RMB1,304,928, 1 January 2017: RMB3,050,773) was recognised as at 31 December 2018.

(ii) Inventory valuation method

Inventories are valued at the lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from the market of similar items. 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 2018 was RMB82,163,735 (31 December 2017: RMB75,170,401, 1 January 2017: RMB72,437,361).

4. Revenue

Disaggregation of revenue

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

Segments	Group					
	Rigid packaging		Flexible packaging		Total	
	2018 RMB	2017 RMB	2018 RMB	2017 RMB	2018 RMB	2017 RMB
Primary geographical markets						
People's Republic of China ("PRC")	442,441,367	396,104,969	231,460,591	271,604,525	673,901,958	667,709,494
Europe	3,041,938	4,935,180	189,158	-	3,231,096	4,935,180
Hong Kong, PRC	7,598,195	10,001,382	7,699,405	9,735,340	15,297,600	19,736,722
America	1,219,576	1,253,755	3,680,678	5,122,579	4,900,254	6,376,334
Australia	11,572,737	6,628,148	-	-	11,572,737	6,628,148
Other Asia region excluding PRC	6,042,463	8,954,994	9,208,142	8,674,152	15,250,605	17,629,146
	471,916,276	427,878,428	252,237,974	295,136,596	724,154,250	723,015,024
Type of customers						
Corporate	471,916,276	427,878,428	252,237,974	295,136,596	724,154,250	723,015,024

5. Other income

	Group	
	2018 RMB	2017 RMB
Amortisation of deferred government subsidy related to assets*	915,430	767,765
Foreign exchange gains, net	-	196,993
Government subsidies related to expenditure	3,183,324	1,523,100
Interest income - bank deposits	452,603	532,675
Miscellaneous income**	775,345	577,079
Rental income - investment property	109,401	137,143
Rental income - office premises	214,867	174,628
Income from sales of raw materials	1,807,303	4,202,773
Service income	1,191,838	391,931
	8,650,111	8,504,087

* Various government subsidies have been received mainly from the People's Republic of China 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.

6. Finance costs

	Group 2018 RMB	Group 2017 RMB
Interest expense on borrowings	18,235,897	13,689,611

7. (Loss)/Profit before income tax

The above is arrived at after charging/(crediting):

	Group 2018 RMB	Group 2017 RMB
Cost of sales		
Cost of inventories recognised as an expense	586,928,072	560,356,004
Included in the above are:		
Direct labour costs	74,919,312	69,175,459
Depreciation of property, plant and equipment	53,724,741	45,442,736
Operating lease expenses – factory space	1,585,657	1,117,177
Write-back of inventories	(200,032)	(745,227)
Distribution expenses		
Advertisement and promotional expenses	24,734	24,717
Depreciation of property, plant and equipment	227,779	204,152
Entertainment expenses	2,863,732	3,002,509
Employee benefits expense		
- Salaries, bonuses and allowances	6,534,879	5,431,233
- Contributions to defined contribution plans	467,954	404,264
- Staff welfare	153,877	101,272
Operating lease expenses – sales offices	199,800	265,000
Transportation costs	27,544,757	26,781,528
Travelling and accommodation expenses	1,913,991	2,152,407
Upkeep of motor vehicles expenses	587,365	716,093

7. (Loss)/Profit before income tax (Continued)

The above is arrived at after charging/(crediting): (Continued)

	Group	
	2018	2017
	RMB	RMB
Administrative expenses		
Reversal of loss allowance for trade receivables	(533,707)	(1,714,002)
Amortisation of prepaid lease payments	1,288,313	1,438,175
Audit fee		
- Auditors of the Company	470,548	456,403
- Other auditors (a member firm of BDO International Limited)	523,109	509,000
- Other auditors	34,283	35,004
Non-audit fee		
- Auditors of the Company	14,704	14,649
Bank charges	668,590	726,092
Depreciation of investment property	17,406	17,406
Depreciation of property, plant and equipment	4,921,371	4,786,073
Directors' remuneration[(1)]		
- Directors' fees	796,151	795,081
- Salaries, bonuses and allowances	7,599,274	8,033,309
- Contributions to defined contribution plans	175,170	221,139
Duty and tax	5,499,102	6,188,360
Employee benefits expense[(1)]		
- Salaries, bonuses and allowances	11,059,417	12,412,890
- Contributions to defined contribution plans	1,258,729	1,188,158
- Other related costs	1,736,714	1,592,937
Foreign exchange loss, net	1,259,209	-
Loss on disposal of property, plant and equipment	464,785	90,439
Loss on property, plant and equipment written off	678,015	-
Office repairs and maintenance expenses	264,809	145,619
Operating lease expenses – office premises	781,353	664,820
R&D expenditure[(2)]	30,485,290	30,387,026
Telephone and fax charges	1,084,326	1,121,466
Travelling and accommodation expenses	2,924,420	2,469,348

(1) Directors' remuneration is included in key management personnel remuneration as disclosed in Note 34 to the financial statements.

(2) Employee benefit expense for R&D division of RMB14,162,011 (2017: RMB13,310,217) is included in R&D expenditure.

8. Income tax (credit)/expense

	Group	
	2018	**2017**
	RMB	**RMB**
Current income tax		
- current financial year	899,707	2,409,336
Withholding tax	-	831,455
	899,707	3,240,791
Deferred tax		
- current financial year	(1,095,870)	(599,898)
	(196,163)	2,640,893

Subsidiaries of the Group which are incorporated in People's Republic of China are subject to China income tax of 25% except for Foshan Southern Packaging Co., Ltd and Southern Packaging (Jiangsu) 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 ending 31 December 2019. Southern (HK) Packaging Company Limited, a subsidiary incorporated in Hong Kong is subject to Hong Kong income tax of 16.5%.

The income tax expense varies from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to (loss)/profit before income tax and resulting the following differences:

	Group	
	2018	**2017**
	RMB	**RMB**
(Loss)/Profit before income tax	(2,421,118)	28,318,376
Tax at Singapore statutory income tax rate	(411,590)	4,814,124
Tax effect of expenses that are not deductible in determining taxable profit	2,259,888	3,243,061
Tax effect of income that are not taxable in determining taxable profit	(170,841)	(820,351)
Enhanced tax deductions	(1,790,724)	(1,190,171)
Utilisation of previously unrecognised deferred tax benefits	-	(2,224,481)
Recognition of previously unrecognised deferred tax benefits	-	(1,369,939)
Effect of different tax rates of overseas operations	(82,896)	(642,805)
Withholding tax	-	831,455
Income tax (credit)/expense for the financial year	(196,163)	2,640,893

9. Earnings per share

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

	Group	
	2018	**2017**
The calculation of basic earnings per share is based on:		
(Loss)/Profit for the financial year attributable to owners of the parent (RMB)	(2,224,955)	25,677,483
Number of ordinary shares	70,319,164	70,319,164
Earnings per share (RMB cents)		
- Basic earnings per share	(3.16)	36.52

