

**CIRCULAR DATED 2 FEBRUARY 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 assumes no responsibility for any statements made, opinion expressed 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

- (1) **THE PROPOSED CONSOLIDATION OF EVERY FOUR (4) EXISTING SHARES (AS DEFINED HEREIN) IN THE CAPITAL OF THE COMPANY INTO ONE (1) CONSOLIDATED SHARE (AS DEFINED HEREIN);**
- (2) **THE PROPOSED ADOPTION OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME;**
- (3) **THE PROPOSED GRANT OF OPTIONS AT A DISCOUNT UNDER THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME;**
- (4) **THE PROPOSED PARTICIPATION BY MR. PAN SHUN MING, A CONTROLLING SHAREHOLDER OF THE COMPANY, IN THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME; AND**
- (5) **THE PROPOSED PARTICIPATION BY MDM. MAI SHU YING, A CONTROLLING SHAREHOLDER OF THE COMPANY, IN THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME.**

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

Last date and time for lodgement of Proxy Form : 16 February 2016 at 9.00 a.m.

Date and time of Extraordinary General Meeting : 18 February 2016 at 9.00 a.m.

Place of Extraordinary General Meeting : Equinox, Private Dining Room 1, 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:*

- “Act” or “Companies Act”** : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time.
- “Adoption Date”** : The date on which the Proposed Scheme is adopted by the Company in general meeting.
- “Aggregate Subscription Cost”** : The total amount payable by a Participant for Shares acquired on the exercise of an Option.
- “Articles”** : The articles of association of the Company, as amended, modified or supplemented from time to time.
- “Associate”** : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:—
- (i) his immediate family;
  - (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
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more;
- (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.
- “Associated Company”** : 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.
- “Auditors”** : The auditors of the Company for the time being.
- “Board”** : The board of directors of the Company.
- “Books Closure Date”** : The time and date to be determined by the Directors, at and on which the Register of Members and the share transfer books of the Company will be closed for the purpose of determining the entitlements of the Shareholders to the Consolidated Shares pursuant to the Proposed Share Consolidation.
- “CDP”** : The Central Depository (Pte) Limited.
- “Circular”** : This circular dated 2 February 2016.
- “Committee”** : A committee comprising of Directors of the Company duly authorised and appointed by the Board pursuant to the Rules to administer the Proposed Scheme.
- “Company”** : Southern Packaging Group Limited.

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## DEFINITIONS

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<b>“Consolidated Shares”</b>	:	Shares in the capital of the Company after completion of the Proposed Share Consolidation and <b>“Consolidated Share”</b> shall be construed accordingly.
<b>“Controlling Shareholder”</b>	:	A person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares) unless the SGX-ST determines that such a person is not a controlling shareholder of the Company; or</li> <li>(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”.</li> </ul>
<b>“Date of Grant”</b>	:	The date on which an Option is granted pursuant to the Proposed Scheme.
<b>“Directors”</b>	:	The directors of the Company as at the date of the Circular.
<b>“Discount Option”</b>	:	An Option granted with the Exercise Price set at a discount to the Market Price.
<b>“Effective Trading Date”</b>	:	Has the meaning ascribed to it in section 2.3 of this Circular.
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be held at Equinox, Private Dining Room 1, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 on 18 February 2016 at 9.00 a.m. (or any adjournment thereof), a notice of which is set out on page 46 of this Circular.
<b>“Employee”</b>	:	An employee of the Group.
<b>“EPS”</b>	:	Earnings per Share.
<b>“Executive Director”</b>	:	A director who is an Employee of the Group and performs an executive function within the Group.
<b>“Exercise Period”</b>	:	The period of time available for the exercise of an Option, as determined in accordance with the Rules of the Proposed Scheme.
<b>“Exercise Price”</b>	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option, which shall be the price as determined in accordance with the Rules of the Proposed Scheme.
<b>“Existing Shares”</b>	:	Shares in the capital of the Company prior to the Proposed Share Consolidation and <b>“Existing Share”</b> shall be construed accordingly.
<b>“FY”</b>	:	Financial year of the Company ending or ended 31 December, as the case may be.
<b>“FY2014”</b>	:	Financial year ended 31 December 2014.
<b>“Grantee”</b>	:	The person to whom an offer of an Option is made.
<b>“Group”</b>	:	The Company and its Subsidiaries.

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## DEFINITIONS

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<b>“immediate family”</b>	:	in relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent.
<b>“Independent Director”</b>	:	An independent director of the Company. The current independent directors of the Company are Yeung Koon Sang @ David Yeung, Chia Chor Leong, and Chung Tang Fong.
<b>“Latest Practicable Date”</b>	:	28 January 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>“LPS”</b>	:	Loss per Share.
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities.
<b>“Market Price”</b>	:	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive Market Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices.
<b>“Market Price Option”</b>	:	An Option granted with the Exercise Price set at the Market Price.
<b>“New Shares”</b>	:	The new Consolidated Shares which may be allotted and issued from time to time pursuant to an Option under the Proposed Scheme.
<b>“Non-Executive Director”</b>	:	A director of the Company and/or its Subsidiaries, as the case may be, other than an Executive Director.
<b>“Notice of EGM”</b>	:	The notice of the EGM as set out on page 46 of this Circular.
<b>“NTA”</b>	:	Net tangible assets.
<b>“Option”</b>	:	The right to subscribe for Shares granted or to be granted pursuant to the Proposed Scheme and for the time being subsisting.
<b>“Ordinary Resolution”</b>	:	Any of the ordinary resolutions to be passed at the EGM in respect of the Proposed Corporate Actions and <b>“Ordinary Resolutions”</b> shall be construed accordingly.
<b>“Participant”</b>	:	The holder of an Option.
<b>“PRC”</b>	:	The People’s Republic of China.
<b>“Proposed Corporate Actions”</b>	:	Has the meaning ascribed to it in section 1.1 of this Circular.
<b>“Proposed Scheme”</b>	:	Southern Packaging Employee Share Option Scheme, as the same may be modified or altered from time to time.
<b>“Proposed Share Consolidation”</b>	:	The proposed consolidation of every four (4) Existing Shares held by Shareholders as at the Books Closure Date into one (1) Consolidated Share, fractional entitlements to be disregarded.

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## DEFINITIONS

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<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM as set out in this Circular.
<b>“Record Date”</b>	:	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
<b>“Register of Members”</b>	:	Register of members of the Company.
<b>“Rules”</b>	:	Rules of the Proposed Scheme.
<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>“Share Registrar”</b>	:	The share registrar of the Company, Boardroom Corporate & Advisory Services Pte Ltd.
<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is CDP, the term <b>“Shareholders”</b> 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 and <b>“Share”</b> shall be construed accordingly.
<b>“Subsidiaries”</b>	:	A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Act and <b>“Subsidiary”</b> shall be construed accordingly.
<b>“Substantial Shareholder”</b>	:	A person who holds directly or indirectly 5.0% or more of the issued capital in the Company.
<b>Currencies and others</b>		
<b>“RMB”</b>	:	Renminbi.
<b>“S\$”</b>	:	Singapore dollars.
<b>“%” or “per cent.”</b>	:	Per centum or percentage.

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 (Chapter 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.

Unless otherwise stated, references to the shareholdings of the Company are computed based on the total number of Shares of 281,276,826 with no treasury shares as at the Latest Practicable Date.

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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 068988

2 February 2016

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

Dear Sir/Madam:

- (1) **THE PROPOSED CONSOLIDATION OF EVERY FOUR (4) EXISTING SHARES IN THE CAPITAL OF THE COMPANY INTO ONE (1) CONSOLIDATED SHARE;**
- (2) **THE PROPOSED ADOPTION OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME;**
- (3) **THE PROPOSED GRANT OF OPTIONS AT A DISCOUNT UNDER THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME;**
- (4) **THE PROPOSED PARTICIPATION BY MR. PAN SHUN MING, A CONTROLLING SHAREHOLDER OF THE COMPANY, IN THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME; AND**
- (5) **THE PROPOSED PARTICIPATION BY MDM. MAI SHU YING, A CONTROLLING SHAREHOLDER OF THE COMPANY, IN THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME.**

#### 1. INTRODUCTION

1.1 The Directors are convening an EGM to seek Shareholders' approval in respect of the following matters:

- (a) the Proposed Share Consolidation;
- (b) the Proposed Scheme;
- (c) the proposed grant of Options at a discount under the Proposed Scheme; and
- (d) the proposed participation by Mr. Pan Shun Ming and Mdm. Mai Shu Ying, the Controlling Shareholders of the Company, in the Proposed Scheme,

(hereinafter collectively referred to as the **"Proposed Corporate Actions"**.)

1.2 The purpose of this Circular is to provide Shareholders with information on and to explain the rationale for the above-mentioned corporate actions for which the approval of the Shareholders will be sought at the EGM. Notice of the EGM is set out on pages 46 to 48 of this Circular.



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## LETTER TO SHAREHOLDERS

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- 1.3 The SGX-ST assumes no responsibility for any statements made, opinion expressed or reports contained in this Circular.

## 2. THE PROPOSED SHARE CONSOLIDATION

### 2.1 Background

On 18 January 2016, the Company announced that it was proposing to seek Shareholders' approval to undertake a share consolidation of every four (4) Existing Shares held by Shareholders as at the Books Closure Date into one (1) Consolidated Share, fractional entitlements to be disregarded.

