

**CIRCULAR DATED 14 APRIL 2016**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY. IF YOU ARE IN ANY DOUBT ABOUT THIS CIRCULAR OR THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your shares in the capital of Southern Packaging Group Limited ("**Company**"), you should at once hand this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular. Terms appearing on the cover of this Circular have the same meanings as defined in this Circular.



**南方包裝有限公司**  
**Southern packaging group ltd.**

## **SOUTHERN PACKAGING GROUP LIMITED**

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

### **CIRCULAR TO SHAREHOLDERS**

**in relation to**

#### **THE PROPOSED DISPOSAL OF 35.0% OF THE REGISTERED AND PAID-UP CAPITAL OF FOSHAN ENERGETIC FILM CO., LTD.**

Independent Financial Adviser in relation to the Proposed Disposal

**MS Corporate Finance Pte Ltd**

**MS Corporate Finance Pte. Ltd.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200305439E)

#### **Important Dates and Times:**

Last date and time for lodgement of Proxy Form	:	27 April 2016 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	29 April 2016 at 10.00 a.m. (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same date and at the same place)
Place of Extraordinary General Meeting	:	Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882

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## DEFINITIONS

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*Except where the context otherwise requires, the following definitions apply throughout this Circular:*

<b>“Act” or “Companies Act”</b>	:	The Companies Act (Cap. 50) of Singapore, as amended, modified or supplemented from time to time.
<b>“Articles”</b>	:	The articles of association of the Company, as amended, modified or supplemented from time to time.
<b>“Associate”</b>	:	<p>(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:—</p> <p>(i) his Immediate Family;</p> <p>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</p> <p>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more;</p> <p>(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more.</p>
<b>“Associated Company”</b>	:	A company in which at least 20.0% but not more than 50.0% of its shares are held by the listed Company or Group.
<b>“Board”</b>	:	The board of directors of the Company at the date of this Circular.
<b>“BOPET film”</b>	:	Biaxially-oriented polyethylene terephthalate film.
<b>“CDP”</b>	:	The Central Depository (Pte) Limited.
<b>“Circular”</b>	:	This circular dated 14 April 2016.
<b>“Company”</b>	:	Southern Packaging Group Limited.
<b>“Completion”</b>	:	Completion of the Proposed Disposal.
<b>“Controlling Shareholder”</b>	:	<p>A person who:</p> <p>(a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares) in the Company unless the SGX-ST determines that such a person is not a controlling shareholder of the Company; or</p> <p>(b) in fact exercises control over the Company, where “control” means “the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company”.</p>
<b>“Directors”</b>	:	The directors of the Company at the date of this Circular.

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## DEFINITIONS

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<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be held on 29 April 2016 at 10.00 a.m. at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same date and at the same place).
<b>“EPS”</b>	:	Earnings per Share.
<b>“FEF”</b>	:	Foshan Energetic Film Co., Ltd.
<b>“FY”</b>	:	Financial year of the Company ending or ended 31 December, as the case may be.
<b>“Group”</b>	:	The Company and its Subsidiaries.
<b>“Hong Kong”</b>	:	Hong Kong Special Administrative Region of the People’s Republic of China.
<b>“IFA”</b>	:	The independent financial adviser in relation to the Proposed Disposal, being MS Corporate Finance Pte Ltd.
<b>“IFA Letter”</b>	:	The opinion letter of the IFA in respect of the Proposed Disposal dated 14 April 2016.
<b>“Immediate Family”</b>	:	in relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent.
<b>“Latest Practicable Date”</b>	:	31 March 2016, being the latest practicable date prior to the date of this Circular.
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended, supplemented or modified from time to time.
<b>“Notice of EGM”</b>	:	The notice of the EGM as set out in this Circular.
<b>“NTA”</b>	:	Net tangible assets.
<b>“Ordinary Resolution”</b>	:	The ordinary resolution to be passed at the EGM in respect of the Proposed Disposal.
<b>“PRC”</b>	:	The People’s Republic of China.
<b>“Proposed Disposal”</b>	:	The proposed disposal of 35.0% of the registered and paid-up capital of FEF pursuant to the SPA.
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM as set out in this Circular.
<b>“Purchaser”</b>	:	Energetic Holdings Limited, a company incorporated in Hong Kong.
<b>“Purchase Consideration”</b>	:	Has the meaning ascribed to it in section 1.2 of this Circular.
<b>“Recommending Directors”</b>	:	Has the meaning ascribed to it in section 6 of this Circular.
<b>“Register of Members”</b>	:	Register of members of the Company.
<b>“Sale Shares”</b>	:	35.0% of the registered and paid-up capital of FEF.

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## DEFINITIONS

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<b>“Securities Account”</b>	:	The securities account maintained by a Depositor with CDP but not including a securities sub-account maintained with a Depository Agent.
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited.
<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares.
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company.
<b>“SPA”</b>	:	The conditional sale and purchase agreement dated 22 March 2016 entered into between the Purchaser and the Vendor in respect of the sale and purchase of the Sale Shares.
<b>“Subsidiaries”</b>	:	A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Act.
<b>“Substantial Shareholder”</b>	:	A person who has an interest in not less than 5.0% of the total number of issued Shares in the Company.
<b>“Valuation Report”</b>	:	The valuation report by the Valuer in respect of the Proposed Disposal dated 10 March 2016.
<b>“Valuer”</b>	:	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
<b>“Vendor”</b>	:	Foshan Southern Packaging Co., Ltd, a wholly owned Subsidiary of the Company, owning 35.0% of the registered and paid-up capital of FEF.
<b>Currencies and others</b>		
<b>“RMB”</b>	:	<b>Renminbi.</b>
<b>“S\$”</b>	:	<b>Singapore dollars.</b>
<b>“%” or “per cent.”</b>	:	<b>Per centum or percentage.</b>

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning ascribed to it under the Companies Act, the Listing Manual or any statutory modification thereof, as the case may be.

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## DEFINITIONS

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Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

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## LETTER TO SHAREHOLDERS

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### SOUTHERN PACKAGING GROUP LIMITED

(Company Registration No.: 200313312N)

#### Directors

Pan Shun Ming (Executive Chairman and CEO)  
Chen Xiang Zhi (Executive Director and Vice Chairman)  
Pu Jin Bo (Executive Director and Deputy CEO)  
Mai Shu Ying (Executive Director)  
Li Yong Hua (Executive Director and COO)  
Pan Zhao Jin (Executive Director)  
Yeung Koon Sang @ David Yeung (Lead Independent Director)  
Chia Chor Leong (Independent Director)  
Chung Tang Fong (Independent Director)

#### Registered Office

80 Robinson Road  
#02-00  
Singapore 068898

14 April 2016

**To: The Shareholders of Southern Packaging Group Limited**

Dear Sir/Madam:

#### **THE PROPOSED DISPOSAL OF 35.0% OF THE REGISTERED AND PAID-UP CAPITAL OF FOSHAN ENERGETIC FILM CO., LTD.**

#### **1. THE PROPOSED DISPOSAL**

##### **1.1 Introduction**

The Directors are convening an EGM to seek Shareholders' approval in respect of the Proposed Disposal in accordance with the requirements of Chapter 9 and 10 of the Listing Manual, as more particularly set out in sections 2 and 3 of this Circular. The purpose of this Circular is to provide Shareholders with information on and to explain the rationale for the Proposed Disposal for which the approval of the Shareholders will be sought at the EGM.

##### **1.2 Background of the Proposed Disposal**

On 22 March 2016, the Company announced that the Vendor (a wholly-owned Subsidiary of the Company) and the Purchaser (a company incorporated in Hong Kong which is wholly owned by Mr. Pan Shun Ming, the Executive Chairman and CEO of the Company and Mdm. Mai Shu Ying, the Executive Director of the Company, who is the wife of Mr. Pan Shun Ming) had on 22 March 2016 entered into a conditional SPA, for the sale and disposal by the Vendor of the Sale Shares comprising 35.0% of the registered and paid-up capital of FEF, free from all encumbrances and with all rights, benefits and entitlements attaching thereto at Completion on the terms and subject to the conditions of the SPA. Upon Completion of the Proposed Disposal, FEF will cease to be an Associated Company of the Company.

Under the terms of the SPA, the purchase consideration payable by the Purchaser to the Vendor for the Proposed Disposal is RMB7,881,700 (equivalent to S\$1,645,999 as at the Latest Practicable Date) ("**Purchase Consideration**").

As stated in the announcement by the Company dated 22 March 2016, the Proposed Disposal is an interested person transaction under Chapter 9 of the Listing Manual and a major transaction under Rule 1014 of the Listing Manual and the relevant requirements of Chapters 9 and 10 of the Listing Manual will need to be complied with.

## LETTER TO SHAREHOLDERS

### 1.3 Information relating to Foshan Energetic Film Co. Ltd.

FEF is a private limited liability company incorporated under the laws of the PRC on 7 August 2003 as a foreign invested enterprise. As at the Latest Practicable Date, FEF has a registered and paid-up capital of US\$25 million (equivalent to approximately S\$33,732,500 as at the Latest Practicable Date). The Group's total investment in FEF is US\$8.75 million (equivalent to approximately S\$11,806,375 as at the Latest Practicable Date), which represents 35.0% of the registered and paid-up capital of FEF.

FEF specialises in the production of BOPET films. BOPET films are light-weight, non-toxic, odourless, transparent, glossy, high temperature and moisture-resistant, and retains high dielectric strength and volume resistance even at high temperatures. As such, BOPET films are widely used for:

- (a) flexible printing and packaging of consumer products in the food, pharmaceutical, cosmetics, tobacco and alcohol industries;
- (b) electrical insulation in the electrical and electronic industries, such as wire and cable wrap, capacitors and motor insulation; and
- (c) production of various magnetic products, such as audio and video tapes.

FEF targets higher-end thick BOPET film users in the computing, electronics and electrical industries as well as other specialised industrial applications. Its targeted customer groups are principally multi-national corporations, Sino-foreign joint ventures and major listed companies operating in the PRC.