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

10. Property, plant and equipment

	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Group							
Cost							
Balance as at 1 January 2018	266,886,630	461,007,081	217,763,806	13,608,736	340,589	47,232,077	1,006,838,919
Additions	863,212	13,013,854	11,938,592	63,675	-	22,746,505	48,625,838
Disposals	-	(6,211,814)	-	(226,660)	-	-	(6,438,474)
Written off	-	(8,842,440)	(766,650)	-	-	-	(9,609,090)
Reclassification	17,291,477	28,918,635	-	-	-	(46,210,112)	-
Transfer to property under development	-	-	-	-	-	(1,136,216)	(1,136,216)
Currency translation differences	-	-	4,912	-	16,420	-	21,332
Balance as at 31 December 2018	285,041,319	487,885,316	228,940,660	13,445,751	357,009	22,632,254	1,038,302,309
Accumulated depreciation							
Balance as at 1 January 2018	41,389,910	262,007,449	157,383,247	8,855,344	340,589	-	469,976,539
Depreciation for the financial year	12,498,345	26,817,432	18,541,942	1,016,172	-	-	58,873,891
Disposals	-	(5,336,144)	-	(215,327)	-	-	(5,551,471)
Written off	-	(8,230,287)	(700,788)	-	-	-	(8,931,075)
Currency translation differences	-	-	4,674	-	16,420	-	21,094
Balance as at 31 December 2018	53,888,255	275,258,450	175,229,075	9,656,189	357,009	-	514,388,978
Accumulated impairment loss							
Balance as at 1 January 2018 and 31 December 2018	-	182,482	28,244	-	-	-	210,726
Carrying amount							
Balance as at 31 December 2018	231,153,064	212,444,384	53,683,341	3,789,562	-	22,632,254	523,702,605

10. Property, plant and equipment (Continued)

	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Group							
Cost							
Balance as at 1 January 2017	251,405,926	399,586,951	203,283,996	12,577,110	364,466	17,859,215	885,077,664
Additions	2,408,725	13,819,867	11,261,299	1,950,126	-	97,007,166	126,447,183
Disposals	-	(3,366,193)	(5,256)	(918,500)	-	(365,343)	(4,655,292)
Reclassification	13,071,979	50,966,456	3,230,526	-	-	(67,268,961)	-
Currency translation differences	-	-	(6,759)	-	(23,877)	-	(30,636)
Balance as at 31 December 2017	266,886,630	461,007,081	217,763,806	13,608,736	340,589	47,232,077	1,006,838,919
Accumulated depreciation							
Balance as at 1 January 2017	30,032,811	244,499,973	139,011,283	8,423,837	364,466	-	422,332,370
Depreciation for the financial year	11,357,099	19,390,297	18,381,483	1,304,082	-	-	50,432,961
Disposals	-	(1,882,821)	(2,760)	(872,575)	-	-	(2,758,156)
Currency translation differences	-	-	(6,759)	-	(23,877)	-	(30,636)
Balance as at 31 December 2017	41,389,910	262,007,449	157,383,247	8,855,344	340,589	-	469,976,539
Accumulated impairment loss							
Balance as at 1 January 2017 and 31 December 2017	-	182,482	28,244	-	-	-	210,726
Carrying amount							
Balance as at 31 December 2017	225,496,720	198,817,150	60,352,315	4,753,392	-	47,232,077	536,651,654
Balance as at 1 January 2017	221,373,115	154,904,496	64,244,469	4,153,273	-	17,859,215	462,534,568

10. Property, plant and equipment (Continued)

	Furniture, fixture and equipment RMB
Company	
Cost	
Balance as at 1 January 2018 and 31 December 2018	28,074
Accumulated depreciation	
Balance as at 1 January 2018 and 31 December 2018	28,074
Carrying amount	
Balance as at 31 December 2018	-
Cost	
Balance as at 1 January 2017 and 31 December 2017	28,074
Accumulated depreciation	
Balance as at 1 January 2017 and 31 December 2017	28,074
Carrying amount	
Balance as at 1 January 2017 and 31 December 2017	-

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	
	2018 RMB	**2017 RMB**
Additions to property, plant and equipment	48,625,838	126,447,183
Trade payables	(25,137,649)	(23,753,922)
Cash payments to acquire property, plant and equipment	23,488,189	102,693,261

The Group has pledged buildings and plant and machinery with carrying amounts of RMB121,533,292 (31 December 2017: RMB127,127,588, 1 January 2017: RMB118,627,759) and RMB88,599,071 (31 December 2017: RMB93,825,981, 1 January 2017: RMB23,481,013) respectively to secure banking facilities granted to the Group (Note 24).

11. Investment property

	Group RMB
Cost	
Balance as at 1 January 2018 and 31 December 2018	732,859
Accumulated depreciation	
Balance as at 1 January 2018	280,304
Depreciation for the financial year	17,406
Balance as at 31 December 2018	297,710
Carrying amount	
Balance as at 31 December 2018	435,149
Cost	
Balance as at 1 January 2017 and 31 December 2017	732,859
Accumulated depreciation	
Balance as at 1 January 2017	262,898
Depreciation for the financial year	17,406
Balance as at 31 December 2017	280,304
Carrying amount	
Balance as at 31 December 2017	452,555
Balance as at 1 January 2017	469,961

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, People's Republic of China.

The Group's investment property is leased out under operating leases and generate rental income amounted to RMB109,401 (2017: RMB137,143). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to RMB19,386 (2017: RMB24,302).

The Group's investment property has been pledged to secure banking facilities granted to the Group (Note 24).

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

12. Investments in subsidiaries

	Company		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Unquoted equity contribution/shares, at cost	456,236,365	456,236,365	441,050,108
Deemed investment arising from the issuance of financial guarantees	9,696,560	9,696,560	8,262,633
	465,932,925	465,932,925	449,312,741

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 24) in prior years.

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Country of incorporation (or registration) and place of business	Effective equity interest held by the Group 2018 %	Effective equity interest held by the Group 2017 %	Principal activities
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	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.

Increase in investments in subsidiaries

As at 31 December 2017, the Company injected additional capital amounted to RMB15,186,257, by way of reinvesting part of dividends declared from its subsidiary, Southern Packaging (Jiangsu) Co., Ltd. as registered and paid-up capital.

12. Investments in subsidiaries (Continued)

Significant restrictions

As at 31 December 2018, cash and bank balances and fixed deposits pledged amounted to RMB66,561,679 (31 December 2017: RMB115,978,503, 1 January 2017: RMB103,633,183) held in People's Republic of China 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.