Subject to Shareholders' approval being obtained for the Proposed Share Consolidation at the EGM, Shareholders' holdings of the Consolidated Shares arising from the Proposed Share Consolidation will be ascertained on the Books Closure Date. After the Books Closure Date, every four (4) Existing Shares registered in the name, or standing to the credit of the Securities Account of each Shareholder or Depositor (as the case may be) as at the Books Closure Date will be consolidated into one (1) Consolidated Share, fractional entitlements to be disregarded. Each Consolidated Share will rank *pari passu* in all respects with each other and will be traded in board lots of 100 Consolidated Shares.

Shareholders should note that, upon completion of the Proposed Share Consolidation, the number of Consolidated Shares which they will be entitled to, based on their holdings of the Existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be disregarded. All fractional entitlements arising from the implementation of the Proposed Share Consolidation will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) disregarding the fractional entitlements, or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company. Shareholders should note further that affected Shareholders will not be paid for any fractions of a Consolidated Share which are disregarded.

Shareholders who hold less than four (4) Existing Shares as at the Books Closure Date will not be entitled to any Consolidated Shares and will no longer be Shareholders upon completion of the Proposed Share Consolidation. Such Shareholders who wish to remain as Shareholders upon completion of the Proposed Share Consolidation are advised to purchase additional Existing Shares so as to increase their number of Existing Shares held to a multiple of four (4) Existing Shares prior to the Books Closure Date.

With effect from 9.00 a.m. on the Effective Trading Date, trading in the Consolidated Shares will be in board lots of 100 Consolidated Shares.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S\$45,735,199 comprising 281,276,826 Existing Shares. Subject to Shareholders' approval being obtained for the Proposed Share Consolidation, and assuming that no further new Shares will be issued up to the Books Closure Date, following the completion of the Proposed Share Consolidation, the Company will have an issued and paid-up share capital of S\$45,735,199 divided into up to 70,319,206 Consolidated Shares.

As at the Latest Practicable Date, the Company has no outstanding warrants or convertibles that may be subject to adjustments as a result of the Proposed Share Consolidation.

The Proposed Share Consolidation will have no impact on the total value of the issued and paid-up share capital of the Company. The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Group. Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation.

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## LETTER TO SHAREHOLDERS

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The Proposed Share Consolidation will not cause any changes to the percentage shareholding of each Shareholder in the Company, other than non-material changes due to rounding.

Pursuant to the Articles of the Company, the approval of Shareholders by way of an Ordinary Resolution is sought for the Proposed Share Consolidation.

The SGX-ST assumes no responsibility for any statements made, opinion expressed or reports contained in this Circular. Shareholders should note that the in-principle approval of the SGX-ST for the listing and quotation of the Consolidated Shares on the Mainboard of the SGX-ST is not to be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company and/or its Subsidiaries.

### 2.2 Rationale for the Proposed Share Consolidation

The Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders for the following reasons:

#### (a) Compliance with the minimum trading price requirement

With effect from 2 March 2015, the SGX-ST implemented a minimum trading price (“MTP”) requirement of S\$0.20 per share for shares of issuers listed on the Mainboard of the SGX-ST as a continuing listing requirement. A one-time transition period of 12 months from 2 March 2015 (i.e. ending on 1 March 2016) will be given to affected issuers to undertake corporate actions to meet the new requirement, and such issuers will only be placed on the watchlist if they are unable to meet the minimum trading price requirement after this 12-month transition period. Issuers which are unable to raise its minimum trading price and exit the watch-list will be delisted after a 36-month cure period.

The Directors believe that the Proposed Share Consolidation will facilitate the Company’s compliance with the MTP requirement. In determining the consolidation ratio, the Directors have given due regard to the volatility in the Share price, and a sufficient buffer has been provided to cater to fluctuations in Share price. In turn, this will assist the Company in complying with the MTP requirement in the longer term.

#### (b) Reduction of the magnitude of volatility of the share price

For the six-month period between July 2015 to December 2015 and ending on the Latest Practicable Date, the absolute price of the Shares has been closing at a low level, with the last traded share prices ranging between S\$0.07 and S\$0.150 in the past six (6) months. The relevant data, along with the transacted volume of the Shares for each month are as follows:

	Highest Price (\$)	Lowest Price (\$)	Volume of traded Shares
July 2015	0.148	0.101	96,200
August 2015	0.110	0.080	352,200
September 2015	0.130	0.090	68,000
October 2015	0.150	0.150	100
November 2015	0.090	0.080	198,000
December 2015	0.150	0.130	1,100
1 January 2016 to the Latest Practicable Date	0.150	0.070	1,046,200

Source: SGX-ST

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## LETTER TO SHAREHOLDERS

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As share trading may involve certain minimum fixed expenses (such as minimum brokerage fees), low traded Share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of Shares of the Company. In addition, the low traded Share price may encourage speculation in the Shares of the Company, which may result in excessive share price volatility.

The Board therefore believes that the Proposed Share Consolidation may serve to reduce the fluctuation in magnitude of the Company's market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares of the Company.

**(c) Increase in the market interest and attractiveness of the Company and its Shares**

The Proposed Share Consolidation will rationalise the share capital of the Company by reducing the number of Shares outstanding resulting in a corresponding increase in the calculation of theoretical trading price per Consolidated Share and net tangible assets per Consolidated Share. The Proposed Share Consolidation may also increase the profile of the Company amongst institutional investors and the coverage of the Company amongst research houses and fund managers.

As at the Latest Practicable Date, the closing market price of the Shares which were traded on the SGX-ST is S\$0.15. Upon completion of the Proposed Share Consolidation, the theoretical share price of each Consolidated Share will be S\$0.60.

The six-month volume weighted average price of each Share for trades done on the Mainboard of the SGX-ST up to the Latest Practicable Date is S\$0.084. Upon completion of the Proposed Share Consolidation, the theoretical six-month volume weighted average price of each Consolidated Share will be S\$0.336 which complies with the MTP requirement.

However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

### **2.3 Conditions for the Proposed Share Consolidation**

Pursuant to the Articles and the Listing Manual, the implementation of the Proposed Share Consolidation is subject to, *inter alia*, the following:-

- (a) approval of Shareholders for the Proposed Share Consolidation by way of an Ordinary Resolution at the EGM; and
- (b) the receipt of the in-principle approval of the SGX-ST for the dealing in, listing of and quotation for the Consolidated Shares on the Mainboard of the SGX-ST.

On 29 January 2016, the Company obtained the in-principle approval of the SGX-ST for the dealing in, listing of and quotation for up to 70,319,206 Consolidated Shares subject to the following conditions:-

- (a) approval of Shareholders for the Proposed Share Consolidation at the EGM to be convened; and
- (b) compliance with the listing requirements of the SGX-ST.

The in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the Proposed Share Consolidation, the Consolidated Shares, the Company, its Subsidiaries, and their securities.

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## LETTER TO SHAREHOLDERS

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An announcement will be made by the Company to notify Shareholders of the date when the Proposed Share Consolidation will become effective and the date on which the Consolidated Shares will commence trading on the SGX-ST in board lots of 100 Consolidated Shares (the “**Effective Trading Date**”) as well as the Books Closure Date in due course.

Shareholders should note that whilst the Board is seeking Shareholders’ approval for the Proposed Share Consolidation, the Directors may decide not to proceed with the Proposed Share Consolidation if the Directors are of the view that, after taking into account all relevant factors, it is not beneficial to the Company and its Shareholders to do so. In such a case, an announcement will be made by the Company to notify Shareholders of the reasons why the Directors have decided not to proceed with the Proposed Share Consolidation.

### 2.4 Updating of Register of Members and Depository Register

If Shareholders at the EGM approve the Proposed Share Consolidation, the Shareholders’ entitlements of the Consolidated Shares will be determined on the Books Closure Date, based on their shareholdings as at 5.00 p.m. on such date. The Register of Members and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders based on their shareholdings in the Company as at the Books Closure Date and the Consolidated Shares will begin trading on the Effective Trading Date.

#### (a) Deposit of Share Certificates with CDP

Shareholders who hold physical share certificates for the Existing Shares in their own names (“**Old Share Certificates**”) and who wish to deposit the same with CDP and have their Consolidated Shares credited to their Securities Accounts must deposit their Old Share Certificates with CDP, together with the duly executed instruments of transfer in favour of CDP, no later than twelve (12) Market Days prior to the Books Closure Date. After the Books Closure Date, CDP will only accept the deposit of share certificates for the Consolidated Shares (“**New Share Certificates**”).

Shareholders who wish to deposit their Old Share Certificates with CDP after the Books Closure Date must first deliver such Old Share Certificates to the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, for cancellation and issue of New Share Certificates in replacement thereof as described below.

#### (b) Issue of New Share Certificates

Shareholders who have deposited their Old Share Certificates with CDP at least twelve (12) Market Days prior to the Books Closure Date need not take any action. The Company will make arrangements with CDP to effect the exchange for New Share Certificates pursuant to the Proposed Share Consolidation.

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, as soon as possible after they have been notified of the Books Closure Date and preferably, not later than five (5) Market Days after the Books Closure Date for cancellation and exchange for New Share Certificates. No receipt will be issued by the Share Registrar for the receipt of any Old Share Certificates tendered. The New Share Certificates will be sent by ordinary mail to the registered addresses of Shareholders at their own risk within ten (10) Market Days from the Books Closure Date or the date of receipt of the Old Share Certificates, whichever is later.

