ANNUAL REPORT 2015

Advancement through INNOVATION

SOUTHERN PACKAGING GROUP LIMITED

Corporate Culture

We believe that customer loyalty comes from good customer experience. Southern Packaging strives to provide exceptional service and quick response to customer demand and continue to provide customers with packaging solutions.

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

We achieve excellence by enhancing product value, employee value, business value and social value. Excellent quality not only means good product quality, but also high quality service, and healthy living space.

企业文化

愿 景
装点世界，力臻完美

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

核心价值观
客户第一 创新环保 追求卓越

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

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

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

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Corporate Profile

Southern Packaging Group Limited ("the Group") is a producer of flexible and rigid packaging products used in the food, medical, personal grooming and household industries, and was listed on the main board of the Singapore Stock Exchange in the year 2004. We are committed to be the preferred suppliers of packaging products and packaging consultants to many internationally renowned brands and companies, and have production facilities strategically located at the most economically vibrant regions in China, namely, Southern and Eastern China.

Within the flexible packaging arm, we primarily utilize plastic gravure printing technology to provide Printing, Compounding, Splitting and Bagging of plastic in producing packaging products for our customers. Within the rigid packaging arm, we utilize One Step Injection Stretch Blow Molding, Injection Molding, In-mold Labeling, Extrusion Blow Molding, Injection Blow Molding, Silk Screen, Printing, Stamping and other additional services to produce packaging products for our customers.

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

公司介绍

南方包装集团有限公司于2004年踏入新加坡交易所的主板市场，是一所主营生产食品、药品、个人护理品及家庭用品的塑料软包装与硬包装的企业，我们是众多国际知名品牌的包装供应商及包装技术顾问，集团生产基地主要布局在全球最大经济体之一的中国，分别在经济最为活跃的中国南部及东部地区建立了生产基地，为众多的领先企业提供塑料包装产品。

塑料软包装主要是采用塑料凹版印刷技术为客户提供以下的服务:
◎印刷
◎复合
◎分条、制袋

硬包装主要集中在中空成型技术为客户提供以下成型工艺服务:
◎注拉吹一步法中空成型
◎注塑成型、模内贴标
◎挤吹成型
◎注吹成型
◎丝印、移印、烫印等附加服务

我们利用强大的研发平台与资源，为客户提供研究整体包装解决方案的服务。

环保、安全、高洁净需求是我们市场所在，集团的竞争优势驻留在我们强大的高分子化学专业技术、材料科学及塑料成型领域，我们以高度的社会责任推动包装事业的发展，我们为能成为"知名品牌后的品牌"感到自豪。

Chairman's Message

Highlights for Year 2015

- *More than RMB 40 million in net profit after tax.*
- *Net asset value per share rose 8.7% to RMB 6.98. (after share consolidation)*
- *Listed on the Mainboard of the Singapore Stock Exchange for the 12th year and distributing dividends to shareholders for 12 consecutive years.*
- *New production facility in Eastern China (Southern Packaging (Jiangsu) Co, Ltd) has commenced full operations.*

The year 2015 is an important one for Southern Packaging Group Limited; we optimized our production network and investment portfolio in China, focused on the development of our core packaging capabilities, and hence completed our overall resource allocation plans to establish a new growth platform. The year 2015 is also a memorable one for us in terms of strategic implementation, as we internalized our strategies in accordance to external market conditions, and leveraged our capabilities to meet the needs of our markets. By closely adhering to those principles of innovation and improvement, we managed to achieve good operating performance.

Financially, Group's revenue for FY2015 was RMB 691 million, an increase of more than RMB 5.24million, or 0.8%, in comparison to RMB 686 million for FY2014. Revenue from sales of rigid packaging increased slightly to RMB 360.9 million in FY2015 as compared to RMB 360.3 million in FY2014. Revenue from sales of flexible packaging was RMB 330 million, representing an increase of RMB 4.6 million, or 1.4%, from RMB 326 million in FY2014.

The net profit after tax for FY2015 is RMB 41.4 million, reversing the operating loss position of the year before. The Group's net asset value per share rose 8.7% to RMB 6.98 after share consolidation, from RMB 6.42 last year. As adequate provision have been made in year 2014 for the investment in an associate, PET, we were able to minimize the impact of this investment to the Group's overall financial performance.