The existing FEF shareholders as at the Latest Practicable Date are as follows:

Name of shareholder of FEF	Direct Interest		Indirect Interest	
	Number of shares of FEF	%	Number of shares of FEF	%
Energetic Holdings Limited (the Purchaser under the Proposed Disposal)	N/A	56.55	—	—
Foshan Southern Packaging Co., Ltd	N/A	35	—	—
Goldeed Development Ltd.	N/A	8.45	—	—

As at the Latest Practicable Date, the shareholders of Goldeed Development Ltd. (“**Goldeed**”) are Mr. Ho Hon Chung and Mr. Ho Hing Yuen, who own 90.0% and 10.0% equity interest respectively, and the directors of Goldeed are also Mr. Ho Hon Chung and Mr. Ho Hing Yuen. Please refer to section 1.4 below for more information on the Purchaser. Goldeed and the Purchaser became shareholders of FEF on 4 December 2008 and 13 November 2003 respectively.

On 26 January 2010, the Company obtained Shareholders' approval at an extraordinary general meeting to acquire a 35.0% equity stake in FEF for a consideration of US\$8,700,000, via an acquisition of 23.1% existing registered capital in FEF from Energetic Holdings Limited (which is also the Purchaser for the Proposed Disposal) and a subscription of additional equity interest in FEF. The transaction was carried out in February 2010 and since the acquisition, the Company had been recognising losses (the Company's proportionate share of loss in associate) on the investment in FEF every financial year. The carrying amounts of the investment in FEF on the Company's books since acquisition are as follows:



## LETTER TO SHAREHOLDERS

Financial Year	Carrying Amount of Associate (RMB)				
	2010	2011	2012	2013	2014
Opening Carrying Amount	72,334,178	72,076,173	65,775,730	54,224,091	38,970,933
Share of Profit / (Loss)	(258,005)	(6,300,443)	(11,551,639)	(15,253,158)	(10,096,583)
Provision for Impairment	–	–	–	–	(20,992,650)
Transfer to Asset held for Sale	–	–	–	–	(7,881,700)
Closing Carrying Amount	72,076,173	65,775,730	54,224,091	38,970,933	–

Based on the the audited financial statements of FEF for FY2013, FY2014 and the unaudited financial statement for FY2015, the financial performance of FEF for FY2013, FY2014 and FY2015 is set out below:

Statement of Comprehensive Income	FY2013 (RMB'000)	FY2014 (RMB'000)	FY2015 (RMB'000)
Revenue	124,547	106,802	142,255
Cost of sales	(140,567)	(111,375)	(127,466)
Gross (loss)/profit	(16,020)	(4,573)	14,789
Other expenses	–	–	(2,495)
Operating expenses	(27,359)	(28,190)	(27,788)
(Loss) before income tax	(43,379)	(32,763)	(15,494)
Income tax expense	–	–	–
(Loss) for the year	(43,379)	(32,763)	(15,494)

Source: Financial statements of FEF

- (i) Revenue decreased from RMB124.5 million in FY2013 to RMB106.8 million in FY2014. FEF was unable to accept new sale orders due to a lack of working capital caused by recurring losses over the years. For FY2015, revenue increased to RMB142.3 million due to loan advances obtained from the Purchaser, being FEF's major shareholder, to provide the necessary working capital required to fulfil the additional sale orders.
- (ii) FEF incurred gross losses for FY2013 and FY2014 due to higher raw materials costs, comprising mainly of polyethylene terephthalate resin and additives, and production costs as compared to the selling prices. For FY2015, FEF reported gross profit due to decreases in raw material costs as polyethylene terephthalate resin and additives prices are indirectly affected by the price movement of crude oil. However, it is noted that FEF does not have control over the raw material costs as FEF sources them from third party suppliers. Hence, there is no certainty the decrease in raw material costs in FY2015 will continue in future.

## LETTER TO SHAREHOLDERS

- (iii) Coupled with the operating costs and the loss of RMB2.5 million from the disposal of manufacturing equipment in FY2015, FEF suffered net losses from FY2013 to FY2015.

Based on the the audited financial statements of FEF for FY2013, FY2014 and the unaudited financial statement for FY2015, the financial position of FEF for FY2013, FY2014 and FY2015 is set out below:

Statement of Financial Position	As at 31 December 2013 (RMB'000)	As at 31 December 2014 (RMB'000)	As at 31 December 2015 (RMB'000)
Current assets	70,459	50,002	69,566
Non-current assets	236,395	222,212	196,466
Total Assets	306,854	272,214	266,032
Current liabilities	128,933	168,055	99,611
Non-current liabilities	83,000	42,000	120,000
Total liabilities	211,933	210,055	219,611
Net current (liabilities)	(58,474)	(118,053)	(30,045)
Net assets	94,921	62,159	46,421

Source: Financial statements of FEF

- (A) As a result of the losses from FY2013 to FY2015, the financial position of FEF deteriorated from a net asset position of RMB94.9 million as at 31 December 2013 to RMB46.4 million as at 31 December 2015.
- (B) Working capital of FEF correspondingly deteriorated from a net current liability position of RMB58.5 million as at 31 December 2013 to RMB118.1 million as at 31 December 2014. The working capital of FEF improved to a net current liability position of RMB30.1 million as at 31 December 2015 mainly due to the refinancing of short term bank loan. The refinancing was provided by the Purchaser, being FEF's major shareholder, to repay the outstanding bank loans due in FY2015.

### 1.4 Information on the Purchaser

The Purchaser is a Company incorporated under the laws of Hong Kong and its principal activities are in investment holding. As at the Latest Practicable Date:

- (a) Mr. Pan Shun Ming, the Executive Chairman, CEO and Controlling Shareholder of the Company, has an investment of 51.0% of the registered and paid-up capital of the Purchaser;
- (b) Mdm. Mai Shu Ying, the spouse of Mr. Pan Shun Ming and Executive Director and Controlling Shareholder of the Company, has an investment of 49.0% of the registered and paid-up capital of the Purchaser; and
- (c) The directors of the Purchaser are Mr. Pan Shun Ming and Mdm. Mai Shu Ying.

### 1.5 Rationale for the Proposed Disposal

Since its acquisition of FEF in February 2010, the Company has been suffering consistent losses on its investment. For instance, the Group's share of losses in FEF accounted for approximately 109.2% of the net loss of the Group in FY2014 and approximately 54.8% of the net profit of the Group in FY2013. Despite multiple attempts to improve the performance of FEF, FEF still remains in a loss-making position.

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## LETTER TO SHAREHOLDERS

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Further, the loss positions in FEF over the years have also resulted in the lack of resources to continue developing key technologies and expertise to develop new customer bases, which has had an impact on the competitive advantage of the firm. As several key management personnel have also left FEF since the Company's acquisition, the likelihood of achieving those strategic objectives previously set out during acquisition, such as acquiring new technology that will diversify the Company's product offerings, remains relatively low.

Finally, market conditions for BOPET films have been increasingly challenging, as overinvestments in the BOPET film industry continue to put significant pressure on film pricing and changes in governmental environmental policies dampen the demand for BOPET films. Given its poor performance since incorporation, FEF has also been unable and is unlikely, going forward, to raise additional capital.

In view of the persistently weak financial performance of FEF and the challenging market conditions it faces, the Board believes that continued investment in FEF is unlikely to provide any positive returns in the foreseeable future. After careful consideration, the Board is of the opinion that the Purchase Consideration is fair and reasonable and that the Proposed Disposal is in the best interest of the Group. In particular, the Proposed Disposal will enable the Company to:

- (a) dispose of an underperforming asset for valuable consideration;
- (b) rationalise its financial and capital resources;
- (c) focus on its profitable operations and other business initiatives;
- (d) strengthen its balance sheet; and
- (e) improve the overall financial position of the Group.

### 1.6 Valuation of FEF

#### 1.6.1 *Book value of Sale Shares*

As at 29 February 2016, the book value of the Sale Shares is RMB7,881,700.

#### 1.6.2 *NTA value of Sale Shares*

As at 29 February 2016, the NTA value of the Sale Shares is RMB7,881,700, computed upon a proportional 35.0% of the net asset value of FEF, based on a valuation as at 30 November 2014 performed by Foshan Tongyi Assets Appraisal Land & Real Estate Appraisal Co., Ltd ("**Foshan Tongyi**").

#### 1.6.3 *Valuation of Sale Shares based on Valuation Report*

On 15 January 2016, the Company commissioned the Valuer to perform a valuation of the Sale Shares. The Valuer is a one-stop provider for independent valuation services, being a consultant to hundreds of corporate clients in the region, focusing on meeting listed and listing companies' requirements for their transactions and financial reports. The valuation team engaged in this exercise comprises financial, accounting, real estate and plant & machinery professionals who provide valuation and advisory assistance across a range of asset classes.

Based on the Valuation Report prepared by the Valuer dated 10 March 2016, the value placed on the Sale Shares is RMB6,150,000, based primarily on the asset-based approach in estimating the market value of the equity interest. This approach requires the summation of the assets and liabilities of the business while the individual assets and liabilities are derived using one or more of the principal valuation approaches.

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## LETTER TO SHAREHOLDERS

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### 1.7 Salient terms of the SPA

#### 1.7.1 *Conditions precedent*

The Proposed Disposal is conditional on *inter alia* the following:

- (a) Shareholders' approval at the EGM; and
- (b) all necessary consents, approvals or clearances for the Proposed Disposal being granted by the relevant PRC governmental or regulatory authorities prior to the date of Completion.