Shareholders are to deliver their respective Old Share Certificates to the Share Registrar of the Company or CDP in accordance with the provisions set out in this section 2.4 only after the announcement of the Books Closure Date by the Company.

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## LETTER TO SHAREHOLDERS

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Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have been tendered to the Share Registrar of the Company for cancellation.

Shareholders should notify the Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, if they have lost any of their existing Old Share Certificates or if there is any change in their respective addresses from that reflected in the Register of Members of the Company.

### **(c) Share Certificates Not Valid for Settlement of Trades on the SGX-ST**

Shareholders are reminded that their Old Share Certificates are no longer good for settlement of trading in the Shares on the SGX-ST, as the Company is under a book-entry (scripless) settlement system, but will continue to be accepted by the Share Registrar for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period. The New Share Certificates will not be valid for delivery for trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.

## **2.5 Trading Arrangement for the Consolidated Shares and Odd Lots**

Subject to the approval of the Shareholders for the Proposed Share Consolidation at the EGM, trading in the Existing Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date. Trading in the Consolidated Shares will commence with effect from 9.00 a.m. on the Effective Trading Date. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

The Existing Shares are currently traded in board lots of 100 Shares in the ready market. Following the Proposed Share Consolidation, the Securities Accounts of Shareholders (being Depositors) may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of 100 Consolidated Shares). The market for trading of such odd lots of Consolidated Shares may be illiquid. Shareholders (being Depositors) who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade such odd lots of Consolidated Shares on the SGX-ST should note that odd lots of Consolidated Shares can be traded with a minimum size of one (1) Consolidated Share on the SGX-ST's unit share market. The unit share market of the SGX-ST will enable trading in odd lots in any quantity less than one (1) board lot of the underlying Consolidated Shares.

All fractional entitlements arising from the implementation of the Proposed Share Consolidation will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) disregarding the fractional entitlements or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company.

## **3. FINANCIAL EFFECTS OF THE PROPOSED SHARE CONSOLIDATION**

### **3.1 Assumptions**

For the purposes of this section 3.1, the following assumptions shall apply:

- (a) the pro forma financial effects of the Proposed Share Consolidation set out below are purely for illustrative purposes only and do not reflect the actual future financial results or positions of the Company and/or the Group after the completion of the Proposed Share Consolidation. The pro forma financial effects of the Proposed Share Consolidation have been computed based on the audited consolidated financial statements of the Group for FY2014 unless otherwise stated;
- (b) the number of Shares for the financial effects relating to the NTA per Share and the share capital of the Company are based on 281,276,826 issued Shares (with no treasury shares) as at 31 December 2014; and

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- (c) following the Proposed Share Consolidation, the Company will have an issued share capital comprising up to 70,319,206 Consolidated Shares (with no treasury shares).

### 3.2 Share Capital

The effects of the completion of the Proposed Share Consolidation on the issued and paid-up share capital of the Company as at the Latest Practicable Date are as follows:

	Before the completion of the Proposed Share Consolidation	After the completion of the Proposed Share Consolidation
<b>Number of Shares (excluding treasury shares)</b>	281,276,826	70,319,206
<b>Issued and paid-up share capital (S\$)</b>	45,735,199	45,735,199

### 3.3 NTA per Share

The effects of the completion of the Proposed Share Consolidation on the NTA per Share of the Company as at 31 December 2014 are as follows:

	Company		Group	
	Before the completion of the Proposed Share Consolidation	After the completion of the Proposed Share Consolidation	Before the completion of the Proposed Share Consolidation	After the completion of the Proposed Share Consolidation
<b>NTA (RMB)</b>	399,715,521	399,715,521	451,217,254	451,217,254
<b>Number of Shares (excluding treasury shares)</b>	281,276,826	70,319,206	281,276,826	70,319,206
<b>NTA per Share (RMB)</b>	1.42	5.68	1.60	6.42

### 3.4 LPS

The effect of the Proposed Share Consolidation on the LPS for FY2014 would have been:

	Before the completion of the Proposed Share Consolidation	After the completion of the Proposed Share Consolidation
<b>Profit (loss) attributable to Shareholders (RMB)</b>	(28,471,735)	(28,471,735)
<b>Weighted average number of Shares for basic EPS (excluding treasury shares)</b>	281,276,826	70,319,206
<b>LPS – basic and diluted (RMB)</b>	(0.10)	(0.40)

### 3.5 Gearing

The Proposed Share Consolidation will not affect the gearing of the Company and the Group.



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### 4. THE PROPOSED SCHEME

#### 4.1 Rationale of the Proposed Scheme

The Company places strong emphasis on the recruitment and retention of quality Employees with talent in all areas of the Group's operations, and in particular, the drive, leadership, skills, expertise and experience of such persons, as the Company considers these to be qualities that will assist the Group to realise its strategic and long-term business goals.

The Proposed Scheme is premised on the basis that it is important to retain Employees whose contributions are essential to the well-being and prosperity of the Company and to give recognition to outstanding Employees and directors who have contributed to the growth of the Company. The Proposed Scheme will give Participants an opportunity to have a personal equity interest in the Company at no direct cost to its profitability and will also help to achieve the following positive objectives:–

- (a) to motivate each Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to make employee remuneration sufficiently competitive to recruit and retain key Employees and directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) the development of a participatory style of management which promotes greater commitment and dedication amongst the Participants and a stronger sense of identification by the Participants with the long term prosperity of the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (e) to foster an ownership culture within the Company which aligns the interests of Employees with the interests of the Shareholders.

On 29 January 2016, the SGX-ST granted an in-principle approval for the listing and quotation for all New Shares to be issued pursuant to the Proposed Scheme on the Official List of the Mainboard of the SGX-ST subject to, *inter alia*, specific Shareholders' approval being obtained for the Proposed Scheme and the Company's compliance with the SGX-ST's listing requirements and guidelines.

Such in-principle approval by the SGX-ST is not to be taken as an indication of the merits of the Proposed Scheme, the New Shares, the Company and/or its Subsidiaries.

#### 4.2 Summary of the Proposed Scheme

A summary of the Rules of the Proposed Scheme is set out below.

##### 4.2.1. Eligibility

Subject to the absolute discretion of the Committee, any of the following persons shall be eligible to participate in the Proposed Scheme:–

- (a) Employees who are confirmed in his/her employment with the Group and who have been in the employment of the Group for at least twelve (12) months, or such other period as the Committee may determine;
- (b) Executive Directors; and
- (c) Non-Executive Directors,

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provided that such person (i) has attained the age of twenty-one (21) years on or prior to the Date of Grant, (ii) is not an undischarged bankrupt and has not entered into a composition with his/her respective creditors and (iii) in the opinion of the Committee, has contributed to the success and development of the Group.

Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet the eligibility criteria above are eligible to participate in the Proposed Scheme, provided that the participation by and actual number and terms of any Options to be granted to each such Controlling Shareholder or his Associate and each grant of Options to any one of them may be effected only with a specific prior approval of independent Shareholders at a general meeting in separate resolutions. The Company will at such time provide the rationale and justification for any proposal to grant any Options (including the rationale for any discount to the Market Price, if so proposed) to the Controlling Shareholders and/or their Associates.

There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company and/or its Subsidiaries.

### 4.2.2. *Maximum entitlement*

The aggregate number of New Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the Proposed Scheme shall be determined at the absolute discretion of the Committee, who shall take into account, where applicable, criteria such as:

- (a) the rank, seniority and responsibilities of the Grantee within the Group;
- (b) past performance of the Grantee;
- (c) years of service/appointment and potential for future development of the Grantee;
- (d) degree of contribution to the growth, success and development of the Group; and
- (e) the performance of the Company.

### 4.2.3. *Limitation on the size of the Proposed Scheme*

- (a) The aggregate number of New Shares over which the Committee may grant Options on any date, when added to the number of New Shares issued and issuable in respect of (a) all Options granted under the Proposed Scheme, and (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15.0% of the issued share capital of the Company (excluding treasury shares) on the day preceding the relevant Date of Grant.
- (b) The aggregate number of New Shares issued and issuable in respect of all Options granted under the Proposed Scheme available to all Controlling Shareholders and their Associates must not exceed 25.0% of all New Shares available under the Proposed Scheme.
- (c) The number of New Shares issued and issuable in respect of all Options granted under the Proposed Scheme available to each of the Controlling Shareholders or their Associates must not exceed 10.0% of all New Shares available under the Proposed Scheme.

To enjoy greater flexibility in structuring remuneration and compensation packages, the Company believes that it should have a sufficient number of New Shares to accommodate Options issued under the Proposed Scheme. Taking into consideration the number of Shares of the Company as well as the number of eligible Participants in the Proposed Scheme, the Directors believe that a limit of 15.0% of the number of issued Shares of the Company in respect of the number of New Shares (comprised in Options) to be issued pursuant to the Proposed Scheme will enable the Company to grant a sufficient number of Options to the Participants to create a meaningful compensation for the Participants' contributions.



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### 4.2.4. *Exercise Price*

Under the Proposed Scheme, the Exercise Price for each New Share in respect of which an Option is exercisable shall be determined by the Committee, at its absolute discretion, on the Date of Grant, at:–

- (a) a price equal to the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:
  - (i) the maximum discount shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the Listing Manual of the SGX-ST); and
  - (ii) the Shareholders of the Company in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Proposed Scheme at a discount not exceeding the maximum discount as aforesaid.