13. Prepaid lease payments

	Group RMB
Cost	
Balance as at 1 January 2018	70,325,827
Transfer to property under development (Note 15)	(18,002,835)
Balance as at 31 December 2018	52,322,992
Accumulated amortisation	
Balance as at 1 January 2018	11,276,690
Amortisation for the financial year	1,288,313
Transfer to property under development (Note 15)	(2,070,415)
Balance as at 31 December 2018	10,494,588
Carrying amount as at 31 December 2018	41,828,404
Cost	
Balance as at 1 January 2017 and 31 December 2017	70,325,827
Accumulated amortisation	
Balance as at 1 January 2017	9,838,515
Amortisation for the financial year	1,438,175
Balance as at 31 December 2017	11,276,690
Carrying amount as at 31 December 2017	59,049,137
Carrying amount as at 1 January 2017	60,487,312

Prepaid lease payments represent land use rights held by subsidiaries in the People's Republic of China.

Prepaid lease payments 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 People's Republic of China.

The Group has pledged certain of its land use rights with carrying amount of RMB41,205,430 (31 December 2017: RMB41,722,783, 1 January 2017: 42,690,491) to secure banking facilities granted to the Group (Note 24).

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

14. 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	Prepaid lease payments RMB	Tax losses* RMB	Total RMB
Group						
Balance as at 1 January 2018	390,808	2,110,526	(1,000,000)	(2,421,367)	1,369,939	449,906
(Charged)/Credited to profit or loss	(115,574)	(137,314)	-	31,505	1,317,253	1,095,870
Balance as at 31 December 2018	275,234	1,973,212	(1,000,000)	(2,389,862)	2,687,192	1,545,776
Balance as at 1 January 2017	1,266,155	3,709,484	(1,000,000)	(4,125,631)	-	(149,992)
(Charged)/Credited to profit or loss	(875,347)	(1,598,958)	-	1,704,264	1,369,939	599,898
Balance as at 31 December 2017	390,808	2,110,526	(1,000,000)	(2,421,367)	1,369,939	449,906

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
31 December 2018	
Deferred tax assets	2,545,776
Deferred tax liabilities	(1,000,000)
	1,545,776
31 December 2017	
Deferred tax assets	1,449,906
Deferred tax liabilities	(1,000,000)
	449,906
1 January 2017	
Deferred tax assets	2,163,147
Deferred tax liabilities	(2,313,139)
	(149,992)

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

Unutilised tax losses

At the end of the financial year, the Group had unutilised tax losses of approximately RMB17,914,613 (31 December 2017: RMB9,132,927, 1 January 2017: RMB23,962,800) 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 People's Republic of China. The expiry dates for tax losses arising in certain foreign tax jurisdictions are as follows:

		Group		
Year incurred	**Year of expiry**	**31 December 2018**	**31 December 2017**	**1 January 2017**
2016	2021	9,132,927	9,132,927	23,962,800
2018	2023	8,781,686	-	-
		17,914,613	9,132,927	23,962,800

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 2018, total unremitted earnings of certain subsidiaries in the People's Republic of China amounted to RMB97,658,300 (31 December 2017: RMB102,213,000, 1 January 2017: RMB107,501,000). 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 2018, a deferred tax liability of RMB1,000,000 (31 December 2017: RMB1,000,000, 1 January 2017: 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 RMB78,127,000 (31 December 2017: RMB81,770,000, 1 January 2017: RMB86,000,000) 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.

15. Property under development

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	RMB	**RMB**	**RMB**
Prepaid lease payments (Note 13)	15,932,420	-	-
Development costs	49,193,137	-	-
	65,125,557	-	-

At 31 December 2018, property under development amounted to RMB65,125,557 are expected to be recovered within its operating cycle. On completion, the properties will be transferred to properties held for sale.

15. Property under development (Continued)

Contingent liability

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 San Shan land use rights at a sale price of RMB17.47 million. The period of the land use rights is 50 years.

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.

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.

As at end 31 December 2018, FSP had obtained two out of three key permits required to commence construction on San Shan Lands. On 25 January 2019, FSP had obtained the third key permit ("construction permit") and the entire construction process is estimated to take about 1.5 to 2 years.

Management has estimated the liquidated damages to be approximately RMB4.418 million (31 December 2017: RMB1.724 million, 1 January 2017: Nil). As at the date of the financial statements, no impairment loss on San Shan 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:

- 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;

- 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 during the financial year; and

- All permits required to commence construction have been obtained on 25 January 2019.

16. Inventories

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Raw materials and consumables	41,235,130	40,542,914	35,573,154
Work in progress	4,618,807	10,167,566	6,032,918
Finished goods	36,309,798	24,459,921	30,831,289
	82,163,735	75,170,401	72,437,361

During the financial year ended 31 December 2018, the Group carried out a review of the realisable values of its inventories and recognised a reversal of RMB200,032 (2017: RMB745,227) being part of an inventory write-down made in the previous financial years. The reversal was a result of inventories being sold above their carrying amount in the current financial year.

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

17. Trade receivables

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Trade receivables			
- third parties	139,040,186	143,893,590	129,360,742
- a related party	2,364,477	3,019,720	88,035
	141,404,663	146,913,310	129,448,777
Bills receivables	23,373,622	23,542,142	29,124,611
	164,778,285	170,455,452	158,573,388
Less: Loss allowance for trade receivables – third parties	(685,175)	(1,304,928)	(3,050,773)
	164,093,110	169,150,524	155,522,615

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.

17. Trade receivables (Continued)

As at 31 December 2018, the range of expected loss rate for Group's non-credit impaired trade receivables are as follows:

	Group 31 December 2018
By geographical areas	
People's Republic of China ("PRC")	0%-3.17%
Europe	0%
Hong Kong, PRC	0%
America	0%
Australia	0%
Other Asia region excluding PRC	0%

The Group has assessed that the ECL allowance arising from non-credit impaired trade receivables is insignificant.

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
By geographical areas			
People's Republic of China ("PRC")	154,860,127	156,466,727	144,398,049
Europe	781,682	1,097,328	284,223
Hong Kong, PRC	1,190,545	2,864,201	3,557,196
America	855,185	726,566	5,333,370
Australia	3,562,652	3,454,382	-
Other Asia region excluding PRC	2,842,919	4,541,320	1,949,777
Total trade receivables	164,093,110	169,150,524	155,522,615

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

	Group		
	31 December 2018	31 December 2017	1 January 2017
	ECL model	Incurred loss model	
	RMB	RMB	RMB
Not past due and not impaired	154,014,766	155,507,081	145,499,959
Past due but not impaired (i)	10,078,344	13,643,443	10,022,656
Credit impaired receivables (ii)	685,175	1,304,928	3,050,773
Less: Loss allowance for trade receivables	(685,175)	(1,304,928)	(3,050,773)
	164,093,110	169,150,524	155,522,615

17. Trade receivables (Continued)

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
<90 days	6,412,933	9,260,023	6,103,373
91 to 180 days	3,543,164	4,275,543	3,919,283
181 to 365 days	13,235	11,993	-
>365 days	109,012	95,884	-
	10,078,344	13,643,443	10,022,656

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 hold any collateral over these balances.