#### 1.7.2 *Purchase consideration*

The Purchase Consideration of RMB7,881,700 was arrived at on a willing-buyer willing-seller basis, after taking into account, *inter alia*, the following:

- (a) the Vendor's legal and beneficial interest in 35.0% of the registered and paid-up capital of FEF
- (b) the rapid and persistent decline in the net tangible asset value of FEF;
- (c) the past and current loss-making positions of FEF; and
- (d) the consideration of S\$794,676 for the sale of the investment representing 16.0% of the registered and paid-up capital of FEF by GSI Creos Corp. ("GSI") (a publicly listed company on the Tokyo Stock Exchange which held a minority stake in FEF). The sale and purchase transaction between GSI and the purchaser was completed on 10 June 2015. The Purchase Consideration was formulated based on the same pricing methodology as that used for the GSI sale, i.e. based on the revalued net asset value of FEF derived from the valuation as at 30 November 2014 performed by Foshan Tongyi.

The Purchase Consideration shall be wholly satisfied in cash and shall be payable by the Purchaser to the Vendor by way of a bank transfer to the Vendor's designated bank account.

### 1.8 Proceeds and use of proceeds from the Proposed Disposal

The Group estimates that there will be proceeds of approximately RMB7,881,700 from the Proposed Disposal, equivalent to S\$1,645,999 as at the Latest Practicable Date. The proceeds from the Proposed Disposal represents no deficit over the book value of the Sale Shares which is RMB7,881,700 as at 29 February 2016, equivalent to S\$1,645,999 as at the Latest Practicable Date.

The Group intends to utilise the proceeds as general working capital for ongoing operational expenses. Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purpose on a short term basis, as the Directors may deem appropriate in the interests in the Group.

### 1.9 Expected Completion

Completion of the Proposed Disposal is expected to take place within five (5) business days from the fulfilment of the last of all the conditions precedent as mentioned above in this Circular or such other date as may be agreed between the Vendor and the Purchaser in writing.

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## LETTER TO SHAREHOLDERS

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### **2. THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION REQUIRING SHAREHOLDER APPROVAL UNDER CHAPTER 9 OF THE LISTING MANUAL**

#### **2.1 Entity at risk under Chapter 9 of the Listing Manual**

Under Rule 904(2)(b) of the Listing Manual, an “entity at risk” includes “a subsidiary of the issuer that is not listed on the Exchange or an approved exchange”. Hence, the Vendor which is a wholly-owned subsidiary of the Company is an entity at risk.

#### **2.2 Interested person under Chapter 9 of the Listing Manual**

Under Rule 904(4)(a) of the Listing Manual, in the case of a company, “interested person” means “(i) a director, chief executive officer, or controlling shareholder of the issuer; or (ii) an associate of any such director, chief executive officer, or controlling shareholder.”

As at the Latest Practicable Date:

- (a) Mr. Pan Shun Ming, the Executive Chairman, CEO and Controlling Shareholder of the Company, has an investment of 51.0% of the registered and paid-up capital of the Purchaser; and
- (b) Mdm. Mai Shu Ying, the spouse of Mr. Pan Shun Ming and Executive Director and Controlling Shareholder of the Company, has an investment of 49.0% of the registered and paid-up capital of the Purchaser.

Based on the above, Mr. Pan Shun Ming and Mdm. Mai Shu Ying are interested persons in relation to the Company. As the Purchaser is an Associate of Mr. Pan Shun Ming and Mdm. Mai Shu Ying within the definition in the Listing Manual, the Purchaser is also regarded as an interested person.

#### **2.3 Interested person transaction under Chapter 9 of the Listing Manual**

Under Rule 904(5) of the Listing Manual, an “interested person transaction” means a transaction between an entity at risk and an interested person. The Proposed Disposal which comprises the sale and disposal by the Vendor of the Sale Shares comprising 35.0% of the registered and paid-up capital of FEF to the Purchaser is therefore an interested person transaction within the definition in the Listing Manual.

#### **2.4 Materiality threshold under Chapter 9 of the Listing Manual**

Prior to the recognition of an impairment loss of RMB20,992,650 attributable to the 35.0% equity stake in FEF recorded in FY2014, the carrying amount of the Sale Shares was RMB28,874,350, representing approximately 6.40% of the latest audited consolidated NTA of the Group of RMB451,217,254 (the “**2014 Group NTA**”), disclosed as shareholder equity in the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (“**FY2014**”).

Following the recognition of the impairment loss of RMB20,992,650, the Purchase Consideration of RMB7,881,700 represents approximately 1.75% of the 2014 Group NTA.

## LETTER TO SHAREHOLDERS

Further, disregarding transactions below \$100,000 in accordance with Rules 905(3) and 906(2) of the Listing Manual, the aggregate value of all transactions entered into between (i) the Company, its Subsidiaries and its Associated Companies and (ii) Mr. Pan Shun Ming, Mdm. Mai Shu Ying and/or their Associates during the financial year ending 31 December 2016 is RMB9,424,492 (inclusive of the Purchase Consideration for the Proposed Disposal), which is 2.09% of the 2014 Group NTA. The following table shows a breakdown of these transactions during the financial year ending 31 December 2016:

Date	Transaction detail	Entities at risk	Same interested persons	Amount (in foreign currency)	Amount (RMB)
1 January 2016	Rental purpose. The consideration was arrived at taking into account market prices, and the rationale is to obtain a stable operating site.	Southern Packaging (HK) Co. Ltd	Pan Shun Ming, Mai Shu Ying	HK\$769,200	644,436
1 January 2016	Rental purpose. The consideration was arrived at taking into account market prices, and the rationale is to obtain a stable operating site.	Foshan Southern Packaging Co. Ltd	GuangDong Xing Hua Health Drink Co. Ltd	–	898,356

### 2.5 Ruling by the SGX-ST under Chapter 9 of the Listing Manual

In a letter dated 23 December 2015, the SGX-ST informed the Company of its view that the requirements under Chapter 9 of the Listing Manual are applicable to the Proposed Disposal. The SGX-ST had previously informed the Company via its letter dated 27 August 2015 that the Proposed Disposal will constitute a major transaction under Rule 1014 of the Listing Manual and is subject to Shareholders' approval. In addition, the SGX-ST noted that the Company had recorded an impairment of RMB20.9 million in the carrying value of its interest in FEF for FY2014. Taking into consideration the impairment loss prior to the Proposed Disposal, the value of the Company's investment in FEF when aggregated with the value of all transactions entered into with the Purchaser would have exceeded 5% of the Group's latest audited NTA under Rule 905 of the Listing Manual. On this basis, the SGX-ST is of the view that the Proposed Disposal should be subject to Shareholders' approval (including an opinion from an independent financial adviser) as an interested person transaction. Following this, the Company is seeking Shareholders' approval in the EGM with respect to the Proposed Disposal as an interested person transaction, and has also obtained an IFA Letter from the IFA with respect to the Proposed Disposal. Please refer to Appendix A for a copy of the IFA Letter.

## 3. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

### 3.1 General

Under Chapter 10 of the Listing Manual, a transaction will be classified as a "major transaction" if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, shareholders' approval must be obtained for the "major transaction".

Under Rule 1002(1) of the Listing Manual, the definition of "transaction" includes a disposal of assets by a subsidiary that is not listed on the SGX-ST or an approved exchange. Accordingly, the Company is subject to the obligations under Chapter 10 of the Listing Manual in relation to the Proposed Disposal.

## LETTER TO SHAREHOLDERS

### 3.2 Relative figures under Chapter 10 of the Listing Manual in relation to the Proposed Disposal

The relative figures for the Proposed Disposal, computed on the bases set out in Rule 1006 the Listing Manual and based on the Company's latest announced unaudited consolidated financial statements for the financial year ended 31 December 2015 as well as the weighted average price of the Shares, are set out below.

RULE 1006	BASES	RELATIVE FIGURE (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	1.60 <sup>(1)</sup>
(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits.	(29.68) <sup>(2)</sup>
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	4.02 <sup>(3)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A.
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	N.A.

**Notes:**

- (1) Computed based on the net asset value of 35.0% of FEF of approximately RMB7,881,700 (equivalent to S\$1,645,999 as at the Latest Practicable Date) as at 31 December 2015, compared with the Group's net asset value of approximately RMB491,135,105 (equivalent to S\$102,567,685 as at the Latest Practicable Date) as at 31 December 2015.
- (2) Computed based on 35.0% of FEF's unaudited loss before tax of approximately RMB15,493,604 (equivalent to S\$3,235,654 as at the Latest Practicable Date) for the year ended 2015, compared with the Group's unaudited profit before tax of approximately RMB52,196,720 (equivalent to S\$10,900,660 as at the Latest Practicable Date) for the year ended 2015.
- (3) Computed based on the Purchase Consideration of RMB7,881,700 (equivalent to S\$1,645,999 as at the Latest Practicable Date) and the market capitalisation of the Company of approximately S\$42,191,498, which is determined by multiplying the issued share capital of the Company of 70,319,164 shares with the weighted average price of such shares of S\$0.60 per share.

Based on the above, the relative figure for the Proposed Disposal, computed on the base set out in Rule 1006(b) of the Listing Manual, exceed 20% but is less than 100%. However, it is a negative figure. Rule 1007(1) of the Listing Manual provides that where any of the relative figures computed pursuant to Rule 1006 is a negative figure, the obligations under Chapter 10 may still be applicable to the transaction at the discretion of the SGX-ST, and issuers are encouraged to consult the SGX-ST. On 21 May 2015, the Company submitted a letter to the SGX-ST to seek clarification and confirmation on whether Shareholders' approval is required for the Proposed Disposal.

On 27 August 2015, the Company was informed by the SGX-ST that the Proposed Disposal will constitute a major transaction under Rule 1014 of the Listing Manual. In addition, the SGX-ST noted that the Company would have recorded a loss on disposal of RMB20.9 million had the impairment provision not been made in FY2014. This loss on disposal is material in view of the Group's net loss before taxation for FY2014. As such, the SGX-ST is of the view that the Shareholders should have an opportunity to consider the Proposed Disposal. Following this, the Company is convening an EGM to obtain the approval of Shareholders for the Proposed Disposal.