The ability to offer Options at a discount to the Market Price of the Shares will allow flexibility in structuring the Options. Being able to offer Options at a discount is important in situations where it is more meaningful for the Company to acknowledge a Participant's achievement through offering Options at a discount to the Market Price rather than paying him a cash bonus, as these Options operate as a form of cashless reward from the Company, with a greater potential for capital appreciation than Options granted at the Market Price, or in situations where more compelling motivation is required in order to attract new talents into the Company and/or retain talented individuals.

Further, because Options granted with a discount under the Proposed Scheme are subject to a longer vesting period (two (2) years) than those granted at the Market Price (one (1) year), holders of such Options are encouraged to have a long-term view of the Company, thereby promoting staff and employee retention and reinforcing their commitment to the Company.

The Company plans to exercise this discretion judiciously and the amount of discount may vary from one offer to another from time to time depending on the circumstances and on a case-by-case basis. In determining whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:–

- (A) the performance of the Company and/or the Group;
- (B) the number of years of service and individual performance of the eligible Employee or director or a Controlling Shareholder, including the meeting of performance targets;
- (C) the degree of contribution to the success of the Company and/or the Group by an eligible Employee or a director or a Controlling Shareholder; and
- (D) the prevailing market conditions.

As share options become more significant components of employee remuneration packages and the grant of options with a discount element becomes more common, the discretion to grant Options at a discount to the Market Price of the Shares will provide the Company with a means to maintain the competitiveness of its compensation strategy. Therefore, the Company may utilise Options as a means to reward Participants for their outstanding performance as well as to motivate them to continue to excel, and will be an additional method for compensating Employees and directors other than through salary, salary increments and cash bonuses. This will also enable the Company to introduce an effective manner of motivating Participants to maximise their performance, which will in turn create better value for Shareholders.

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In circumstances where at the time of granting Options to Participants, the prevailing Market Price on the New Shares is considered artificially high and a general discount is desirable or warranted (the rate of which will be determined by the Committee), the Committee will take into consideration factors such as the historical prices of the New Shares as compared with the prevailing Market Price of the New Shares during the price fixed period for the Options, the market comparatives and practices of other industry players and the value of the Options as a component of each Participant's compensation package.

The Company believes that the maximum 20.0% discount to the Market Price of the New Shares is sufficient to allow for flexibility in the Proposed Scheme while minimising the potential dilutive effect to the Shareholders arising from the Proposed Scheme.

### 4.2.5. *Exercise Period*

Market Price Options shall be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the relevant Date of Grant, provided always that the Market Price Options must be exercised before the tenth anniversary of the relevant Date of Grant, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and the Participant shall have no claim against the Company.

Discount Options shall be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the relevant Date of Grant, provided always that the Discount Options shall be exercised before the tenth anniversary of the relevant Date of Grant, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and the Participant shall have no claim against the Company.

### 4.2.6. *Adjustment events*

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction, subdivision, consolidation or distribution or otherwise howsoever) should take place, then:—

- (a) the Exercise Price in respect of the New Shares, class and/or number of New Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (b) the class and/or number of New Shares in respect of which additional Options may be granted to Participants,

shall be adjusted in such manner as the Committee may determine to be appropriate, including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

Unless the Committee considers an adjustment to be appropriate:

- (A) the issue of securities as consideration for an acquisition or a private placement of securities by the Company;
- (B) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force; or

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- (C) any increase in the issued share capital of the Company as a consequence of the delivery of New Shares by the Company pursuant to the exercise of Options from time to time or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

No such adjustment shall be made if as a result a Participant receives a benefit that a Shareholder does not receive.

Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or his duly appointed personal representatives, where applicable) a statement setting forth the Exercise Price thereafter in effect, class and/or number of New Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

### 4.2.7. *Modifications to the Proposed Scheme*

Any or all the provisions of the Proposed Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:–

- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) of the aggregate number of all the New Shares which would fall to be allotted upon exercise in full of all outstanding Options;
- (b) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

### 4.2.8. *Duration of the Proposed Scheme*

The Proposed Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Proposed Scheme may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

The Proposed Scheme may be terminated at any time by the Committee or, at the absolute discretion of the Committee, by ordinary resolution of the Shareholders at general meeting subject to all other relevant approvals which may be required and if the Proposed Scheme is so terminated, no further Options shall be offered by the Company.

### 4.2.9. *Ranking of the New Shares*

New Shares allotted and issued upon the exercise of an Option shall:

- (a) be subject to all the provisions of the constitution of the Company; and
- (b) rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.

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### 4.3 Potential Cost of Options

Any Options granted under the Proposed Scheme would have a fair value. In the event that such Options are granted at prices below the fair value of the Options, there will be a cost to the Company. The amounts of such costs may be more significant in the case of Options granted with Exercise Prices set at a discount to the Market Price of the Shares. In addition to the impact on the Company's consolidated EPS and consolidated NTA as described above, the cost to the Company of granting Options under the Proposed Scheme would be as follows:–

- (a) the exercise of an Option at the Exercise Price set at a discount to the Market Price of the Shares would translate into a reduction of the proceeds from the exercise of such Option, as compared to the proceeds that the Company would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to the Company; and
- (b) the grant of Options under the Proposed Scheme will have an impact on the Company's reported profit under the Singapore Financial Reporting Standards as share-based payment requires the recognition of an expense in respect of Options granted under the Proposed Scheme. The expense will be based on the fair value of the Options at the Date of Grant (as determined by an option pricing model) and will be recognised over the vesting period. The requirement to recognise an expense in respect of Options granted to employees as set out in FRS 102 is effective for financial period beginning on or after 1 January 2005.

It should be noted that the financial effects discussed in (a) above will materialise only upon the exercise of the relevant Options. The cost of granting Options discussed in (b) above will be recognised in the financial statements even if the Options are not exercised.

### 4.4 Disclosure in Annual Report

In accordance with the Listing Manual, the following shall be disclosed by the Company in its annual report as long as the Proposed Scheme continues in operation:–

- (a) the names of the members of the Committee;
- (b) the information in respect of Options granted to the following Participants in the table set out below:–
  - (i) Directors of the Company;
  - (ii) Controlling Shareholders and their Associates; and
  - (iii) Participants, other than those in (b)(i) and (b)(ii) above, who receive 5.0% or more of the total number of Options available under the Proposed Scheme.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the Scheme to the end of the financial year under review	Aggregate Options exercised since commencement of the Scheme to the end of the financial year under review	Aggregate Options outstanding as at the end of the financial year under review
[●]	[●]	[●]	[●]	[●]

- (c) the names of and number and terms of Options granted to each director or employee of the parent company and its subsidiaries who receives 5.0% or more of the total number of Options available to all directors and employees of the parent company and its subsidiaries under the Proposed Scheme, during the financial year under review;

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- (d) the aggregate number of Options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the Proposed Scheme to the end of the financial year under review; and
- (d) the number of Discount Options during the financial year under review in the following bands:-

Discount to the Market Price %	Aggregate number of Discount Options granted during the financial year under review	Proportion of Discount Options to Market Price Options granted during the financial year under review
0-10	[●]	[●]
11-20	[●]	[●]

In the event that the disclosure of any of the aforementioned information is not applicable, an appropriate negative statement will be included in the Annual Report.

#### 4.5 Rationale and justification for the participation by Non-Executive Directors (including Independent Directors) in the Proposed Scheme

The Proposed Scheme is extended to the Non-Executive Directors (including Independent Directors) of the Group. Although the Non-Executive Directors are not involved in the day-to-day running of the Group, they also play an invaluable role in the Group's success by applying their experience, drawing on their knowledge and utilising their expertise for the benefit of the Group. It is desirable that the Non-Executive Directors (including Independent Directors) be allowed to participate in the Proposed Scheme so as to give recognition to their services and contributions and to further align their interests with that of the Group.

In order to minimise any possible conflicts of interest, and so as not to compromise the objectivity of independent members of the Board who may, in the future, be selected to participate in the Proposed Scheme, the Non-Executive Directors (including Independent Directors) would primarily continue to be remunerated for their services by way of directors' fees. It is envisaged that the Options granted to Non-Executive Directors (including Independent Directors) will not comprise (whether on an individual or collective basis) a significant portion of the Options available under the Proposed Scheme.

The Committee when deciding on the selection of Non-Executive Directors to participate in the Proposed Scheme, and the number of New Shares to be offered (in accordance with the Proposed Scheme) will take into consideration the nature and extent of their input, assistance and expertise rendered to the committees on which they sit and the impact thereof on the growth, success and development of the Company and the Group, as well as their involvement and commitment to the Board. Non-Executive Directors (including Independent Directors) will abstain from making any recommendation as a Director and abstain from voting as a member of the Company when the grant of Options to him is being considered.

#### 4.6 Rationale and justification for the participation of Controlling Shareholders and their Associates in the Proposed Scheme

The Company is of the view that all Employees of the Group, including those who are Controlling Shareholders or Associates of Controlling Shareholders, should be remunerated for their contribution to the Group on the same basis with no differentiation between Employees who are Controlling Shareholders or Associates of Controlling Shareholders and Employees who are not. The extension of the Proposed Scheme to allow the Controlling Shareholders or their Associates to participate in the Proposed Scheme will ensure that they are equally entitled, with the other Employees who are not Controlling Shareholders or Associates of Controlling Shareholders, to take part and benefit from this system of remuneration.