(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	
	2018 RMB	2017 RMB
At 1 January	1,304,928	3,050,773
Reversal recognised in profit or loss	(533,707)	(1,714,002)
Currency translation differences	(86,046)	(31,843)
At 31 December	685,175	1,304,928

During the financial year ended 31 December 2018, the Group recognised a reversal of loss allowance for trade receivables amounting to RMB533,707 (2017: RMB1,714,002) as there were collections received from the customers on which impairment was previously provided for.

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:			
United States Dollar	7,985,918	9,623,011	7,694,726

18. Other receivables and prepayments

	Group			Company		
	31 December 2018 RMB	31 December 2017 RMB (Restated)	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Other receivables						
- third parties	4,717,963	2,910,466	3,658,605	15,019	14,649	14,399
- subsidiaries	-	-	-	1,290,103	1,290,104	678,810
	4,717,963	2,910,466	3,658,605	1,305,122	1,304,753	693,209
Advances to suppliers	16,356,744	22,065,833	32,512,800	-	-	-
Refundable deposits	3,172,199	1,577,576	1,804,881	-	-	-
Value added tax	4,468,720	4,560,176	-	-	-	-
Prepayments for construction in progress	90,000	640,612	1,335,764	-	-	-
Prepayments	83,854	753,027	2,535,957	-	-	-
Other receivables and prepayments	28,889,480	32,507,690	41,848,007	1,305,122	1,304,753	693,209
Add:						
Trade receivables	164,093,110	169,150,524	155,522,615	-	-	-
Cash and bank balances	66,475,324	115,380,923	106,690,487	1,437,190	535,566	1,305,318
Fixed deposits	12,252,170	13,998,721	7,902,619	-	-	-
Less:						
Advances to suppliers	(16,356,744)	(22,065,833)	(32,512,800)	-	-	-
Value added tax	(4,468,720)	(4,560,176)	-	-	-	-
Prepayments for construction in progress	(90,000)	(640,612)	(1,335,764)	-	-	-
Prepayments	(83,854)	(753,027)	(2,535,957)	-	-	-
Financial assets at amortised cost/ Loans and receivables (2017)	250,710,766	303,018,210	275,579,207	2,742,312	1,840,319	1,998,527

Other receivables from third parties relate mainly advances to third parties and non-trade balances due from customers. These 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.

18. Other receivables and prepayments (Continued)

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

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Denominated in:						
Singapore dollar	15,019	14,649	14,399	15,019	14,649	14,399
Japanese yen	-	-	145,402	-	-	-

19. Cash and cash equivalents

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Cash and bank balances	66,475,324	115,380,923	106,690,487	1,437,190	535,566	1,305,318
Fixed deposits (Note 20)	12,252,170	13,998,721	7,902,619	-	-	-
	78,727,494	129,379,644	114,593,106	1,437,190	535,566	1,305,318
Less: Fixed deposits pledged	(12,252,170)	(13,041,806)	(7,902,619)			
Cash and cash equivalents as shown in the statements of cash flows	66,475,324	116,337,838	106,690,487			

Cash at bank earns interest of 0.30% (31 December 2017: 0.30%, 1 January 2017: 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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Denominated in:						
Euro	58,631	62,946	61,883	-	-	-
United States dollar	18,844,381	12,215,507	12,321,324	81,994	78,024	82,792
Hong Kong dollar	352,316	214,819	138,140	73,851	74,570	75,280
Singapore dollar	1,281,345	382,972	1,147,246	1,281,345	382,972	1,147,246
Japanese yen	2	2	2	-	-	-

20. Fixed deposits

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Fixed deposits	-	956,915	-
Fixed deposits pledged	12,252,170	13,041,806	7,902,619
	12,252,170	13,998,721	7,902,619

The Group has pledged fixed deposits of RMB12,252,170 (31 December 2017: RMB13,041,806, 1 January 2017: RMB7,902,619) to secure short-term borrowings. The fixed deposits earn interest of 1.1% (31 December 2017: 1.1% to 1.35%, 1 January 2017: 1.35%) per annum and for a tenure of approximately 60 days to 90 days.

Fixed deposits are denominated in Chinese renminbi.

21. Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		RMB	RMB
Issued and paid up				
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.

22. Reserves

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Capital contribution	12,638,812	12,638,812	12,638,812
Statutory reserve	56,937,599	56,292,235	55,313,017
Foreign currency translation account	(2,274,444)	(3,112,168)	(2,055,776)
	67,301,967	65,818,879	65,896,053

22. Reserves (Continued)

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

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.

23. Deferred government subsidies

	Group	
	31 December 2018 RMB	31 December 2017 RMB
Balance as at the beginning of the financial year	14,070,170	14,837,935
Recognised as income during the financial year (Note 5)	(915,430)	(767,765)
Balance as at the end of the financial year	13,154,740	14,070,170
Portion classified as current liabilities	(915,430)	(915,430)
Portion classified as non-current liabilities	12,239,310	13,154,740

As at 1 January 2017, current and non-current liabilities of deferred government subsidies amounted to RMB561,035 and RMB14,276,900 respectively.

23. Deferred government subsidies (Continued)

The Group received subsidies from the People's Republic of China 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 2018 for the purchase of land use rights and plant and machinery were RMB 5,904,880 (31 December 2017: RMB6,045,114, 1 January 2017: RMB6,185,348) and RMB 7,249,859 (31 December 2017: RMB8,025,056, 1 January 2017: RMB8,652,587) respectively.

24. Borrowings

	Group		
	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB
Bank borrowings			
- Bank A	82,589,600	50,000,000	41,000,000
- Bank B	62,845,000	113,797,500	114,395,000
- Bank C	11,000,000	-	15,000,000
- Bank D	36,745,340	46,066,273	16,584,425
- Bank E	378,333	3,167,354	6,066,713
- Bank F	16,171,750	14,960,000	3,000,000
- Bank G	-	-	20,000,000
- Bank H	31,153,928	28,171,031	9,885,000
- Bank I	25,000,000	20,000,000	-
- Bank J	6,831,368	5,414,523	-
Other financial institution	6,981,087	-	-
	279,696,406	281,576,681	225,931,138
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(254,929,404)	(184,142,991)	(167,034,638)
Amounts due for settlement after 12 months	24,767,002	97,433,690	58,896,500

The borrowings have average effective interest rates ranging from 3.32% to 6.50% (31 December 2017: 2.32% to 7.36%, 1 January 2017: 2.20% to 7.36%) per annum with maturity dates ranging from 4 January 2019 to 30 September 2021 (31 December 2017: 2 January 2018 to 18 December 2020, 1 January 2017: 21 January 2017 to 29 November 2019).

Borrowings of RMB135.6 million (31 December 2017: RMB171.8 million, 1 January 2017: RMB129.9 million) are arranged at fixed interest rates ranging from 4.90% to 6.175% (31 December 2017: 2.32% to 6.175%, 1 January 2017: 2.20% to 5.66%) per annum and expose the Group to fair value interest rate risk. Other borrowings of RMB144.1 million (31 December 2017: RMB109.8 million, 1 January 2017: RMB96 million) are arranged at floating rates based on prevailing interbank rate in the People's Republic of China, thus exposing the Group to cash flow interest rate risk.