## LETTER TO SHAREHOLDERS

### 3.3 Financial effects of the Proposed Disposal

#### 3.3.1 *Net profit or loss attributable to the asset being disposed of and amount of gain or loss on disposal*

The net profit or loss attributable to the Sale Shares which is the Company's shareholding in FEF comprising 35.0% of the registered and paid-up capital of FEF based on the latest announced consolidated accounts of the Company is nil as the Sale Shares are categorised as assets held for sale.

Taking into account the Purchase Consideration, there is no gain or loss on disposal.

#### 3.3.2 *NTA per Share*

Assuming that the Proposed Disposal had been effected on 31 December 2015, the effect of the Proposed Disposal on the NTA per share of the Group would be as follows:

	Before Proposed Disposal	After Proposed Disposal
NTA (RMB)	491,135,105	491,135,105
Number of shares	281,276,826	281,276,826
NTA per share (RMB)	1.746	1.746

#### 3.3.3 *EPS*

Assuming that the Proposed Disposal had been effected on 1 January 2015, the effect of the Proposed Disposal on the EPS of the Group would be as follows:

	Before Proposed Disposal	After Proposed Disposal
Profit (loss) after tax (RMB)	41,389,708	41,389,708
Number of shares	281,276,826	281,276,826
EPS (RMB)	0.147	0.147

### 4. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and Substantial Shareholders has any interest in the Shares of the Company.

Director	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Pan Shun Ming	27,384,697	38.94	13,739,015 <sup>(1)</sup>	19.54
Mai Shuying	13,739,015	19.54	27,384,697 <sup>(1)</sup>	38.94
Pan Zhao Jin	—	—	41,123,712 <sup>(2)</sup>	58.48
Pu Jin Bo	182,954	0.26	2,500 <sup>(3)</sup>	0.004
<b>Substantial Shareholder</b>				
Jen Shek Chuen	8,332,651	11.85	—	—
Berry Plastics Asia Pte. Ltd. <sup>(4)</sup>	5,825,000	8.28	—	—
Super Group Ltd. <sup>(5)</sup>	4,186,250	5.95	—	—



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## LETTER TO SHAREHOLDERS

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### Notes:

- (1) As stated in the Company's Register of Members, Mr. Pan Shun Ming is the spouse of Mdm. Mai Shu Ying and both of them are deemed interested in each other's shares.
- (2) Mr. Pan Zhao Jin is deemed interested by virtue of his parents, Mr. Pan Shun Ming and Mdm. Mai Shu Ying's direct interests in the Company.
- (3) 2,500 shares held through CIMB Securities (Singapore) Pte Ltd.
- (4) Berry Plastics Asia Pte Ltd ("**Berry Plastics Asia**") is a company incorporated in Singapore. As stated in the Company's announcement of 9 September 2009, based on the Accounting and Corporate Regulatory Authority search conducted on Berry Plastics Asia as at 9 September 2009, its sole share was held by Berry Plastics Corporation, a corporation incorporated in the United States of America. Based on its latest annual report (Form 10-K) filed with the U.S. Securities and Exchange Commission, Berry Plastics Corporation is currently held by the American investment groups, Apollo Management L.P. and Graham Partners, Inc., as well as the management team of Berry Plastics Corporation. The Form 10-K can be accessed from the website of Berry Plastics Corporation at: <http://www.berryplastics.com/catalog/content/corporate/history>. Other than its indirect shareholding in the Company, Berry Plastics Corporation is not related to any of Mr. Pan Shun Ming, his Associates or the Group.
- (5) Super Group Ltd is presently listed on the SGX-ST.

## 5. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN THE PROPOSED DISPOSAL

### 5.1 Interests of the Directors and Controlling Shareholders in the Proposed Disposal

As disclosed in this Circular above, the Purchaser is wholly owned by Mr. Pan Shun Ming and Mdm. Mai Shu Ying, who are both Directors and Controlling Shareholders of the Company. Mr. Pan Zhao Jin, who is also a Director of the Company, is the son of Mr. Pan Shun Ming and Mdm. Mai Shu Ying.

### 5.2 Service Agreements

No new directors are proposed to be appointed to the Board in connection with the Proposed Disposal. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Disposal.

## 6. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

MS Corporate Finance Pte Ltd, in accordance with Chapter 9 of the Listing Manual, has been appointed as the independent financial adviser to advise the Directors who are deemed independent for the purposes of the Proposed Disposal, namely Mr Chen Xiang Zhi, Mr Pu Jin Bo, Mr Li Yong Hua, Mr David Yeung, Mr Chia Chor Leong, and Mr Chung Tang Fong (collectively, the "**Recommending Directors**") on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Based on their considerations and subject to the qualifications and assumptions set out in the IFA Letter, the IFA is of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The IFA Letter dated 14 April 2016 is reproduced and appended as Appendix A of this Circular. Shareholders are advised to read the IFA Letter carefully.

## 7. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter reproduced in Appendix A and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

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## LETTER TO SHAREHOLDERS

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The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Report reproduced in Appendix B and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

### 8. AUDIT COMMITTEE STATEMENT

The Audit Committee has considered, *inter alia*, the terms, rationale and benefits of the Proposed Disposal as well as the IFA Letter, and is of the view that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

### 9. DIRECTORS' RECOMMENDATION

Having considered the rationale and the terms of the Proposed Disposal, the Recommending Directors are of the opinion that the Proposed Disposal is in the interest of the Company. Accordingly, the Recommending Directors recommend that the Shareholders vote in favour of the Ordinary Resolution in respect of the Proposed Disposal, as set out in the Notice of EGM contained in this Circular.

### 10. EXTRAORDINARY GENERAL MEETING

An EGM will be held at 10.00 a.m. on 29 April 2016 at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same date and at the same place) for the purpose of considering and, if thought fit, passing, with or without modifications, the Ordinary Resolution set out in the Notice of EGM. As stipulated under Section 81SJ of the Securities and Futures Act (Cap. 289), a Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register not less than 72 hours before the time appointed for the EGM.

### 11. ABSTENTION FROM VOTING

Rule 919 of the Listing Manual states that in a meeting to obtain Shareholder approval, the interested person and any Associate of the interested person must not vote on the resolution in respect of the interested person transaction, nor accept appointments as proxies unless specific instructions as to voting are given.

As mentioned above in this Circular, Mr. Pan Shun Ming and Mdm. Mai Shu Ying are regarded as interested persons and will abstain and procure that all of their Associates abstain from voting at the EGM on the Ordinary Resolution in respect of the Proposed Disposal and will not accept appointments as proxies unless the minority Shareholders appointing them as proxies give specific instructions in the relevant Proxy Form on the manner in which they wish their votes to be cast for the Ordinary Resolution.

### 12. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 12.1 Appointment by Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than forty-eight (48) hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

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## LETTER TO SHAREHOLDERS

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### 12.2 When Depositor regarded as Shareholder

A Depositor will not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the time fixed for the EGM.

### 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

### 14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours for three (3) months from 22 March 2016 which is the date of announcement of the Proposed Disposal:

- (a) the Memorandum and Articles of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2015;
- (c) the SPA;
- (d) the Valuation Report; and
- (e) the IFA Letter.

Yours faithfully  
For and on behalf of  
**Southern Packaging Group Limited**

**Pan Shun Ming**  
Executive Chairman and CEO

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## APPENDIX A – IFA LETTER

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### LETTER FROM MS CORPORATE FINANCE PTE. LTD. TO THE RECOMMENDING DIRECTORS

MS Corporate Finance Pte. Ltd.  
(Company Registration No. 200305439E)  
10 Anson Road  
#29-01 International Plaza  
Singapore 079903

14 April 2016

To: The Recommending Directors  
Southern Packaging Group Limited  
80 Robinson Road  
#02-00  
Singapore 068898

Dear Sirs,

#### **SOUTHERN PACKAGING GROUP LIMITED (THE “COMPANY”) PROPOSED DISPOSAL OF 35% OF THE REGISTERED AND PAID-UP CAPITAL OF FOSHAN ENERGETIC FILM CO., LTD., BEING AN INTERESTED PERSON TRANSACTION**

This letter (“**IFA Letter**”) has been prepared for the inclusion into the circular dated 14 April 2016 issued by the Company to its Shareholders (the “**Circular**”) in connection with the Proposed Disposal.

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.

#### **1. INTRODUCTION**

On 22 March 2016, the Company announced that Foshan Southern Packaging Co., Ltd (the “**Vendor**”), a wholly-owned subsidiary of the Company, and Energetic Holdings Limited (the “**Purchaser**”) had on 22 March 2016 entered into a conditional sale and purchase agreement, for the sale and disposal of the 35% equity interest in Foshan Energetic Film Co., Ltd (“**FEF**”) for a consideration of RMB7,881,700 (the “**Consideration**”) (the “**Proposed Disposal**”). Upon completion of the Proposed Disposal, FEF will cease to be an associated company of the Company.

Mr Pan Shun Ming (“**Mr Pan**”) and Mdm Mai Shu Ying (“**Mdm Mai**”), who are spouses, are both directors and controlling shareholders of both the Company and the Purchaser. As such, the Purchaser is considered an interested person within the meaning of Chapter 9 of the Listing Manual and the Proposed Disposal constitutes an interested person transaction pursuant to Chapter 9 of the Listing Manual.

In a letter dated 23 December 2015, the SGX-ST informed the Company of its view that the requirements under Chapter 9 of the Listing Manual are applicable to the Proposed Disposal. The SGX-ST had previously informed the Company via its letter dated 27 August 2015 that the Proposed Disposal will constitute a major transaction under Rule 1014 of the Listing Manual and is subject to Shareholders’ approval. In addition, the SGX-ST noted that the Company had recorded an impairment of RMB20.9 million in the carrying value of its interest in FEF for FY2014. Taking into consideration the impairment loss prior to the Proposed Disposal, the value of the Company’s investment in FEF when aggregated with the value of all transactions entered into with the Purchaser would have exceeded 5% of the Group’s latest audited NTA under Rule 905 of the Listing Manual. On this basis, the SGX-ST is of the view that the Proposed Disposal should be subject to shareholders’ approval as an interested person transaction.