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The Company is of the view that Controlling Shareholders or Associates of Controlling Shareholders should not be unduly discriminated against by virtue only for their shareholdings in the Company. The Company is also of the view that the extension of the Proposed Scheme to Controlling Shareholders or Associates of Controlling Shareholders will enhance their long-term commitment to the Group as it will ensure that they will continue to have a stake in the Company even if they decrease their shareholdings in the Company in the future.

### **4.7 Rationale and justification for the participation of Mr. Pan Shun Ming, a Controlling Shareholder of the Company, in the Proposed Scheme**

Mr. Pan Shun Ming is our Executive Chairman, Chief Executive Officer and co-founder of the Group. He is responsible for the Group's overall business strategies and policies. Under Mr. Pan Shun Ming's effective management and leadership the Group business has expanded steadily over the years. The Company recognises that the continued contributions and participation of Mr. Pan Shun Ming in the general management and strategic expansion of the Group remain vital in ensuring the continued success and development of the Group.

For the reasons set out above, the Directors (except for those who are Controlling Shareholders or their Associates) are of the view that the extension of the Proposed Scheme to Mr. Pan Shun Ming is consistent with the Company's objectives to recruit and retain key Employees and directors of the Group whose contributions are essential to the long-term growth and profitability of the Group.

Pursuant to Rule 859 of the Listing Manual, the Company shall procure that Mr. Pan Shun Ming and his Associates shall abstain from voting in respect of the Proposed Scheme at the EGM.

The Company will seek specific approval from independent Shareholders in connection with any grant of Options to Mr. Pan Shun Ming.

### **4.8 Rationale and justification for the participation of Mdm. Mai Shu Ying, a Controlling Shareholder of the Company, in the Proposed Scheme**

Mdm. Mai Shu Ying is our Finance Director, Executive Director and the co-founder of our Group. Mdm. Mai Shu Ying founded the Group together with Mr. Pan Shun Ming in the early 1980s. Under Mdm. Mai Shu Ying's leadership, the Group has successfully managed and controlled costs as the Group expanded its operations over the years. The Board believes that Mdm. Mai Shu Ying will continue to make vital contributions towards the future development and further success of the Group.

For the reasons set out above, the Directors (except for those who are Controlling Shareholders or their Associates) are of the view that the extension of the Proposed Scheme to Mdm. Mai Shu Ying is consistent with the Company's objectives to recruit and retain key Employees and directors of the Group whose contributions are essential to the long-term growth and profitability of the Group.

Pursuant to Rule 859 of the Listing Manual, the Company shall procure that Mdm. Mai Shu Ying and her Associates shall abstain from voting in respect of the Proposed Scheme at the EGM.

The Company will seek specific approval from independent Shareholders in connection with any grant of Options to Mdm. Mai Shu Ying.

### **4.9 Details of the Proposed Scheme**

The Rules of the Proposed Scheme are set out in Appendix A of this Circular.



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### 5. FINANCIAL EFFECTS OF THE PROPOSED SCHEME

#### 5.1 Share Capital

The Proposed Scheme will result in an increase in the number of issued Shares of the Company to the extent that New Shares are allotted and issued upon the exercise of the Options. This number of New Shares issued will in turn depend on, *inter alia*, the number of Shares comprised in the Options granted, the number of Options that are vested, the prevailing market price of the Shares on the SGX-ST, and whether the Company chooses to deliver treasury shares to holders of Options in lieu of New Shares.

As such, there would be no impact on the number of issued Shares of the Company if the relevant Options are not exercised or if treasury shares are delivered to holders of Options in lieu of New Shares.

#### 5.2 EPS

The Proposed Scheme will have a dilutive impact on the Company's consolidated EPS following the increase in the number of issued Shares of the Company to the extent that New Shares are allotted and issued pursuant thereto. As the monetary cost of granting Options with a discounted Exercise Price is borne by the Company, the earnings of the Company would effectively be reduced by an amount corresponding to the reduced interest earnings that the Company would have received from the difference in proceeds from the Exercise Price with no discount versus the discounted Exercise Price. Such reduction would, accordingly, result in the dilution of the Company's consolidated EPS.

However, the impact arising from the Scheme on the Company's consolidated EPS is not expected to be material in any given financial year.

#### 5.3 NTA

The issue of New Shares upon the exercise of the Options will increase the Company's consolidated NTA by the aggregate Exercise Price of the New Shares issued. On a per Share basis, the effect on the NTA of the Company is accretive if the Exercise Price is above the NTA per Share but dilutive otherwise.

### 6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

#### 6.1 Interests of the Directors and Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, none of the Directors has any interest in the Shares of the Company. The interests of the Substantial Shareholders in the Shares as at the Latest Practicable Date are also set out below:-

Name of Director/ Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
<b>Director</b>				
Pan Shun Ming	109,538,790	38.94	54,956,061 <sup>(1)</sup>	19.54
Mai Shuying	54,956,061	19.54	109,538,790 <sup>(1)</sup>	38.94
Pan Zhao Jin	—	—	164,494,851 <sup>(2)</sup>	58.48
Pu Jin Bo	731,818	0.26	10,000 <sup>(3)</sup>	0.004
<b>Substantial Shareholder</b>				
Jen Shek Chuen	31,124,707	11.07	—	—
Berry Plastics Asia Pte. Ltd. <sup>(4)</sup>	23,300,000	8.28	—	—
Super Group Ltd. <sup>(5)</sup>	16,745,000	5.95	—	—

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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) 10,000 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.

### 6.2 Interests in the Proposed Share Consolidation

None of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Share Consolidation (other than through their respective shareholdings in the Company).

### 6.3 Interests in the Proposed Scheme

Save as disclosed in this Circular, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Scheme (other than through their respective shareholdings in the Company).

## 7. AUDIT COMMITTEE STATEMENT

The Audit Committee has considered, *inter alia*, the terms, rationale and benefits of the Proposed Corporate Actions, and is of the view that the Proposed Corporate Actions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

## 8. DIRECTORS' RECOMMENDATION

### 8.1 The Proposed Share Consolidation

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

### 8.2 The Proposed Scheme

All the Directors are eligible to participate, and are therefore interested, in the Proposed Scheme. Accordingly, the Directors have abstained from making any recommendation to Shareholders in respect of the Proposed Scheme.

## 9. EXTRAORDINARY GENERAL MEETING

The EGM will be held for the purpose of considering and, if thought fit, passing, with or without modifications, the Ordinary Resolutions set out in the Notice of EGM.



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## LETTER TO SHAREHOLDERS

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### 10. ACTION TO BE TAKEN BY SHAREHOLDERS

#### 10.1 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.

#### 10.2 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.

### 11. ABSTENTION FROM VOTING

#### 11.1 Controlling Shareholders and Associates

By virtue of their entitlement to participate in the Proposed Scheme, Mr. Pan Shun Ming and Mdm. Mai Shu Ying will each abstain, and have undertaken to ensure that their Associates will abstain, from voting on any resolutions relating to the Proposed Scheme.

Additionally, Mr. Pan Shun Ming and Mdm. Mai Shu Ying have each undertaken to decline, and shall ensure that their Associates decline, to act as proxies for the purpose of voting on any resolutions relating to the Proposed Scheme, unless the Shareholder concerned has given specific written instructions as to the manner in which his votes are to be cast at the EGM.

#### 11.2 Shareholders who are eligible to participate or are interested in the Proposed Scheme

Shareholders who are eligible to participate or are interested in the Proposed Scheme must abstain from voting on any Shareholders' resolution relating to the Proposed Scheme, which are:

- (a) Ordinary Resolution 2 to approve the adoption of the Proposed Scheme;
- (b) Ordinary Resolution 3 to approve the grant of Options at a discount under the Proposed Scheme;
- (c) Ordinary Resolution 4 to approve the participation by Mr. Pan Shun Ming, a Controlling Shareholder of the Company, in the Proposed Scheme; and
- (d) Ordinary Resolution 5 to approve the participation by Mdm. Mai Shu Ying, a Controlling Shareholder of the Company, in the Proposed Scheme,

and should not accept nominations as proxies unless specific instructions have been given in the proxy instrument by the independent Shareholders appointing them on how they wish their votes to be cast for each of the resolutions.

### 12. 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 Corporate Actions, 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

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## LETTER TO SHAREHOLDERS

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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 this Circular in its proper form and context.

### 13. 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 18 January 2016 which is the date of announcement of the Proposed Corporate Actions:

- (a) the Memorandum and Articles of the Company; and
- (b) the annual report of the Company for the financial year ended 31 December 2014.

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

Pan Shun Ming  
Executive Chairman and CEO

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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### 1. NAME OF THE SCHEME

The Scheme shall be called the “Southern Packaging Employee Share Option Scheme”.