24. Borrowings (Continued)

The Group has borrowings as follows:

a) Borrowings obtained from Bank A are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, investment property and supported by individual guarantee by a Director/shareholder of the Company and a subsidiary.

b) Borrowings obtained from Bank B are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, fixed deposits pledged and supported by a corporate guarantee by the Company.

c) Borrowings obtained from Bank C are supported by a corporate guarantee by the Company.

d) Borrowings obtained from Bank D amounting to RMB18.6 million (31 December 2017: RMB16.8 million, 1 January 2017: RMB16.6 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 RMB18.1 million (31 December 2017: RMB29.3million, 1 January 2017: Nil) are secured by a charge over certain of the Group's property, plant and equipment.

e) Borrowings obtained from Bank E are supported by a corporate guarantee by the Company.

f) Borrowings obtained from Bank F are secured by a charge over the Group's fixed deposits pledged and supported by a corporate guarantee by the Company.

g) Borrowings obtained from Bank G are secured by a charge over certain of the Group's prepaid lease payments.

h) Borrowings obtained from Bank H amounting to RMB22 million (31 December 2017: RMB18 million, 1 January 2017: RMB9.9 million) are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, fixed deposits pledged and supported by a corporate guarantee by the Company. The remaining borrowings obtained from the Bank H amounting to RMB9.2 million (31 December 2017: RMB10.2 million, 1 January 2016: Nil) are secured by a charge over certain of the Group's property, plant and equipment.

i) Borrowings obtained from Bank I are secured by a charge over certain of the Group's prepaid lease payments.

j) Borrowings obtained from Bank J are supported by a corporate guarantee by the Company.

k) Borrowing obtained from other financial institution is secured by a charge over certain of the Group's property, plant and equipment.

24. Borrowings (Continued)

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:			
United States dollar	27,799,301	8,581,877	6,066,713
Japanese yen	-	4,409,610	4,090,326

25. Trade payables

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Third parties	109,632,839	120,305,915	103,952,721

The average credit period on purchases of goods is 3 months.

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:			
Euro	171,801	141,777	132,773
Japanese yen	-	571,884	-
United States dollar	9,449,867	5,836,218	4,822,395

26. Other payables

	Group			Company		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Other payables						
- third parties	4,511,764	4,578,096	3,432,297	-	-	-
- a related party	2,332,575	2,332,575	2,332,575	-	-	-
- subsidiaries	-	-	-	22,876,525	9,984,937	3,196,879
	6,844,339	6,910,671	5,764,872	22,876,525	9,984,937	3,196,879
Financial guarantee contracts	-	-	-	343,041	1,489,345	1,789,110
Accrued expenses	17,957,323	18,533,075	17,384,800	2,224,672	2,566,945	2,644,127
Customers advances	7,098,798	7,151,776	4,915,675	-	-	-
Other payables	31,900,460	32,595,522	28,065,347	25,444,238	14,041,227	7,630,116
Add:						
Trade payables	109,632,839	120,305,915	103,952,721	-	-	-
Borrowings	279,696,406	281,576,681	225,931,138	-	-	-
Less:						
Customers advances	(7,098,798)	(7,151,776)	(4,915,675)	-	-	-
Other financial liabilities at amortised cost	414,130,907	427,326,342	353,033,531	25,444,238	14,041,227	7,630,116

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

The balance due to a related party, which is a company controlled by two Directors 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.

The customers advances represent deposits for goods ordered and are unsecured, non-interest bearing and expected to be utilised 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		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Denominated in:						
Hong Kong dollar	-	-	-	22,496,875	9,605,286	2,817,229
Singapore dollar	2,224,672	4,056,290	4,433,236	2,224,672	4,056,290	4,433,236

27. Operating lease commitments

The Group as lessee

	Group		
	31 December 2018 RMB	**31 December 2017 RMB**	**1 January 2017 RMB**
Minimum lease payments under operating leases recognised as expense during the financial year	2,687,371	2,190,952	1,881,971

At the end of the financial year, the Group has outstanding commitments under non-cancellable operating leases for the rental of factory space/office premises/sales offices, which fall due as follows:

	Group		
	31 December 2018 RMB	**31 December 2017 RMB**	**1 January 2017 RMB**
Not later than one year	2,281,405	2,658,608	2,505,563
Later than one year and not later than five years	-	2,484,523	-
	2,281,405	5,143,131	2,505,563

Leases are negotiated and rentals are fixed for an average term of 1 to 2 years (31 December 2017: 1 to 5 years, 1 January 2017: 1 to 2 years).

The Group as lessor

The Group rents out its investment property and office premises in the People's Republic of China under operating leases. Property rental income earned during the financial year was RMB324,268 (2017: RMB311,771). Leases are negotiated and rentals are fixed for an average term of 1 to 3 years (2017: 1 to 3 years).

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

	Group		
	31 December 2018 RMB	**31 December 2017 RMB**	**1 January 2017 RMB**
Not later than one year	243,371	164,286	254,286
Later than one year and not later than five years	31,429	9,524	125,714
	274,800	173,810	380,000

28. Capital commitments

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

	Group		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Capital expenditure contracted but not provided for			
- Commitments for the acquisition of property, plant and equipment	9,036,603	6,604,073	8,953,701

29. Dividends

	Group and Company	
	31 December 2018 RMB	31 December 2017 RMB
Final tax-exempt dividends of S$0.0036 per ordinary share in respect of the financial year ended 31 December 2017	1,212,259	-
Final tax-exempt dividends of S$0.012 per ordinary share in respect of the financial year ended 31 December 2016	-	4,167,676
	1,212,259	4,167,676

30. 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 polythylene 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.

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30. Segment information (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.23. 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, prepaid lease payments, trade receivable - a related party, value added tax, investment property and deferred tax 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, current income tax payable, deferred government subsidies, other payables – a related party and deferred tax 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.