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## APPENDIX A – IFA LETTER

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MS Corporate Finance Pte. Ltd. (“**MSCF**”) has been appointed to act as the independent financial adviser (“**IFA**”) to advise the Recommending Directors in respect of the Proposed Disposal. Specifically, MSCF will advise whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

### 2. TERMS OF REFERENCE

MSCF has been appointed to advise the Recommending Directors in respect of the Proposed Disposal. Specifically, MSCF will advise on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

We have not been involved in any aspect of the negotiations concerning the Proposed Disposal, nor have we been involved in the deliberations leading up to the decision by the Board to undertake the Proposed Disposal. Our term of reference is to form a view as to whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. It does not require us to evaluate or comment on the strategic, legal, commercial and financial risks and/or merits of the Proposed Disposal or the future prospects or value of the Company and its subsidiaries (the “**Group**”) and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Board and the management of the Company (“**Management**”), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our recommendation as set out in this IFA Letter. We do not, by this IFA Letter, warrant the merits of the Proposed Disposal, other than to express an opinion for the purposes as stated above.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Group or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Group. We have not obtained from the Company any projection of the future performance including financial performance of the Group, and further, we did not conduct discussions with the Management on, and did not have access to, any business plan and financial projections of the Group. We also do not express an opinion herein as to the prices at which the Shares may trade upon completion of the Proposed Disposal or the future value, financial performance or condition of the Company or the Group after completion of the Proposed Disposal.

In the course of our evaluation, we have held discussion with the Board and the Management and have relied on the information and representations, whether written or verbal, provided to us by the Board and the Management. We have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. We have, however made reasonable enquiries and exercised our judgement (as we deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Proposed Disposal. In that regard, we have not addressed the relative merits of the Proposed Disposal in comparison with any alternative transaction previously considered by the Group or transactions that the Group may consider in the future. Therefore, we do not express views in these areas in arriving at our recommendation. Such comparison and consideration remain the responsibility of the Board of Directors.

We have been furnished with the Valuation Report for FEF. With respect to such a valuation report, we are not experts and do not hold ourselves to be experts in the evaluation of FEF and have relied upon the Valuation Report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer appointed by the Company to assess the market value of the 35% equity interest of FEF. The Valuation Report is set out in Appendix B of the Circular.

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## APPENDIX A – IFA LETTER

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In formulating our recommendation, we have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Group and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have, however made reasonable enquiries and exercised our judgement (as we deemed necessary) in assessing the information and have found no reason to doubt the accuracy or reliability of such information which we have relied on. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our recommendation, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our recommendation or factors or assumptions contained herein.

We have also relied upon the responsibility statement of the Board of Directors (including those who may have delegated detail supervision of the Circular) that they collectively and individually accept full responsibility for the accuracy of the information given in the Circular and that having made all reasonable enquiries and to the best of their knowledge and belief, to ensure that the facts stated and opinions expressed in the Circular are fair and accurate and that no material facts have been omitted which would make any statement in the Circular misleading.

Where any information has been extracted from published or publicly available sources or otherwise based on information provided by the Company, the sole responsibility of the Board has been to ensure that, having made all reasonable enquiries, such information was accurately extracted from these sources or, as the case may be, reflected or reproduced in the Circular.

In rendering our services, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular other than this IFA Letter. We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular other than this IFA Letter. Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular other than this IFA Letter.

We have prepared this IFA Letter for the use of the Recommending Directors in connection with their consideration of the Proposed Disposal and their advice to the Shareholders arising thereof. Our recommendation in relation to the Proposed Disposal, as set out in Section 6 of this IFA Letter, should be considered in the context of the entirety of this IFA Letter and the Circular.

### **3. INFORMATION ON THE COMPANY, THE PURCHASER AND FEF**

#### **3.1 Information of the Company**

The Company was incorporated in Singapore on 30 December 2003 and listed on the Mainboard of the SGX-ST on 12 November 2004.

The Group is primarily engaged in the manufacture and sale of flexible and rigid packaging products. The Group's flexible packaging products consist of mainly packaging films and bags while the rigid packaging products comprise mainly plastic bottles and caps and products used in the packaging of a wide range of consumer goods ranging from pharmaceutical products, food products and beverages to personal care products.



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## APPENDIX A – IFA LETTER

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### 3.2 Information of the Purchaser

The Purchaser is a company incorporated under the laws of Hong Kong and its principal activities are in investment holding. Mr Pan and Mdm Mai currently hold 51% and 49% respectively of the registered and paid-up capital of the Purchaser and are also the directors of the Purchaser. The Purchaser currently holds 56.55% equity interest in FEF.

### 3.3 Information of FEF

FEF is a private limited company incorporated under the laws of the PRC on 7 August 2003 as a foreign invested enterprise. FEF specialises in the production of BOPET films.

Please see Section 1.3 of the Circular for further information about FEF.

## 4. OVERVIEW OF THE PROPOSED DISPOSAL

The following has been extracted from Section 1.7 of the Circular and is set out in italics below. Shareholders are advised to read the extract below carefully.

### *“1.7.1 Conditions precedent*

*The Proposed Disposal is conditional on inter alia the following:*

- (a) Shareholders' approval at the EGM; and*
- (b) all necessary consents, approvals or clearances for the Proposed Disposal being granted by the relevant PRC governmental or regulatory authorities prior to the date of Completion.*

### *1.7.2 Purchase consideration*

*The Purchase Consideration of RMB7,881,700 was arrived at on a willing-buyer willing-seller basis, taking into account, inter alia, the following:*

- (a) the Vendor's legal and beneficial interest in 35.0% of the registered and paid-up capital of FEF;*
- (b) the rapid and persistent decline in the net tangible asset value of FEF;*
- (c) the past and current loss-making positions of FEF; and*
- (d) the consideration of S\$794,676 for the sale of the investment representing 16.0% of the registered and paid-up capital of FEF by GSI Creos Corp. (“GSI”) (a publicly listed company on the Tokyo Stock Exchange which held a minority stake in FEF). The sale and purchase transaction between GSI and the purchaser was completed on 10 June 2015. The Purchase Consideration was formulated based on the same pricing methodology as that used for the GSI sale, i.e. based on the revalued net asset value of FEF derived from the valuation as at 30 November 2014 performed by Foshan Tongyi.*

*The Purchase Consideration shall be wholly satisfied in cash and shall be payable by the Purchaser to the Vendor by way of a bank transfer to the Vendor's designated bank account.”*

### 5. EVALUATION OF THE PROPOSED DISPOSAL

In arriving our opinion on whether the Proposed Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, we have given due consideration to, *inter alia*, the following:

- 5.1 Rationale for the Proposed Disposal;
- 5.2 Financial performance and position of FEF;
- 5.3 Valuation report by the Valuer;
- 5.4 Comparable companies analysis;
- 5.5 Pro-forma financial effects of the Proposed Disposal; and
- 5.6 Other relevant considerations in relation to the Proposed Disposal.

#### 5.1 Rationale for the Proposed Disposal

The full text of the rationale for the Proposed Disposal has been extracted from Section 1.5 of the Circular and is set out in italics below:

*“Since its acquisition of FEF in February 2010, the Company has been suffering consistent losses on its investment. For instance, the Group’s share of losses in FEF accounted for approximately 109.2% of the net loss of the Group in FY2014 and approximately 54.8% of the net profit of the Group in FY2013. Despite multiple attempts to improve the performance of FEF, FEF still remains in a loss-making position.*

*Further, the loss positions in FEF over the years have also resulted in the lack of resources to continue developing key technologies and expertise to develop new customer bases, which has had an impact on the competitive advantage of the firm. As several key management personnel have also left FEF since the Company’s acquisition, the likelihood of achieving those strategic objectives previously set out during acquisition, such as acquiring new technology that will diversify the Company’s product offerings, remains relatively low.*

*Finally, market conditions for BOPET films have been increasingly challenging, as overinvestments in the BOPET film industry continue to put significant pressure on film pricing and changes in governmental environmental policies dampen the demand for BOPET films. Given its poor performance since incorporation, FEF has also been unable and is unlikely, going forward, to raise additional capital.*

*In view of the persistently weak financial performance of FEF and the challenging market conditions it faces, the Board believes that continued investment in FEF is unlikely to provide any positive returns in the foreseeable future. After careful consideration, the Board is of the opinion that the Purchase Consideration is fair and reasonable and that the Proposed Disposal is in the best interest of the Group. In particular, the Proposed Disposal will enable the Company to:*

- (a) dispose of an underperforming asset for valuable consideration;*
- (b) rationalise its financial and capital resources;*
- (c) focus on its profitable operations and other business initiatives;*
- (d) strengthen its balance sheet; and*
- (e) improve the overall financial position of the Group.”*



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### 5.2 Financial performance and position of FEF

We set out below the audited financial statements of FEF for FY2013, FY2014 and the unaudited financial statement for FY2015. The financial performance and position of FEF for FY2013, FY2014 and FY2015 are set out below:

Statement of Comprehensive Income	FY2013 RMB'000	FY2014 RMB'000	FY2015 RMB'000
Revenue	124,547	106,802	142,255
Cost of sales	(140,567)	(111,375)	(127,466)
Gross (loss)/profit	(16,020)	(4,573)	14,789
Other expenses	–	–	(2,495)
Operating expenses	(27,359)	(28,190)	(27,788)
(Loss) before income tax	(43,379)	(32,763)	(15,494)
Income tax expense	–	–	–
(Loss) for the year	(43,379)	(32,763)	(15,494)

*Source: Financial statements of FEF*

We note the following:

- (a) Revenue decreased from RMB124.5 million in FY2013 to RMB106.8 million in FY2014. FEF was unable to accept new sale orders due to a lack of working capital caused by recurring losses over the years. For FY2015, revenue increase to RMB142.3 million due to loan advances obtained from the Purchaser, being FEF's major shareholder, to provide the necessary working capital required to fulfil the additional sale orders.
- (b) FEF incurred gross losses for FY2013 and FY2014 due to higher raw materials costs, comprising mainly of polyethylene terephthalate resin and additives, and production costs as compared to the selling prices. For FY2015, FEF reported gross profit due to decrease in raw material costs as polyethylene terephthalate resin and additives prices are, indirectly affected by the price movement of crude oil. However, we note that FEF does not have control over the raw material costs as FEF sources them from third party suppliers. Hence, there is no certainty the decrease in raw material costs in FY2015 will continue in future.
- (c) Coupled with the operating costs and the loss of RMB2.5 million from the disposal of manufacturing equipment in FY2015, FEF suffered net losses from FY2013 to FY2015.