### 2. DEFINITIONS

2.1 In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

<b>“Act”</b>	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time.
<b>“Adoption Date”</b>	:	The date on which the Scheme is adopted by the Company in general meeting.
<b>“Aggregate Subscription Cost”</b>	:	The total amount payable by a Participant for Shares acquired on the exercise of an Option.
<b>“Associate”</b>	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:  (i) his immediate family;  (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  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more;  (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.
<b>“Auditors”</b>	:	The auditors of the Company for the time being.
<b>“Board”</b>	:	The board of directors of the Company.
<b>“CDP”</b>	:	The Central Depository (Pte) Limited.
<b>“CPF”</b>	:	Central Provident Fund.
<b>“Committee”</b>	:	A committee comprising of Directors of the Company duly authorised and appointed by the Board pursuant to the Rules to administer the Scheme.
<b>“Company”</b>	:	Southern Packaging Group Limited.
<b>“control”</b>	:	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the Company.

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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<b>“Controlling Shareholder”</b>	:	A shareholder who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15.0% or more of the total number of issued Shares excluding treasury shares in the Company; or</li> <li>(b) in fact exercises control over the Company.</li> </ul>
<b>“Date of Grant”</b>	:	In relation to an Option, the date on which the Option is granted pursuant to Rule 6.
<b>“Directors”</b>	:	A person holding office as a director for the time being of the Company and/or its Subsidiaries, as the case may be.
<b>“Discount Options”</b>	:	An Option granted with the Exercise Price set at a discount to the Market Price.
<b>“Employee”</b>	:	An employee of the Group.
<b>“Executive Director”</b>	:	A Director of the Company and/or its Subsidiaries, as the case may be, who performs an executive function within the Company and/or the relevant Subsidiary, as the case may be.
<b>“Exercise Notice”</b>	:	The exercise notice given in accordance with Rule 10.1.
<b>“Exercise Period”</b>	:	The period of time available for the exercise of an Option, as determined in accordance with Rule 8.
<b>“Exercise Price”</b>	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option, which shall be the price as determined in accordance with Rule 7, and as adjusted in accordance with Rule 12.
<b>“Grantee”</b>	:	The person to whom an offer of an Option is made.
<b>“Group”</b>	:	The Company and its Subsidiaries.
<b>“immediate family”</b>	:	in relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended, supplemented or modified from time to time.
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities.
<b>“Market Price”</b>	:	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive Market Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices.
<b>“Market Price Option”</b>	:	An Option granted with the Exercise Price set at the Market Price.
<b>“Non-Executive Director”</b>	:	A Director of the Company and/or its Subsidiaries, as the case may be, other than an Executive Director.
<b>“Option”</b>	:	The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting.

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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<b>“Participant”</b>	:	The holder of an Option.
<b>“Record Date”</b>	:	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
<b>“Rules”</b>	:	Rules of the Scheme.
<b>“Scheme”</b>	:	Southern Packaging Employee Share Option Scheme, as the same may be modified or altered from time to time.
<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>	:	The Singapore Exchange Securities Trading Limited.
<b>“Shareholders”</b>	:	Registered holders of Shares, except where the registered holder is CDP, the term Shareholders shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares.
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company.
<b>“Subsidiaries”</b>	:	Companies which are for the time being subsidiaries of the Company as defined by Section 5 of the Act.
<b>“S\$”</b>	:	Singapore dollars.

2.2 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 (Chapter 289) of Singapore.

2.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

2.4 Any reference to a time of a day in the Scheme is a reference to Singapore time.

2.5 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Scheme shall have the meaning assigned to it under the Act.

### 3. OBJECTIVES OF THE SCHEME

The Company places strong emphasis on the recruitment and retention of quality Employees with talent in all areas of the Group’s operations, and in particular, the drive, leadership, skills, expertise and experience of such persons, as the Company considers these to be qualities that will assist the Group to realise its strategic and long-term business goals.

The Proposed Scheme is premised on the basis that it is important to retain Employees whose contributions are essential to the well being and prosperity of the Company and to give recognition to outstanding Employees and Directors who have contributed to the growth of the Company. The Proposed Scheme will give Participants an opportunity to have a personal equity interest in the Company at no direct cost to its profitability and will also help to achieve the following positive objectives:–

- (a) to motivate each Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;

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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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- (b) to make employee remuneration sufficiently competitive to recruit and retain key Employees and Directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) the development of a participatory style of management which promotes greater commitment and dedication amongst the Participants and a stronger sense of identification by the Participants with the long term prosperity of the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (e) to foster an ownership culture within the Company which aligns the interests of Employees with the interests of the Shareholders.

### **4. ELIGIBILITY OF PARTICIPANTS**

4.1 Subject to the absolute discretion of the Committee, any of the following persons shall be eligible to participate in the Scheme:

- (a) Employees who are confirmed in his/her employment with the Group and who have been in the employment of the Group for at least twelve (12) months, or such other period as the Committee may determine;
- (b) Executive Directors; and
- (c) Non-Executive Directors,

provided that such person (i) has attained the age of twenty-one (21) years on or prior to the Date of Grant, (ii) is not an undischarged bankrupt and has not have entered into a composition with his/her respective creditors and (iii) in the opinion of the Committee, has contributed to the success and development of the Group.

4.2. Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet the eligibility criteria in Rule 4.1 above are eligible to participate in the Scheme, provided that the participation by and actual number and terms of any Options to be granted to each such Controlling Shareholder or his Associate and each grant of Options to any one of them may be effected only with a specific prior approval of independent Shareholders at a general meeting in separate resolutions. The Company will at such time provide the rationale and justification for any proposal to grant any Options (including the rationale for any discount to the Market Price, if so proposed) to the Controlling Shareholders and/or their Associates.

4.3 There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company and/or its Subsidiaries.

4.4 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

### **5. MAXIMUM ENTITLEMENT**

Subject to Rule 4 and Rule 12, the aggregate number of Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the Scheme shall be determined at the absolute discretion of the Committee, who shall take into account, where applicable, criteria such as:

- (a) the rank, seniority and responsibilities of the Grantee within the Group;
- (b) past performance of the Grantee;

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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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- (c) years of service/appointment and potential for future development of the Grantee;
- (d) degree of contribution to the growth, success and development of the Group; and
- (e) the performance of the Company.

### **6. GRANT AND ACCEPTANCE OF OPTIONS**

6.1 Subject to Rules 4, 5 and 11, the Committee may grant Options at any time during the period when the Scheme is in force, provided that:

- (a) no Option shall be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be); and
- (b) in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the second Market Day from the date on which such announcement is released.

6.2 The Letter of Offer to grant an Option shall be in, or substantially in, the form set out in Schedule A, subject to such modification as the Committee may determine from time to time.

6.3 An Option shall be personal to the Grantee and shall not be sold, mortgaged, transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of or encumbered, in whole or in part, except with the prior written approval of the Committee.

6.4 The grant of an Option under this Rule 6 shall be accepted by the Grantee within thirty (30) days from the Date of Grant of that Option and, in any event, not later than 5.00 p.m. on the 30<sup>th</sup> day from such Date of Grant by completing, signing and returning to the Company the Acceptance Form in, or substantially in, the form set out in Schedule B, subject to such modification as the Committee may determine from time to time, accompanied by payment of S\$1.00 as consideration.

6.5 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:

- (a) a grant of an Option is not accepted in the manner as provided in Rule 6.4;
- (b) the Grantee dies prior to his acceptance of the Option;
- (c) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option;
- (d) the Grantee, being an Employee, ceases to be in the employment of the Group, or (being a Director) ceases to be a Director of the Group, in each case, for any reason whatsoever prior to his acceptance of the Option; or
- (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

6.6 The Committee shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 6 or Exercise Notice given pursuant to Rule 10 which does not strictly comply with the terms of the Scheme.

6.7 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.



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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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### **7. EXERCISE PRICE**

7.1 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, at its absolute discretion, on the Date of Grant, at:

- (a) a price equal to the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:
  - (i) the maximum discount shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the Listing Manual of the SGX-ST); and
  - (ii) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

7.2 In making any determination under Rule 7.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:

- (a) the performance of the Company and/or its Subsidiaries, as the case may be;
- (b) the number of years of service and individual performance of the eligible Employee or Director;
- (c) the degree of contribution of the eligible Employee or Director to the success and development of the Group; and
- (d) the prevailing market conditions.

### **8. EXERCISE PERIOD AND THE RIGHTS TO EXERCISE**

8.1 Market Price Options shall be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the relevant Date of Grant, provided always that the Market Price Options must be exercised before the tenth anniversary of the relevant Date of Grant, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and the Participant shall have no claim against the Company.

8.2 Discount Options shall be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the relevant Date of Grant, provided always that the Discount Options shall be exercised before the tenth anniversary of the relevant Date of Grant, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and the Participant shall have no claim against the Company.

8.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim whatsoever against the Company:

- (a) in the event of misconduct on the part of the Participant as determined by the Committee at its absolute discretion;
- (b) subject to Rule 8.6, upon the Participant ceasing at any time to be in the employment of the Group or a Group Non-Executive Director, for any reason whatsoever; or



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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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- (c) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option.

8.4 For the purpose of Rule 8.3(b), the Participant shall be deemed to have ceased to be so employed as at the date on which the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

8.5 For the avoidance of doubt, no Option shall lapse pursuant to Rule 8.3(b) in the event of any transfer of employment of a Participant within the Group or upon the cessation of employment of a Group Executive Director who shall continue to serve as a Group Non-Executive Director.