30. 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	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Gro up								
Revenue								
External sales	471,916,276	427,878,428	252,237,974	295,136,596	-	-	724,154,250	723,015,024
Results								
Segment gross profits	90,647,178	104,580,992	46,579,000	58,078,028	-	-	137,226,178	162,659,020
Allocated expense	(78,161,396)	(71,955,963)	(41,312,245)	(46,262,609)	-	-	(119,473,641)	(118,218,572)
Allocated income	2,375,105	3,946,481	638,370	3,172,394	-	-	3,013,475	7,118,875
Segment result	14,860,887	36,571,510	5,905,125	14,987,813	-	-	20,766,012	51,559,323
Unallocated expenses							(10,587,869)	(10,936,548)
Unallocated income							5,184,033	852,537
Interest income							452,603	532,675
Interest expense							(18,235,897)	(13,689,611)
(Loss)/Profit before income tax							(2,421,118)	28,318,376
Income tax credit/(expense)							196,163	(2,640,893)
(Loss)/Profit for the financial year attributable to owners of the parent							(2,224,955)	25,677,483

30. Segment information (Continued)

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

Segment revenue, results and assets (Continued)

	Rigid packaging			Flexible packaging			Property development			Consolidated		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Assets												
Segment assets	553,082,334	539,764,836	527,594,567	238,918,383	266,120,888	204,533,612	65,125,557	-	-	857,126,274	805,885,724	732,128,179
Unallocated corporate assets										130,385,036	197,925,787	177,927,898
Consolidated total assets										987,511,310	1,003,811,511	910,056,077
Liabilities												
Segment liabilities	85,841,113	84,306,796	69,659,393	51,057,322	62,976,242	57,211,646	-	-	-	136,898,435	147,283,038	126,871,039
Unallocated corporate liabilities										303,647,339	306,963,447	254,073,427
Consolidated total liabilities										440,545,774	454,246,485	380,944,466

30. Segment information (Continued)

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Rigid packaging	30,874,862	109,216,755	40,218,676	32,061,629
Flexible packaging	17,750,976	17,230,428	18,655,214	18,371,332
Unallocated segments	-	-	1,305,720	1,455,581
	48,625,838	126,447,183	60,179,610	51,888,542

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 People's Republic of China.

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		
	2018	2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB
People's Republic of China ("PRC")	673,901,958	667,709,494	565,959,163	596,153,346	523,491,841
Europe	3,231,096	4,935,180	-	-	-
Hong Kong, PRC	15,297,600	19,736,722	6,995	-	-
America	4,900,254	6,376,334	-	-	-
Australia	11,572,737	6,628,148	-	-	-
Other Asia region excluding PRC	15,250,605	17,629,146	-	-	-
	724,154,250	723,015,024	565,966,158	596,153,346	523,491,841

Information about major customers

Included in revenue arising from rigid packaging and flexible packaging are revenues of RMB160,256,824 (2017: RMB130,004,499) and RMB10,542,699 (2017: RMB12,823,692) respectively which arose from sales to the Group's largest customer.

31. 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 26% (31 December 2017: 20%, 1 January 2017: 19%) of the Group's trade receivable from third parties were due from 3 (31 December 2017: 3, 1 January 2017: 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 17 to the financial statements.

Bank balances (including fixed deposits)

The Group and Company held bank balances (including fixed deposits) of RMB78,724,121 and RMB1,437,190 respectively (31 December 2017: RMB128,991,228 and RMB535,566, 1 January 2017: RMB114,023,247 and RMB1,305,318) as at 31 December 2018. The 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.

31. 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 RMB137.9 million (31 December 2017: RMB172.1 million, 1 January 2017: RMB177.0 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 RMB137.9 million (31 December 2017: RMB172.1 million, 1 January 2017: RMB177.0 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 (31 December 2017: one year, 1 January 2017: 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.

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.

31. Financial instruments and financial risks (Continued)

(ii) Market risks (Continued)

Foreign exchange risk (Continued)

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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Group						
Euro	58,631	70,935	61,883	171,801	145,658	132,773
US$	96,778,774	99,725,995	20,016,050	107,197,643	92,613,261	10,889,108
JPY	2	2	145,404	-	4,981,494	4,090,326
HK$	352,316	214,819	138,140	22,496,875	9,605,286	2,817,229
S$	1,296,364	397,621	1,161,645	2,224,672	4,056,290	4,433,236
Company						
Euro	-	-	-	-	-	-
US$	81,994	78,024	82,792	-	-	-
JPY	-	-	-	-	-	-
HK$	73,851	74,570	75,280	22,496,875	9,605,286	2,817,229
S$	1,296,364	397,621	1,161,645	2,224,672	4,056,290	4,433,236

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 8% (31 December 2017: 4%, 1 January 2017: 7%) increase in Euro, US$, JPY, HK$ and S$ against RMB. 8% (31 December 2017: 4%, 1 January 2017: 7%) 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 8% (31 December 2017: 4%, 1 January 2017: 7%) 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.

31. 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 8% (31 December 2017: 4%, 1 January 2017: 7%) against RMB, (loss)/profit before income tax will increase/(decrease) by:

	Group			Company		
	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB	31 December 2018 RMB	31 December 2017 RMB	1 January 2017 RMB
Euro impact	(9,054)	(2,989)	(4,962)	-	-	-
US$ impact	(833,510)	284,509	638,886	6,560	3,121	5,795
JPY impact	-	(199,260)	(276,145)	-	-	-
HK$ impact	(1,771,565)	(375,619)	(187,536)	(1,793,842)	(381,229)	(191,936)
S$ impact	(74,265)	(146,347)	(229,011)	(74,265)	(146,347)	(229,011)

If the relevant foreign currency weakens by 8% (31 December 2017: 4%, 1 January 2017: 7%) 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 19, 20 and 24 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 (31 December 2017: 100 basis point, 1 January 2017: 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 (31 December 2017: 100 basis points, 1 January 2017: 100 basis points) with all other variables held constant, the Group's (loss)/profit before income tax for the financial year ended 31 December 2018 would have been lower/higher by approximately RMB944,041 (31 December 2017: higher/lower by approximately RMB719,744, 1 January 2017: higher/lower by approximately RMB841,154) 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.

31. 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	Within 2 to 5 years	Total
	%	RMB	RMB	RMB
Group				
31 December 2018				
Trade payables	-	109,632,839	-	109,632,839
Other payables*	-	24,801,662	-	24,801,662
Borrowings, fixed interest rate	5.4	130,492,879	10,595,217	141,088,096
Borrowings, variable interest rate	5.4	133,968,575	15,627,045	149,595,620
		398,895,955	26,222,262	425,118,217
31 December 2017				
Trade payables	-	120,305,915	-	120,305,915
Other payables*	-	25,443,746	-	25,443,746
Borrowings, fixed interest rate	5.0	151,577,684	28,514,433	180,092,117
Borrowings, variable interest rate	6.2	43,972,684	77,656,778	121,629,462
		341,300,029	106,171,211	447,471,240
1 January 2017				
Trade payables	-	103,952,721	-	103,952,721
Other payables*	-	23,149,672	-	23,149,672
Borrowings, fixed interest rate	4.8	124,103,350	9,879,712	133,983,062
Borrowings, variable interest rate	5.2	51,460,373	57,841,220	109,301,593
		302,666,116	67,720,932	370,387,048

31. Financial instruments and financial risks (Continued)

(iii) Liquidity risk (Continued)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Total
	%	RMB	RMB	RMB
Company				
31 December 2018				
Other payables**	-	25,101,197	-	25,101,197
Financial guarantee contracts	-	137,854,482	-	137,854,482
		162,955,679	-	162,955,679
31 December 2017				
Other payables**	-	12,551,882	-	12,551,882
Financial guarantee contracts	-	172,084,739	-	172,084,739
		184,636,621	-	184,636,621
1 January 2017				
Other payables**	-	5,841,006	-	5,841,006
Financial guarantee contracts	-	177,046,138	-	177,046,138
		182,887,144	-	182,887,144

* Excluding customers advances.