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	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015
Statement of Financial Position	RMB'000	RMB'000	RMB'000
Current assets	70,459	50,002	69,566
Non-current assets	236,395	222,212	196,466
Total assets	306,854	272,214	266,032
Current liabilities	128,933	168,055	99,611
Non-current liabilities	83,000	42,000	120,000
Total liabilities	211,933	210,055	219,611
Net current (liabilities)	(58,474)	(118,053)	(30,045)
Net assets	94,921	62,159	46,421

*Source: Financial statements of FEF*

We note the following:

- (a) As a result of the losses from FY2013 to FY2015, the financial position of FEF deteriorated from a net asset position of RMB94.9 million as at 31 December 2013 to RMB46.4 million as at 31 December 2015.
- (b) Working capital of FEF correspondingly deteriorated from a net current liability position of RMB58.5 million as at 31 December 2013 to RMB118.1 million as at 31 December 2014. The working capital of FEF improved to a net current liability position of RMB30.1 million as at 31 December 2015 mainly due to the refinancing of short term bank loan. We understand that the refinancing was provided by the Purchaser, being FEF's major shareholder, to repay the outstanding bank loans due in FY2015.

### 5.3 Valuation Report by the Valuer

In connection with the Proposed Disposal, the Company had engaged the Valuer to provide an independent opinion of the market value of the 35% equity interest of FEF as at 31 December 2015 (the **"Valuation Date"**). For more details of the independent valuation conducted by the Valuer, please refer to the Valuation Report as set out in Appendix B of the Circular.

The following has been extracted from the Valuation Report and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meaning as those defined in the Valuation Report.

#### **"INTRODUCTION**

*In accordance with the instructions received from Southern Packaging Group Limited ("SPG Ltd" or the "Company"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 35 percent equity interest in Foshan Energetic Film Co., Ltd. ("Foshan Energetic" or the "Target") as at 31 December 2015 (the "Valuation Date").*

#### **BASIS OF VALUE**

*Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

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### **Selection of Valuation Approach and Methodology**

*In our opinion, the market approach and income approach are inappropriate for valuing the equity interest. Firstly, the market approach requires market comparable companies as an indication of value and the income approach requires future expected economic benefits to be converted to reach an indicative value. However, we have not identified any market comparable companies which are comparable and the Target has been in a net loss position over the last three years while the outlook for the industry continues to be challenging. We have therefore relied primarily on the asset-based approach in estimating the market value of the equity interest. This approach requires the summation of the assets and liabilities of the business while the individual assets and liabilities are derived using one or more of the principal valuation approaches.*

*In this report, we had considered the types of assets and liabilities and their conditions when arriving at the market values of the Subject Items. We adopted appropriate valuation methodology for each different class of assets and liabilities.*

### **OPINION OF VALUE**

*Based on the valuation result above, the market values of the 35% equity interest in the Target as at the Valuation Date are reasonably stated as follows:*

<b>Valuation Date</b>	<b>35% equity interest (RMB)</b>
<b>31 December 2015</b>	<b>6,150,000"</b>

Based on the results of the Valuer's analysis, the appraised market value of the 35% equity interest in FEF as at the Valuation Date is RMB6.15 million based on the asset-based approach (the "**Revalued NAV**"). The Consideration represents a premium of approximately 28.2% above the Revalued NAV as at 31 December 2015.

The Directors have confirmed that to the best of their knowledge and belief, there are no assets and/or liabilities which values as at the Latest Practicable Date would be materially different from those recorded in the unaudited balance sheet of FEF as at 31 December 2015 and there have been no material disposals or acquisitions of assets by FEF since 31 December 2015 and up to the Latest Practicable Date.

#### **5.4 Comparable companies analysis**

For the purpose of evaluating the Consideration and after discussions with the Directors and the Management, we have considered the valuation statistics of selected listed companies which are engaged in the manufacture of BOPET, which we consider to be broadly comparable to FEF ("**Selected Comparable Companies**").

We recognise that there is no listed company which we may consider to be identical to FEF in terms of, *inter alia*, market capitalisation, geographical markets, composition of business activities, scale of business operations, track record, future prospects, market/industry size, risk profile, political risk, competitive and regulatory criteria, asset base, accounting policies, financial position and other relevant criteria. Therefore, the comparison made with respect to the Selected Comparable Companies merely serves as an illustrative market valuation of FEF as at the Latest Practicable Date.

In addition, the Recommending Directors should note that companies listed on different stock exchanges may be subject to different risk-reward expectations, trading conditions and any cross border valuation statistics will be subject to differing political, regulatory, market, investment, economic and currency conditions and as such may not be directly comparable to FEF.

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A brief description of the Selected Comparable Companies is set out below:

<b>Selected Comparable Company</b>	<b>Stock Exchange</b>	<b>Business Activity Description</b>
Fuwei Films (Holdings) Co., Ltd	NASDAQ	Fuwei Films (Holdings) Co., Ltd develops, manufactures, and distributes plastic film in China. The company's film product is used in consumer packaging for food, pharmaceutical, cosmetics, tobacco, and alcohol industries. The company also manufacture films for use in the imaging, electronics, and electrical industries.
Jiangsu Yuxing Film Technology Co., Ltd	Shenzhen	Jiangsu Yuxing Film Technology Co., Ltd develops, produces and sells polyester films. The company's main products include functional polyester films for solar black sheet, electrical insulation, optical projector and textile machinery.
Jindal Poly Films Limited	Bombay	Jindal Poly Films Limited manufactures, produces and sells Polyester (PET), Polypropylene (BOPP) films and metallised films.
Polyplex (Thailand) Public Company Ltd	Thailand	Polyplex (Thailand) Public Company Ltd produces and distributes Biaxially Oriented Polyester (BOPET) film for packaging, electrical, and other industrial applications. The company distributes its products to both domestic and overseas markets.
Sichuan EM Technology Co., Ltd	Shanghai	Sichuan EM Technology Co., Ltd develops, produces and sells insulation materials, functional polymer materials and related fine chemical products. The company's main products are electrical polyester film, electrical polypropylene film, electrical mica tape, flexible laminates, rigid laminated sheets.
Zhejiang Great Southeast Co., Ltd	Shenzhen	Zhejiang Great Southeast Co Ltd manufactures a wide range of plastic packaging products. The company produces plastic film, plastic bags, and other plastic packaging.
Zhejiang Nanyang Technology Co., Ltd	Shenzhen	Zhejiang Nanyang Technology Co., Ltd manufactures and sells capacitor film, wrapping film and capacitor. The company's products include polypropylene film and metallised film.

*Source: Bloomberg*

We have considered various widely used valuation measures and are of the view that an earnings-based approach to assess the reasonableness of the Consideration may not be meaningful as FEF has recorded losses for FY2013, FY2014 and FY2015. Therefore, in evaluating the Consideration, we have adopted the NAV-based approach and assessed the valuation of FEF vis-à-vis the valuation of the Selected Comparable Companies.

## APPENDIX A – IFA LETTER

The P/NAV ratio is the ratio of the market price of a company's shares relative to its historical NAV per share. The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.

The valuation ratios of the Selected Comparable Companies based on their respective last transacted prices as at the Latest Practicable Date are set out below.

Selected Comparable Companies	Market capitalisation as at the Latest Practicable Date <sup>(1)</sup> (S\$' million)	P / NAV <sup>(2)</sup> (times)
Fuwei Films (Holdings) Co., Ltd	9.2	0.12
Jiangsu Yuxing Film Technology Co., Ltd	730.9	2.63
Jindal Poly Films Limited	361.4	0.84
Polplex (Thailand) Public Company Ltd	199.7	0.68
Sichuan EM Technology Co., Ltd	921.7	1.99
Zhejiang Great Southeast Co., Ltd	1,333.3	2.17
Zhejiang Nanyang Technology Co., Ltd	1,919.5 <sup>(3)</sup>	2.76
High		2.76
Mean		1.60
Median		1.99
Low		0.12
<b>FEF <sup>(4)</sup> (based on NAV)</b>	4.7	0.49
<b>FEF <sup>(4)</sup> (based on Revalued NAV)</b>	4.7	1.28

*Source: Bloomberg, annual reports and announcements of the Selected Comparable Companies*

**Notes:**

- (1) Based on the last traded price of the shares on 31 March 2016, being the Latest Practicable Date.
- (2) NAV figures are based on the latest available published financial statements as at the Latest Practicable Date.
- (3) The last traded price of Zhejiang Nanyang Technology Co., Ltd was RMB12.97 as at 2 February 2016, being the day prior to the trading halt of the shares.
- (4) The Consideration of RMB7,881,700 (equivalent to approximately S\$1.6 million based on the exchange rate of S\$1 : RMB4.797 as at the Latest Practicable Date) for 35% equity interest in FEF values FEF at RMB22,519,143 (equivalent to approximately S\$4.7 million based on the exchange rate of S\$1 : RMB4.797 as at the Latest Practicable Date).

Based on the above analysis, the P/Revalued NAV ratio of 1.28 times for FEF as implied by the Consideration is within the P/NAV range of the Selected Comparable Companies but lower than the mean and median P/NAV ratios of the Selected Comparable Companies.