8.6 Where the Participant ceases at any time to be in the employment of the Group or a Group Non-Executive Director by reason of:-

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the Committee;
- (e) a Subsidiary in which he is principally employed ceasing to be a company within the Group or an undertaking or part of an undertaking of such Subsidiary being transferred otherwise than to another company within the Group; or
- (f) any other event approved in writing by the Committee,

the Participant may, at the absolute discretion of the Committee, exercise any Option:

- (A) in the case where the cessation of employment or cessation of directorship occurs after the commencement of the relevant Exercise Period in respect of such Option, within a period of eighteen (18) months after the date of such cessation of employment or cessation of directorship (as the case may be) or before the expiry of the Exercise Period in respect of that Option, whichever is earlier, and upon expiry of such period, the Option shall lapse and become null and void; and
- (B) in the case where the cessation of employment or cessation of directorship occurs before the commencement of the relevant Exercise Period in respect of such Option, within a period of eighteen (18) months after the commencement of the Exercise Period in respect of that Option, and upon expiry of such period, the Option shall lapse and become null and void.

8.7 If a Participant dies, whether or not while still in the employment of the Company, and at the date of his death holds any unexercised Option, such Option shall continue to be exercisable by the duly appointed personal representatives of the Participant:-

- (a) in the case where death occurs after the commencement of the relevant Exercise Period in respect of such Option, within a period of eighteen (18) months after the date of such death or before the expiry of the Exercise Period in respect of that Option, whichever is earlier, and upon expiry of such period, the Option shall lapse and become null and void; and
- (b) in the case where the death occurs before commencement of the relevant Exercise Period in respect of such Option, within a period of eighteen (18) months after the commencement of the Exercise Period in respect of that Option, and upon expiry of such period, the Option shall lapse and become null and void.

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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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### **9. TAKE-OVER AND WINDING-UP OF THE COMPANY**

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date failing not later than the expiry of the Exercise Period relating thereto); or
- (b) the date of expiry of the Exercise Period relating thereto,

whereupon the Option then remaining unexercised shall lapse and become null and void.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 8, remain exercisable until the expiry of the Exercise Period relating thereto.

9.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 8 but subject to Rule 9.5, to exercise any Option then held by him, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Exercise Period relating thereto), whereupon the Option shall lapse and become null and void.

9.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

9.4 In the event a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder of the Company give notice thereof to all Participants (together with a notice of the existence of the provision of this Rule 9.4) and thereupon, each Participant (or his personal representative) shall be entitled to exercise all or any of his Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the Aggregate Subscription Cost, whereupon the Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.

9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the absolute discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 9.

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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9.6 To the extent that an Option is not exercised within the periods referred to in this Rule 9, it shall lapse and become null and void.

### 10. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES

10.1 Subject to Rule 8, an Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule C (“**Exercise Notice**”), subject to such modification as the Committee may determine from time to time. Every Exercise Notice must be accompanied by (i) a remittance for the full amount of the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and (ii) any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the Exercise Notice, duly completed, and the Aggregate Subscription Cost. All payments shall be made by cheque, cashiers’ order, banker’s draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

10.2 Subject to:

- (a) such consents or other required action of any competent authority under any regulations or enactment for the time being in force as may be necessary (including any approvals required from the SGX-ST); and
- (b) compliance with the terms of the Scheme and the constitution of the Company,

the Company shall, within ten (10) Market Days after the date of the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode of delivery as the Committee may deem fit.

10.3 The Company shall, if necessary, as soon as practicable after the exercise of an Option, apply to the SGX-ST for permission to deal in and for quotation of such Shares that may be issued upon the exercise of the Option.

10.4 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account of that Participant maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

10.5 Shares allotted and issued upon the exercise of an Option shall:

- (a) be subject to all the provisions of the constitution of the Company (such as all the provisions relating to the voting, dividend, transfer and other rights attached to the Shares, including those rights which arise from a liquidation of the Company); and
- (b) rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.

10.6 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

### 11. LIMITATION ON THE SIZE OF THE SCHEME

11.1 The aggregate number of new Shares over which the Committee may grant Options on any date, when added to the number of new Shares issued and issuable in respect of (a) all Options granted under the Scheme, and (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15.0% of the issued share capital of the Company (excluding treasury shares) on the day preceding the relevant Date of Grant.

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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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11.2 The aggregate number of Shares issued and issuable in respect of all Options granted under the Scheme available to all Controlling Shareholders and their Associates must not exceed 25.0% of the Shares available under the Scheme.

11.3 The number of Shares issued and issuable in respect of all Options granted under the Scheme available to each of the Controlling Shareholders or their Associates must not exceed 10.0% of the Shares available under the Scheme.

### **12. ADJUSTMENT EVENTS**

12.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (a) the Exercise Price of the Shares, class and/or number of Shares comprised in an Option to the extent unexercised and the rights attached thereto; and/or
- (b) the class and/or number of Shares in respect of which additional Options may be granted under the Scheme,

shall be adjusted in such manner as the Committee may determine to be appropriate, including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

12.2 Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities by the Company;
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force; or
- (c) any increase in the issued share capital of the Company as a consequence of the delivery of Shares by the Company pursuant to the exercise of Options from time to time or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

12.3 Notwithstanding the provisions of Rule 12.1:

- (a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and
- (b) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

12.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 12.

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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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12.5 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify each Participant (or his duly appointed personal representatives, where applicable) in writing and deliver to him (or his duly appointed personal representatives, where applicable) a statement setting forth the Exercise Price thereafter in effect, class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

### **13. ADMINISTRATION OF THE SCHEME**

13.1 The Scheme shall be administered by the Committee at its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.

13.2 The Committee shall have the power, from time to time to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit. Any matter pertaining or pursuant to the Scheme and any dispute and uncertainty as to the interpretation of the Scheme, any rule, regulation or procedure thereunder or any rights under the Scheme shall be determined by the Committee.

13.3 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with:

- (a) the lapsing or early expiry of any Options pursuant to any provision of the Scheme;
- (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Scheme; and
- (c) any decision or determination of the Committee made pursuant to any provision of the Scheme.

13.4 Any decision or determination of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final, binding and conclusive.

### **14. NOTICES**

14.1 Any notice required to be given by a Participant to the Company shall be sent or made to the principal place of business of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.

14.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.

14.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 14.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

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## **APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME**

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### **15. MODIFICATIONS TO THE SCHEME**

15.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) of the aggregate number of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;
- (b) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Participants.

### **16. TERMS OF EMPLOYMENT UNAFFECTED**

The terms of employment of a Participant shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation, or damages on the termination of his employment for any reason.

### **17. DURATION OF THE SCHEME**

17.1 The Scheme shall continue to be in force at the absolute discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

17.2 The Scheme may be terminated at any time by the Committee or, at the absolute discretion of the Committee, by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.

17.3 The termination, discontinuance or expiry of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 6.4, whether such Options have been exercised (whether fully or partially) or not.

### **18. TAXES**

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

### **19. COSTS AND EXPENSES OF THE SCHEME**

19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank.



## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

### 20. CONDITION OF OPTION

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

### 21. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the Scheme, including but not limited to the Company's delay in allotting and/or issuing the Shares or in applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 10.3.

### 22. DISCLOSURE IN ANNUAL REPORT

22.1 The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Scheme continues in operation:

- (a) the names of the members of the Committee administering the Scheme;
- (b) the information in respect of Options granted to the following Participants in the table set out below:
  - (i) Directors of the Company;
  - (ii) Controlling Shareholders and their Associates; and
  - (iii) Participants, other than those in (i) and (ii) above, who receive 5.0% or more of the total number of Options available under the Scheme.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the Scheme to the end of the financial year under review	Aggregate Options exercised since commencement of the Scheme to the end of the financial year under review	Aggregate Options outstanding as at the end of the financial year under review
[●]	[●]	[●]	[●]	[●]

- (c) the names of and number and terms of Options granted to each director or employee of the parent company and its subsidiaries who receives 5.0% or more of the total number of Options available to all directors and employees of the parent company and its subsidiaries under the Scheme, during the financial year under review;
- (d) the aggregate number of Options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review; and

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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(e) the number of Discount Options during the financial year under review in the following bands:-

Discount to the Market Price %	Aggregate number of Discount Options granted during the financial year under review	Proportion of Discount Options to Market Price Options granted during the financial year under review
0-10.0	[●]	[●]
11.0-20.0	[●]	[●]

22.2 In the event that the disclosure of any of the aforementioned information is not applicable, an appropriate negative statement will be included in the Annual Report.

### 23. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Scheme shall abstain from voting on any Shareholders' resolution relating to the Scheme.

### 24. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

### 25. GOVERNING LAW

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.



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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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Schedule A

### SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

#### LETTER OF OFFER

Serial No.: \_\_\_\_\_

Date: \_\_\_\_\_

To : [Name]  
[Designation]  
[Address]

#### Private and Confidential

Dear Sir/Madam

1. We have the pleasure of informing you that, pursuant to the Southern Packaging Employee Share Option Scheme (“**Scheme**”), you have been nominated to participate in the Scheme by the Committee (“**Committee**”) appointed by the Board of Southern Packaging Group Limited (“**Company**”) to administer the Scheme. Terms as defined in the Scheme shall have the same meaning when used in this letter.
2. Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an option (“**Option**”), to subscribe for and be allotted [●] Shares at the price of S\$[●] for each Share.
3. The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.
4. The Option shall be subject to the terms of the Scheme, a copy of which is available for inspection at the registered office of the Company.
5. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on [●], failing which this offer will lapse.