** Excluding fair value of financial guarantee contracts.

32. 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.

33. 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 plus borrowings 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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	RMB	RMB	RMB	RMB	RMB	RMB
Trade payables	109,632,839	120,305,915	103,952,721	-	-	-
Other payables	31,900,460	32,595,522	28,065,347	25,444,238	14,041,227	7,630,116
Borrowings	279,696,406	281,576,681	225,931,138	-	-	-
Less: Cash and bank balances	(66,475,324)	(115,380,923)	(106,690,487)	(1,437,190)	(535,566)	(1,305,318)
Less: Fixed deposits	(12,252,170)	(13,998,721)	(7,902,619)	-	-	-
Net debt	342,502,211	305,098,474	243,356,100	24,007,048	13,505,661	6,324,798
Equity attributable to owners of the parent	546,965,536	549,565,026	529,111,611	443,230,999	453,732,017	443,681,152
Total capital	889,467,747	854,663,500	772,467,711	467,238,047	467,237,678	450,005,950
Gearing ratio	39%	36%	32%	5%	3%	1%

Subsidiaries of the Group established in the People's Republic of China 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 People's Republic of China as disclosed in Note 22 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 2018 and 2017.

34. 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	
	2018	2017
	RMB	RMB
With certain Directors of the Company		
Rental expense	781,815	664,820
With companies in which certain Directors have control		
Rental expense	1,832,940	1,293,036
Sale of goods	(6,054,634)	(5,992,860)

The outstanding balances as at 31 December with related parties are disclosed in Notes 17 and 26 to the financial statements and are unsecured, interest-free and repayable on demand, unless otherwise stated.

Certain borrowings (Note 24) 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		Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Directors				
- Short-term benefits	7,599,274	8,033,309	5,386,255	5,855,701
- Post-employment benefits	175,170	221,139	146,464	176,210
- Directors' fees	796,151	795,081	604,151	603,081
Other key management personnel				
- Short-term benefits	1,647,130	2,122,259	547,749	504,370
- Post-employment benefits	80,932	66,571	70,071	66,572
	10,298,657	11,238,359	6,754,690	7,205,934

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

35. Restatement of comparative figures

During the financial year, management reclassified the amount of value added tax receivables that was previously classified as part of current income tax payable as at 31 December 2017 to better reflect the nature of the transactions.

The items were reclassified as follows:

	Group		
	Previously reported	Prior year reclassification	As restated
	31 December 2017	31 December 2017	31 December 2017
STATEMENT OF FINANCIAL POSITION	**RMB**	**RMB**	**RMB**
ASSETS			
Current assets			
Other receivables and prepayments	27,947,514	4,560,176	32,507,690
Liabilities			
Current liabilities			
Current income tax payable	(138,021)	(4,560,176)	(4,698,197)

As at 18 March 2019

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	17	3.40	433	0.00
100 - 1,000	104	20.80	47,292	0.07
1,001 - 10,000	249	49.80	915,252	1.30
10,001 - 1,000,000	125	25.00	7,319,474	10.41
1,000,001 and above	5	1.00	62,036,713	88.22
TOTAL	**500**	**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	9,177,251	13.05
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.	359,706	0.51
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	349,909	0.50
11	TAN SIEW KENG CHRISTINA	279,000	0.40
12	HUANG BAOJIA	277,000	0.39
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	**66,153,284**	**94.06**

SHAREHOLDERS' INFORMATION

As at 18 March 2019

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2019

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	9,177,251	13.05	–	–
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 18 March 2019, approximately 12.81% 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 IS HEREBY GIVEN that the Annual General Meeting of Southern Packaging Group Limited (the "**Company**") ("**AGM**") will be held at Minto Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2019 at 10 a.m., to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report. **Resolution 1**

2. To approve the payment of Directors' fees of S$162,160 for the financial year ended 31 December 2018. (2017: S$162,160) **Resolution 2**

3. To re-elect Mr Chen Xiang Zhi who is retiring by rotation pursuant to Article 91 of the Company's Constitution and being eligible, offer himself for re-election. **Resolution 3**

   (Explanatory Note 1)

4. To re-elect Mr Li Yonghua 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 1)

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, offers himself for re-election. **Resolution 5**

   *Note: Mr Yeung Koon Sang @ David Yeung will, upon his re-election, remains as 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

   (Explanatory Note 1)

6. To re-elect Mr Guo WeiHai who is retiring by rotation pursuant to Article 91 of the Company's Constitution and being eligible, offers himself for re-election. **Resolution 6**

   Note: Mr Guo WeiHai will, upon his re-election, remains as member of Audit, Nominating and Remuneration Committees. The Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

   (Explanatory Note 1)

7. To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS:

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

8. **Ordinary Resolution: Authority to allot and issue shares** **Resolution 8**

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 ("**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

(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 or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) 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

(4) (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 2)

9 **Ordinary Resolution: Authority to allot and issue shares at a discount**

That subject to and pursuant to the share issue mandate in the Resolution 8 above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a 10 per cent discount for new shares to the weighted average price per share determined in accordance with the requirements of the Listing Manual of the SGX-ST. **Resolution 9**

(Explanatory Note 3)

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
15 April 2019

Explanatory Notes:-

1. **Resolutions 3, 4, 5 and 6**

Detailed information of Mr Chen, Mr Li, Mr David Yeung and Mr Guo can be found under "Board of Directors", "Corporate Governance Report" and "Additional Information on Directors Seeking Re-Election" in the Company's Annual Report 2018.

2. **Resolution 8**

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.

3. **Resolution 9**

This Ordinary Resolution, if passed, will authorise the Directors, pursuant to the share issue mandate set out in Resolution 8, to allot and issue shares other than on a pro rata basis to shareholders of the Company, at a discount not exceeding 10% to the weighted average price of the shares on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day).

In exercising the authority conferred by Resolution 9, the Company shall comply with the provisions of the Listing Manual of the SGX-ST (unless such compliance has been waived by the SGX-ST), all applicable legal requirements and the Company's Constitution. Rule 811(1) of the Listing Manual of the SGX-ST presently provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day).

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where such member appoints more than one (1) proxy, the proportion of the shareholdings concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50).

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.

4. A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy two (72) hours before the time appointed for holding the meeting in order for the Depositor to be entitled to attend and vote at the AGM.