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## APPENDIX A – IFA LETTER

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### 5.5 Pro-forma financial effects of the Proposed Disposal

The pro-forma financial effects of the Proposed Disposal on the EPS and the NTA are set out in Section 3.3 of the Circular for illustrative purposes only and have been prepared based on the latest announced consolidated financial statements of the Group for FY2015. We recommend that the Recommending Directors advise the Shareholders to read Section 3.3 of the Circular carefully, including the assumptions set out therein.

We note that the Proposed Disposal will result in the following financial effects for the Group:

- (i) the NTA per Share of the Group of RMB1.746 would remain unchanged upon Completion; and
- (ii) the earnings per Share of the Group of RMB0.147 would remain unchanged upon Completion.

### 5.6 Other relevant considerations in relation to the Proposed Disposal

#### 5.6.1 Comparison of the Consideration with the financial terms of the disposal of 16% equity interest in FEF by GSI Creos Corp (“GSI”)

We noted that GSI had on 10 June 2015, completed the disposal of its 16% equity interest in FEF to the Purchaser based on the revalued NAV of FEF of RMB22,519,144 as at 30 November 2014 (“GSI Disposal”). We understand that the pricing methodology used to derive the Consideration for the Proposed Disposal is the same as the GSI Disposal, i.e. based on the revalued NAV of FEF as at 30 November 2014.

We further note from the Valuation Report that the Revalued NAV of FEF has further deteriorated to RMB17,574,396 as at 31 December 2015. Accordingly, the value of FEF implied by the Consideration represents a premium of approximately 28.2% above the Revalued NAV as at 31 December 2015.

#### 5.6.2 No other alternative offers from third parties

In view of the losses suffered by FEF, the Company was unable to find a purchaser for FEF other than the Purchaser. As at the Latest Practicable Date, other than the Proposal Disposal, there is no publicly available evidence of an alternative offer for the 35% equity interest in FEF from any third party. Further, the Directors have confirmed that as at the Latest Practicable Date, other than the Purchaser, the Company has not received any other alternative/competing offers for the 35% equity interest in FEF from any third party.

#### 5.6.3 Use of proceeds from the Proposed Disposal

As set out in Section 1.8 of the Circular, the Company intends to use the proceeds of RMB7,881,700 from the Proposed Disposal for the general working capital requirements of the Group.

#### 5.6.4 Abstention from voting

We note that Mr Pan and Mdm Mai, being interested persons in connection with the Proposed Disposal, will each abstain and procure that all of their associates will abstain, from voting at the EGM on the Ordinary Resolution. Further, Mr Pan and Mdm Mai will not accept appointments as proxies unless the Shareholders appointing them as proxies have given specific instructions in the relevant Proxy Form on the manner in which they wish their votes to be cast for the Ordinary Resolution. Accordingly, the Proposed Disposal would proceed only if a majority of the Shareholders (excluding Mr Pan and Mdm Mai and their associates) were to vote in favour of the Proposed Disposal.

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## APPENDIX A – IFA LETTER

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### 6. RECOMMENDATION

In arriving at our opinion on the Proposed Disposal, we have taken into account the following key considerations (which should be read in conjunction with, and in the context of, the full text of this IFA Letter):

- (a) the rationale for the Proposed Disposal, details of which are set out in Section 5.1 of this IFA Letter;
- (b) the financial performance and position of FEF from FY2013 to FY2015, details of which are set out in Section 5.2 of this IFA Letter;
- (c) with reference to the Valuation Report, we note that the Consideration of RMB7,881,700 is higher than the market value of RMB6,150,000 stated in the Valuation Report;
- (d) the P/Revalued NAV ratio implied by the Consideration of 1.28 times is within range but lower than the mean and median of the P/NAV ratios of the Selected Comparable Companies;
- (e) the pro-forma financial effects of the Proposed Disposal, details of which are set out in Section 5.5 of this IFA Letter;
- (f) other considerations, details of which are set out in Section 5.6 of this IFA Letter, as follows:
  - (i) same pricing methodology to the GSI Disposal;
  - (ii) the absence of any other alternative offers for the 35% equity interest in FEF from third parties;
  - (iii) the proceeds from the Proposed Disposal will be utilised for the general working capital requirements of the Group; and
  - (iv) Mr Pan and Mdm Mai and their associates will abstain from voting at the EGM on the Ordinary Resolution relating to the Proposed Disposal.

Having regard to the analysis set out in this IFA Letter and information available as at the Latest Practicable Date, we are of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

This recommendation is not given in the context of any other requirement and is not to be taken or construed by any existing or prospective Shareholders as forming part of any recommendation in pertaining to their Shares other than for the purpose of the Proposed Disposal. Specifically, our recommendation does not purport to provide any support given or guidance, express or implied, with respect to any invitation to acquire existing Shares.

This IFA Letter is addressed to the Recommending Directors for their reference and benefits in relation to and for the purpose of their consideration of the Proposed Disposal. Any recommendation made by the Recommending Directors to the Shareholders shall remain the role and responsibility of the Recommending Directors.

This IFA Letter is governed by, and construed in accordance with the laws of Singapore, and is strictly limited to the matters stated herein and does not give implication to any other matter.

Yours faithfully,  
For and on your behalf of  
MS Corporate Finance Pte. Ltd.

Mick Aw  
Director

Juay Sze Sin  
Director

**VALUATION REPORT  
CONSIDERING  
THE MARKET VALUE  
OF  
35 PERCENT EQUITY INTEREST IN  
FOSHAN ENERGETIC FILM CO., LTD.**

**Client :** Southern Packaging Group Limited

**Ref. No.:** CON000275301

**Report Date:** 10 March 2016



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## APPENDIX B – VALUATION REPORT

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10 March 2016

The Board of Directors  
Southern Packaging Group Limited  
80 Robinson Road #02-00  
Singapore 068898

Dear Sirs,

In accordance with the instructions received from Southern Packaging Group Limited (“SPG Ltd” or the “Company”), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 35 percent equity interest in Foshan Energetic Film Co., Ltd. (“Foshan Energetic” or the “Target”) as at 31 December 2015 (the “Valuation Date”). The report which follows is dated 10 March 2016 (“Report Date”)

The purpose of this valuation is to provide a circular reference for the Company.

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Our valuation was carried out on a market value basis. Market value is defined as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion of the equity interests. We believe that the valuation procedures we employed provide a reasonable basis for our work.

As part of our analysis, we have been furnished with information prepared by the Target regarding the subject business. We have relied to a considerable extent on such information in arriving at our opinion of value. The conclusion of market value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions, the background information and relevant data provided by the management of the Target and the consideration of various factors that are relevant to the operation of the Target. We have also considered various risks and uncertainties that have potential impact on the Target.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

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Southern Packaging Group Limited

Valuation Report – 35% Equity Interest in Foshan Energetic Film Co., Ltd

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that as at the Valuation Date, the market value of 35 percent equity interest in Foshan Energetic Film Co., Ltd. is reasonably stated as follows:

Valuation Date	35% Equity Interest (RMB)
31 December 2015	6,150,000

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

.....  
**Simon M.K. Chan**  
Regional Director

Southern Packaging Group Limited

Valuation Report – 35% Equity Interest in Foshan Energetic Film Co., Ltd

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Southern Packaging Group Limited

Valuation Report – 35% Equity Interest in Foshan Energetic Film Co., Ltd

## INTRODUCTION

In accordance with the instructions received from Southern Packaging Group Limited (“SPG Ltd” or the “Company”), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 35 percent equity interest in Foshan Energetic Film Co., Ltd. (“Foshan Energetic” or the “Target”) as at 31 December 2015 (the “Valuation Date”). The report which follows is dated [•] (“Report Date”).

## PURPOSE OF VALUATION

The purpose of this valuation is to provide a circular reference for the Company.

## BASIS OF VALUE

Our valuation was carried out on a market value basis. Market value is defined as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Council (“IVSC”). The valuation procedures employed include a review of economic condition of the Target and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target;
- Market-driven investment returns of companies engaged in similar lines of business;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Assessment of the leverage and liquidity of the subject asset.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target.

## BACKGROUND

Foshan Energetic is a private limited liability company incorporated under the laws of the People's Republic of China on 7 August 2003 as a foreign invested enterprise. The business of Foshan Energetic is in the production and supply of a variety of BOPET films to meet the demands of the domestic economy. Southern Packaging Group Limited owns 35% equity interest in the Target.

In recent years, the Target has experienced headwinds within the industry, resulting in the Target recording a net loss position in the last three years. Consequently, the challenging market situation has led the Company to contemplate the disposal of the investment in the Target.

### Valuation Assumptions

In determining the value of the 35 percent equity interest in the Target, we make the following key assumptions:

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the assets/business of the Target;
- We have been provided with financial information of the Target as at the Valuation Date. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;
- We have assumed the accuracy of the financial information provided to us by the Target and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely

affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

### **VALUATION APPROACH AND METHODOLOGY**

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, income approach and cost approach.

*Market Approach* considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are

inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

*Income Approach* is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay for the project no more than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

*Cost Approach* considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

*Asset-based Approach* is defined by the International Valuation Standards Council as ‘a method of indicating the value of a business, business or business interest based on a summation of the net value of the individual assets and liabilities’. This method considers the fair value of the assets, both tangible and intangible, and liabilities to determine a net value of the business using the aforementioned three valuation approaches.



**Selection of Valuation Approach and Methodology**

In our opinion, the market approach and income approach are inappropriate for valuing the equity interest. Firstly, the market approach requires market comparable companies as an indication of value and the income approach requires future expected economic benefits to be converted to reach an indicative value. However, we have not identified any market comparable companies which are comparable and the Target has been in a net loss position over the last three years while the outlook for the industry continues to be challenging. We have therefore relied primarily on the asset-based approach in estimating the market value of the equity interest. This approach requires the summation of the assets and liabilities of the business while the individual assets and liabilities are derived using one or more of the principal valuation approaches.

In this report, we had considered the types of assets and liabilities and their conditions when arriving at the market values of the Subject Items. We adopted appropriate valuation methodology for each different class of assets and liabilities.