Yours faithfully,  
For and on behalf of  
**SOUTHERN PACKAGING GROUP LIMITED**

\_\_\_\_\_  
Name:

Designation:

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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Schedule B

### SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

#### ACCEPTANCE FORM

Serial No.: \_\_\_\_\_

Date: \_\_\_\_\_

To: The Committee  
Southern Packaging Employee Share Option Scheme  
Southern Packaging Group Limited  
80 Robinson Road  
#02-00  
Singapore 068898

Closing Date for Acceptance of Offer: \_\_\_\_\_

Number of Share Offered: \_\_\_\_\_

Exercise Price for each Share: S\$ \_\_\_\_\_

Total Amount Payable: S\$ \_\_\_\_\_

I have read your Letter of Offer dated \_\_\_\_\_ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for \_\_\_\_\_ Shares at S\$ \_\_\_\_\_ for each Share. \*I enclose cash for S\$1.00 in payment for the purchase of the Option/I authorise my employer to deduct the sum of S\$1.00 from my salary in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitutes the entire agreement between us relating to the offer.

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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Name in Full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

**Note:**

\* Delete accordingly

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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Schedule C

### SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

#### FORM OF EXERCISE OF OPTION

Total number of ordinary shares of S\$[●] each :  
("Shares") offered at S\$ \_\_\_\_\_ for each  
Share ("Exercise Price") under the Scheme on  
\_\_\_\_\_ ("Date of Grant") \_\_\_\_\_

Number of Shares previously allotted thereunder : \_\_\_\_\_

Outstanding balance Shares to be allotted :  
thereunder \_\_\_\_\_

Number of Shares now to be subscribed : \_\_\_\_\_

To: The Committee  
Southern Packaging Employee Share Option Scheme  
Southern Packaging Group Limited  
80 Robinson Road  
#02-00  
Singapore 068898

1. Pursuant to your Letter of Offer dated \_\_\_\_\_ and my acceptance thereof, I hereby exercise the Option to subscribe for \_\_\_\_\_ Shares in Southern Packaging Group Limited ("Company") at S\$ \_\_\_\_\_ for each Share.
2. I enclose a \*cheque cashier's order/banker's draft/postal order no. \_\_\_\_\_ for S\$ \_\_\_\_\_ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Southern Packaging Employee Share Option Scheme and the constitution of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited ("CDP") for credit of my \*Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

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## APPENDIX A – RULES OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

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**Please print in block letters**

Name in Full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

\*Direct Securities Account No. : \_\_\_\_\_

OR

\*Sub Account No. : \_\_\_\_\_

Name of Depository Agent : \_\_\_\_\_

OR

\*CPF Investment Account No. : \_\_\_\_\_

Name of Agent Bank : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

**Note:**

\* Delete accordingly

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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 at Equinox, Private Dining Room 1, Swissotel The Stamford, 2 Stamford Road, Singapore 178882, on 18 February 2016 at 9.00 a.m., for the purpose of considering and, if thought fit, passing, with or without any modifications, the ordinary resolutions 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 2 February 2016 (“**Circular**”).

**ORDINARY RESOLUTION 1: THE PROPOSED CONSOLIDATION OF EVERY FOUR (4) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (“PROPOSED SHARE CONSOLIDATION”)**

THAT:-

- (a) approval be and is hereby given for the proposed consolidation of every four (4) Existing Shares as at the Books Closure Date into one (1) Consolidated Share in the manner set out in the Circular, and that all fractional entitlements to the Consolidated Shares shall be disregarded;
- (b) approval be and is hereby given for the Directors to settle any difficulty which may arise in relation to the Proposed Share Consolidation and to deal with all fractions of the Consolidated Shares which may arise following the Proposed Share Consolidation in such manner and on such terms as the Directors may, at their absolute discretion, deem fit in the best interests of the Company, including (i) disregarding the fractional entitlements, or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company;
- (c) the Directors be and are hereby authorised to fix the Books Closure Date and the Effective Trading Date (being the date on which the Consolidated Shares will commence trading on the Mainboard of the SGX-ST in board lots of 100 Consolidated Shares), in each case as the Directors may, at their absolute discretion, deem fit in the best interests of the Company; and
- (d) the Directors and each of them be and is hereby authorised to take such steps, make such arrangements, do such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) and exercise such discretion in connection with, relating to or arising from the matters contemplated herein as they and/or he/she may from time to time consider necessary, desirable or expedient to give effect to the Proposed Share Consolidation and this Resolution.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTION 2: THE PROPOSED ADOPTION OF THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME (“PROPOSED SCHEME”)

THAT:-

- (a) the share option scheme to be known as the “Southern Packaging Employee Share Option Scheme”, particulars of which are set out in the Circular dated 2 February 2016, under which Options to subscribe for ordinary Shares in the capital of the Company will be granted to selected Employees and directors of the Company and its Subsidiaries (including Non-Executive Directors) be and is hereby approved;
- (b) the Directors be and are hereby authorised to:
  - (i) establish and administer the Proposed Scheme;
  - (ii) modify and/or amend the Proposed Scheme at any time and from time to time, provided that such modifications and/or amendments are effected in accordance with the Rules of the Proposed Scheme, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Proposed Scheme; and
  - (iii) offer and grant Options in accordance with the Rules of the Proposed Scheme and to allot and issue from time to time such number of New Shares as may be required pursuant to the exercise of such Options in accordance with the Rules of the Proposed Scheme; and
- (c) the Directors and each of them be and is hereby authorised to take such steps, make such arrangements, do such acts and things (including without limitation, to execute all such documents as may be required, to approve any amendments, alterations or modifications to any documents, and to sign, file and/or submit any notices, forms and documents with or to the relevant authorities) and exercise such discretion in connection with, relating to or arising from the matters contemplated herein as they and/or he/she may from time to time consider necessary, desirable or expedient to give effect to the Proposed Scheme and this Resolution.

### ORDINARY RESOLUTION 3: THE PROPOSED GRANT OF OPTIONS AT A DISCOUNT UNDER THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

THAT:-

- (a) subject to and contingent upon the passing of Ordinary Resolution 2, the Directors be and are hereby authorised to grant Options in accordance with the rules of the Proposed Scheme with Exercise Prices set at a discount to the Market Price (as defined below), provided that such discount does not exceed the relevant limits set by the Singapore Exchange Securities Trading Limited (“SGX-ST”); and
- (b) in this Notice, “**Market Price**” is defined to be the price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive Market Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices.

### ORDINARY RESOLUTION 4: THE PROPOSED PARTICIPATION BY MR. PAN SHUN MING, A CONTROLLING SHAREHOLDER OF THE COMPANY, IN THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

THAT, subject to and contingent upon the passing of Ordinary Resolution 2, approval be and is hereby given for the participation of Mr. Pan Shun Ming, a Controlling Shareholder of the Company, in the Proposed Scheme.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ORDINARY RESOLUTION 5: THE PROPOSED PARTICIPATION BY MDM. MAI SHU YING, A CONTROLLING SHAREHOLDER OF THE COMPANY, IN THE SOUTHERN PACKAGING EMPLOYEE SHARE OPTION SCHEME

THAT, subject to and contingent upon the passing of Ordinary Resolution 2, approval be and is hereby given for the participation of Mdm. Mai Shu Ying, a Controlling Shareholder of the Company, in the Proposed Scheme.

#### BY ORDER OF THE BOARD

**Pan Shun Ming**  
**Executive Chairman**  
**2 February 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.
- (3) Where a member appoints more than one 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 48 hours before the time appointed for holding the Extraordinary General Meeting or any postponement or adjournment thereof.
- (5) This 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) Unless otherwise defined herein, capitalised terms in the Resolutions set out in this Notice shall bear the same meaning as in the Circular dated 2 February 2016.

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 notes overleaf 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 Meeting 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 Equinox, Private Dining Room 1, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 on 18 February 2016 at 9.00 a.m. 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
(1)	To approve the proposed consolidation of every four (4) existing issued ordinary shares in the capital of the company into one (1) ordinary share in the capital of the company, fractional entitlements to be disregarded.		
(2)	To approve the proposed adoption of the Southern Packaging Employee Share Option Scheme.		
(3)	To approve the proposed grant of options at a discount under the Southern Packaging Employee Share Option Scheme.		
(4)	To approve the proposed participation by Mr. Pan Shun Ming, a Controlling Shareholder of the Company, in the Southern Packaging Employee Share Option Scheme.		
(5)	To approve the proposed participation by Mdm. Mai Shu Ying, a Controlling Shareholder of the Company, in the Southern Packaging Employee Share Option Scheme.		

\* 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

**IMPORTANT : Please read notes overleaf.**



**NOTES:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register as defined in Section 81SF of the Securities and Futures Act, Chapter 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 one or two proxies to attend and vote in his/her stead. 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 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. This instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof) must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 no less than forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting.
7. The instrument appointing a proxy or proxies must be in writing and signed by the appointer or his/her duly authorised attorney or, if the appointer is a body corporate, signed by a duly authorised attorney or officer or affixed with its common seal thereto.
8. 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.
9. A body corporate which is a member may appoint by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such body corporate.
10. Terms not defined herein have the meanings ascribed to them in the Circular dated 2 February 2016.
11. 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.
12. 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.

**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 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 Extraordinary General Meeting dated 2 February 2016.