5. The instrument appointing a proxy(ies) must be deposited 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, not less than forty eight (48) hours before the time appointed for holding the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Shareholder (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including and adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

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 2018:

Name of Person	**Chen Xiang Zhi**	**Li Yonghua**	**Yeung Koon Sang @ David Yeung**	**Guo Weihai**
Date of Appointment	26 January 2010	1 February 2011	23 September 2004	27 February 2017
Date of last re-appointment	29 April 2016	28 April 2017	28 April 2017	28 April 2017
Age	56	43	69	62
Country of principal residence	China	China	Singapore	China
The Board's comments on this re-appointment	The re-election of Mr Chen was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his overall contribution and performance.	The re-election of Mr Li was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his 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.	The re-election of Mr Guo 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	Executive. He is responsible for assisting the Chairman and CEO for the development of the Group's business strategies and policies.	Executive. 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).	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Vice Chairman	Executive Director and Chief Operating Officer	Lead Independent Director, Chairman of Audit Committee and Remuneration Committee and Member of Nominating Committee	Independent Director, and member of Audit Committee, Remuneration Committee and Nominating Committee

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
Professional Qualifications	Master of Science in Management from University of Management and Technology, United States of America	MBA from Hong Kong University of Science and Technology	• Master of Social Science (Accounting) degree from the University of Birmingham, England • Practising member of the Institute of Singapore Chartered Accountants • Fellow of the Association of Chartered Certified Accountants, United Kingdom	Degree in mechanical design and manufacturing from Guangzhou Industry Polytechnic
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	None	None
Conflict of interests (including any competing business)	No	No	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
Working experience and occupation(s) during the past 10 years	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 Southern Packaging group since 2010.	Mr Li joined Foshan Southern Packaging in Dec 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. He was appointed to our Board and Chief Operating Officer on 1 February 2011.	Mr David Yeung is a director of Kreston David Yeung PAC, a company proving 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 independent director of other SGX-ST listed companies.	Mr Guo has over 35 years of overall management and operation of enterprises and institutes. He was the General Manager of Guangzhou Food Industry and Health Inspection Institute (Guangzhou Green Food Supervision and Inspection Center) between 2007 and 2013, and Guangzhou Food Inspection Institute (Guangzhou Alcohol Testing Center) between 2013 and 2016.
Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil	Nil
Other Principal Commitments Including Directorships:				
Past (for the last 5 years)	Directorships: Nil Other Principal Commitment: Nil	Directorships: Nil Other Principal Commitment: Nil	Directorships: ● ACE Achieve Infocom Ltd Other Principal Commitment: Nil	Directorships: Nil Other Principal Commitment: Guangzhou Food Inspection Institute (Guangzhou Alcohol Testing Center)

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
Present	Directorships: • 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 • Southern Packaging (Jiangsu) Co., Ltd • Foshan Jia Yu Corporate Advisory Co., Ltd • Foshan Jia Bei Le Property Management Co., Ltd Other Principal Commitment: Nil	Directorships: • Foshan Energetic Film Co., Ltd • Foshan Southern Packaging Co., Ltd • Southern (HK) Packaging Co., Ltd Other Principal Commitment: Nil	Directorships: • AEI Corporation Limited • Mary Chia Holdings Limited • Citic Envirotech Ltd • CNA Group Ltd (under judicial management) • Daxin Consulting (S) Pte Ltd • Daxin Yeung PAC • Kreston David Yeung PAC Other Principal Commitment: Nil	Directorships: Nil Other Principal Commitment: Nil
(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	No	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	Yes. A statutory demand for winding up was filed in 2015 against CNA Group Ltd, which Mr David Yeung is an independent director. Subsequent to the statutory demand, CNA Group was placed under judicial management from July 2015 until present.	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	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	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	No	No
(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	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	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	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	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	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	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	No	No

Name of Person	Chen Xiang Zhi	Li Yonghua	Yeung Koon Sang @ David Yeung	Guo Weihai
(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	No	No

SOUTHERN PACKAGING GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200313312N)

Important:
1. A relevant intermediary (as defined in Section 181 of the Companies Act (Chapter 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy Southern Packaging Group Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have queries regarding their appointment as proxies.

ANNUAL GENERAL MEETING PROXY FORM

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

of ____________________ (address)
being a member/members of **SOUTHERN PACKAGING GROUP LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (strike as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held at Minto Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for/against the resolutions to be proposed at the Meeting as indicated hereunder. In the absent of specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the meeting.

Ordinary	ORDINARY BUSINESS	No. of votes FOR*	No. of votes AGAINST*
Resolution 1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report.		
Resolution 2	Approval of Directors' fees of S$162,160 for the financial year ended 31 December 2018.		
Resolution 3	Re-election of Mr Chen Xiang Zhi as Director.		
Resolution 4	Re-election of Mr Li Yonghua as Director.		
Resolution 5	Re-election of Mr Yeung Koon Sang @ David Yeung as Director.		
Resolution 6	Re-election of Mr Guo WeiHai as Director.		
Resolution 7	Re-appointment of Messrs BDO LLP as the auditors of the Company and authorisation to the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
Resolution 8	Authority to allot and issue shares.		
Resolution 9	Authority to allot and issue shares at a discount.		

* *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "X" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" or "Against" the relevant resolution, please indicate the number of shares in the boxes provided.*

Dated this ________ day of ______________ 2019

Total Number of Shares held (Note 1)

____
Signature(s) of Members(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 instrument appointing proxy or proxies will be deemed to relate to all the Shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) (the "**Act**").

3. A proxy need not be a member of the Company.

4. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and/or SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and/or SRS Investors shall be precluded from attending the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than forty eight (48) hours before the time appointed for holding the Meeting.

6. Where an instrument appointing a proxy or proxies 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.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.

8. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

9. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the meeting, in accordance with its Constitution and Section 179 of the Act.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the Meeting, 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 15 April 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Pan Shun Ming
(Executive Chairman and Chief Executive Officer)

Chen Xiang Zhi
(Executive Director and Vice Chairman)

Pu Jinbo
(Executive Director and Deputy Chief Executive Officer)

Mai Shuying
(Executive Director)

Li Yonghua
(Executive Director and Chief Operating Officer)

Yeung Koon Sang @ David Yeung
(Lead Independent Director)

Chung Tang Fong
(Independent Director)

Chia Chor Leong
(Independent Director)

Tan Jiansheng
(Independent Director)

Guo Weihai
(Independent Director)

AUDIT COMMITTEE
Yeung Koon Sang @ David Yeung (Chairman)
Chung Tang Fong
Chia Chor Leong
Tan Jiansheng
Guo Weihai

REMUNERATION COMMITTEE
Yeung Koon Sang @ David Yeung (Chairman)
Chung Tang Fong
Chia Chor Leong
Tan Jiansheng
Guo Weihai

NOMINATING COMMITTEE
Chia Chor Leong (Chairman)
Yeung Koon Sang @ David Yeung
Chung Tang Fong
Tan Jiansheng
Guo Weihai

COMPANY SECRETARIES
Kong Wei Fung
Cheok Hui Yee

REGISTERED OFFICE
80 Robinson Road
#02-00
Singapore 068898
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F: +65 6236 4399

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place,
Singapore Land Tower #32-01,
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: Lew Wan Ming
(Appointed since the financial year ended
31 December 2017)

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

cre8
Tel: (65) 63278398

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

Co. Reg. No.: 200313312N
80 Robinson Road, #02-00
Singapore 068898

www.southern-packaging.com