Assets	Valuation Approach and Methodology
Current assets (including cash, note receivables, prepayment and other receivables)	Cost approach is adopted where the historical costs are adopted as the market values
Accounts Receivables	Income approach is adopted where the expected values are adopted as the market values.
Inventories	Income approach is adopted for finished goods where the expected values are adopted as the market values. For WIP and raw materials, the cost approach is adopted.
Non-current assets (including fixed assets, construction in progress, intangible assets)	With reference to the Fixed Asset valuation reports provided by JLL
Other non-current assets (including long-term deferred expenses	Cost approach is adopted where the historical costs are adopted as the market values.

## SOURCE OF INFORMATION

In conducting our valuation exercise on the equity interest, we have reviewed information from several sources, including, but not limited to:

- Background information of the Target; and
- Financial information of the Target.

We have been provided with copies of the above documents. We assumed such information to be reliable and legitimate.

Liabilities	Valuation Approach and Methodology
Current Liabilities (including accounts payable, advance receipts, accrued payroll, accrued tax, accrued interest payables, other payables)	Cost approach is adopted where the historical costs are adopted as the market values.
Non-current liabilities (including long-term loans)	Cost approach is adopted where the historical costs are adopted as the market values.

# BOOK VALUE OF ASSETS AND LIABILITIES

The table below summarizes the book value of the assets and liabilities as at 31 December 2015 which is provided by the Target.

Assets	Amount (RMB)
Cash	1,119,038
Notes Receivables	2,218,031
Accounts Receivables	45,565,851
Prepayment	3,170,230
Other receivables	66,312
Inventories	17,426,718
Fixed assets	186,416,967
Construction in progress	70,188
Intangible assets	9,722,443
Long term deferred expenditure	256,633
<b>Assets</b>	<b>266,032,411</b>

Liabilities	Amount (RMB)
Accounts payables	12,697,117
Advance receipts	913,457
Accrued payroll	182,045
Accrued tax	1,185,857
Accrued interest payables	13,387,941
Other payables	71,244,875
Long-term loans	120,000,000
<b>Liabilities</b>	<b>219,611,292</b>

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## **VALUATION COMMENTS**

In general, we have undertaken the necessary and appropriate valuation procedures in the valuation of the assets and liabilities. The methodologies adopted are generally considered being suitable with regard to the nature of these items.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target, the Company and Jones Lang LaSalle Appraisal and Advisory Limited.

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Southern Packaging Group Limited

Valuation Report – 35% Equity Interest in Foshan Energetic Film Co., Ltd

## OPINION OF VALUE

Based on the valuation result above, the market values of the 35% equity interest in the Target as at the Valuation Date are reasonably stated as follows:

Valuation Date	35% equity interest (RMB)
31 December 2015	6,150,000

## LIMITING CONDITIONS

This report is issued subject to our Limiting Conditions as attached.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

.....  
**Simon M.K. Chan**  
Regional Director

## LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. The responsibility for determining expected values rests solely with the Company/engagement parties and our reports were only used as part of the Company's/engagement parties' analysis in reaching their conclusion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. The values expressed herein are valid only for the purpose stated in the report and in the engagement letter or proposal as of the Valuation / Reference Date. The report should not be otherwise be referred to or quoted, in whole or in part, in any form of communication, or distributed in whole or in part or copied to any third party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that

this report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not



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conduct or provide environmental assessments and have not performed one for the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, and those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction price purpose in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by the Company/engagement parties and other sources. Actual transactions involving the equity interest / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

## VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

**Simon M. K. Chan**  
Regional Director

**Kevin C. W. Chan**  
Associate Director

**Aaron H. L. Cheong**  
Senior Analyst

APPENDIX A – SUMMARY OF CALCULATION

评估基准日 Valuation Date: 2015-12-31				金额单位 Units:人民币元
资产占有方名称 Target company name:				
资产	Assets	期末数 Book Value	Ending balance Fair Value	备注 Remarks
流动资产:	Current assets			
货币资金	Cash and cash equivalents	1,119,038	1,119,038	Cost Approach
应收票据	Notes receivables	2,218,031	2,218,031	Cost Approach
应收账款	Accounts receivables	45,565,851	45,565,034	Income Approach
预付款项	Prepayments	3,170,230	3,170,230	Cost Approach
其他应收款	Other receivables	66,312	66,312	Cost Approach
存货	Inventories	17,426,718	17,029,009	Income / Cost Approach
流动资产合计	Sub-total of current assets	69,566,180	69,067,655	
非流动资产:	Non-current assets			
固定资产	Fixed assets	186,416,967	128,291,300	Cost Approach
在建工程	Construction in progress	70,188	70,100	Cost Approach
无形资产	Intangible assets	9,722,443	39,500,000	Market Approach
长期待摊费用	Long-term deferred expenses	256,633	256,633	Cost Approach
非流动资产合计	Sub-total of non-current assets	196,466,231	168,118,033	
资产总计	Total of Assets	266,032,411	237,185,688	
负债及所有者权益	Liabilities			
流动负债:	Current Liabilities			
应付账款	Accounts payables	12,697,117	12,697,117	
预收款项	Advance receipts	913,457	913,457	
应付职工薪酬	Accrued payroll	182,045	182,045	
应交税费	Accrued tax	1,185,857	1,185,857	Cost Approach
应付利息	Accrued interest payables	13,387,941	13,387,941	
其他应付款	Other payables	71,244,875	71,244,875	
流动负债合计	Sub-total of current Liabilities	99,611,292	99,611,292	
非流动负债:	Non-current Liabilities			
长期借款	Long-term loans	120,000,000	120,000,000	Cost Approach
非流动负债合计	Sub-total of non-current liabilities	120,000,000	120,000,000	
负债合计	Total of liabilities	219,611,292	219,611,292	
Net Asset Value		46,421,119	17,574,396	
	35% Equity owned by Southern Packaging Group		6,150,000.00	

Southern Packaging Group Limited

Valuation Report – 35% Equity Interest in Foshan Energetic Film Co., Ltd

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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南方包装有限公司  
Southern packaging group ltd.

### SOUTHERN PACKAGING GROUP LIMITED

Company Registration No. 200313312N  
Incorporated in the Republic of Singapore on 30 December 2003

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Southern Packaging Group Limited (“**Company**”) will be held 10.00 a.m. on 29 April 2016 at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same date and at the same place), for the purpose of considering and, if thought fit, passing, with or without any modifications, the ordinary resolution set out below.

Capitalised terms which are not defined in this Notice of EGM shall carry the same meanings ascribed to them in the circular to Shareholders dated 14 April 2016 (“**Circular**”).

### **ORDINARY RESOLUTION: THE PROPOSED DISPOSAL OF 35.0% OF THE REGISTERED AND PAID-UP CAPITAL OF FOSHAN ENERGETIC FILM CO., LTD.**

THAT, approval be and is hereby given:

- (a) for the Company to enter into the Proposed Disposal on the terms and subject to the conditions set out in the SPA as more particularly described in the Circular; and
- (b) for the Directors of the Company and each of them to be authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be necessary or expedient for the purpose of completing the Proposed Disposal and/or the transactions contemplated by this resolution.

### **BY ORDER OF THE BOARD**

**Pan Shun Ming**  
**Executive Chairman**  
**14 April 2016**

### **Notes:–**

- (1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- (2) A relevant intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class or shares shall be specified). A relevant intermediary means:
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (3) Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting or any postponement or adjournment thereof.
- (5) The instrument appointing a proxy or proxies must be signed by the appointer or 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 signed on its behalf by any attorney or a duly authorised officer of the corporation.
- (6) Where an instrument appointing a proxy is signed on behalf of the appointer or by any attorney, the letter or 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) 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 Extraordinary General Meeting in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.
- (8) The submission of an instrument or form appointing a proxy or proxies by a member of the Company does not preclude him/her from attending and voting in person at the EGM if he/she wishes to do so.
- (9) A Depositor's name must appear on the Depository Register maintained by CDP no less than 72 hours before the time appointed for holding the EGM in order for him to be entitled to attend and vote at the EGM.

This Notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.

### PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM 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 EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (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.

# SOUTHERN PACKAGING GROUP LIMITED

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

## EXTRAORDINARY GENERAL MEETING PROXY FORM

(Please see the notes before completing this Form.)

### Important:

1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares in the capital of Southern Packaging Group Limited, this Circular is sent to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the EGM as an observer must submit their requests through their CPF approved nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to their CPF approved nominee.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport 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 (delete as appropriate)			
Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "Meeting") of the Company to be held at 10.00 a.m. on 29 April 2016 at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 (or as soon as practicable following the conclusion or adjournment of the Annual General Meeting of the Company to be convened on the same date and at the same place) and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate the number of votes as appropriate within the box provided.)

ORDINARY RESOLUTION	No. of votes for	No. of votes against
To approve the Proposed Disposal.		

\* Please delete accordingly

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

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



**NOTES:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore or Shares registered in your name in the Register of Members (as the case may be), 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. A relevant intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class or shares shall be specified). A relevant intermediary means:
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. If any proxy/proxies is/are to be appointed, please strike out the words "the Chairman of the Extraordinary General Meeting" and insert the name(s) and address(es) of the proxy/proxies desired in the blank space provided.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting or any postponement or adjournment thereof.
7. The instrument appointing a proxy or proxies must be signed by the appointer or 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 signed on its behalf by any attorney or a duly authorised officer of the corporation.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer or by any attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. 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 Extraordinary General Meeting in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.
10. The submission of an instrument or form appointing a proxy or proxies by a member of the Company does not preclude him/her from attending and voting in person at the EGM if he/she wishes to do so.
11. A Depositor's name must appear on the Depository Register maintained by CDP no less than 72 hours before the time appointed for holding the EGM in order for him to be entitled to attend and vote at the EGM.
12. Terms not defined herein have the meanings ascribed to them in the Circular dated 14 April 2016.

**General:**

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least seventy-two (72) hours before the time appointed for holding the EGM, 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 EGM dated 14 April 2016.



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