"Customers first, innovation and environmental protection, the pursuit of excellence" are some of our core values, and they serve as guidance when we built and nurture our customer relationships. Results have shown that we can, and do play a vital role in our customers' success, which in many ways, pave a similar road to success for us. We judge our success and competitive advantages by evaluating our abilities to provide innovative packaging solutions for our customers, stable supplies and quality products on a timely basis, and highly efficient production methods. We are able to achieve results due to our dedication to continuously improve our raw material, supply chain and energy usage managements, to effectively control our production costs, and ultimately enhance bottom line contributions.

The fall in crude oil prices has contributed to our profit margins. Although this might present opportunities for further developments, global demand has not improved, and will be the Company's biggest challenge for the coming period.

We are currently positioned for growth, especially in the medical packaging sector. We expect to be able to capitalize on our state-of-the-art production facilities and profound expertise to meet those increasingly high standards required for medical packaging, and further penetrate into the medical packaging market in Eastern China. We also plan to expand our production capacity in flexible packaging to facilitate our target of increasing our market competitiveness.

We foresee that we will be able to build on our relationships which we have established with our customers, and continue delivering valuable packaging solutions to achieve mutual success.

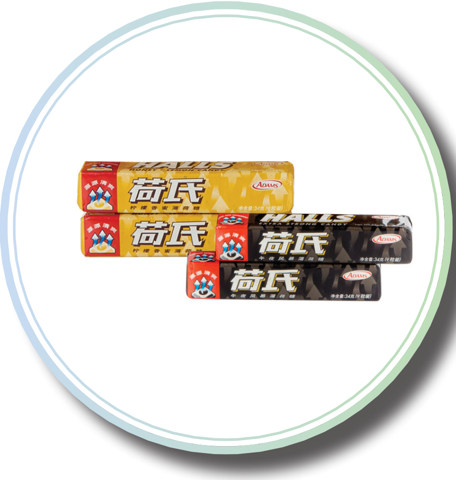
I am generally positive about the outlook for year 2016. I thank my colleagues at Southern Packaging for their contributions over the year and hope that we will be able to continue to achieve in the year 2016. On behalf of all employees of the Group, I would like to convey our most sincere appreciation to our customers, suppliers and shareholders: thank you for your continued investment, support and confidence in the Company.

The Board of Directors has proposed a cash dividend of 1.2 Singapore cents (S$0.012) per ordinary share after share consolidation.

Thank you.

Pan Shun Ming
Executive Chairman
Southern Packaging Group Limited

2015年主席发言



2015年全年亮点

- 超过人民币4000万元的税后盈利。
- 每股净资产增长8.7%，达到 6.98元人民币每股。(拼股后）
- 集团进入新加坡交易所主板市场第12年，也是连续向股东派发股利的第12年。
- 集团投入的华东生产基地（江苏南方包装有限公司）正式运作。

刚刚过去的2015年财政年度，是南方包装历史上的重要一年，我们优化了中国区的生产资源配置和投资组合，集中力量发展我们核心的包装业务，初步完成了资源最佳配置部署，创造出新的均衡发展态势。2015年是我们策略执行的重要一年，我们把外部需求转化为内部战略，加快迎合市场需求的产业增长规律、秉承创新和不断提升的理念，赢得了良好的经营业绩。

从财务数据上看，2015年度集团营业收入为人民币6.91亿元，较2014年度的6.86亿元增加了524万元，上升了0.8%。其中本年度硬包装销售额达到人民币3.609亿元，较2014年的人民币3.603亿元，保持轻微增长；本年度软包装年销售额录得人民币3.3亿元，较2014年的人民币3.26亿元增加了460万元，上升1.4%。

2015年度税后净利润录得盈利人民币4,139万元，已经成功蜕变，扭转了去年经营亏损的状态。年度未公司每股净资产（拼股后）上升到人民币6.98元，较去年的每股净资产人民币6.42元，升幅达到8.7% 。对外投资的PET项目在2014年度按出售股权作出拨备止亏，对包装主营业务的年度财务盈利起到积极的作用。

“客户第一，创新环保，追求卓越”是我们的核心价值观，它的核心在于我们的客户，我们期望是与客户完美地开始，成功地发展，实践已经证明我们能在顾客成功路上扮演至关重要的角色，从而推动我们也走向了成功的道路。我们对于成功的评判，或是我们的竞争力所在，就是能够为客户提供创新的包装解决方案、稳定的供货质量、及时的供应数量、极具效率的包装使用体验，尤为成功的是在这一年里所创造的区域供应能力的提升，以及为此进行的能源管理提升，大大节省了制造成本，有效减缓其它制造成本上升因素的影响，极大地提升了集团的整体盈利水平。

国际原油价格持续下跌，对公司的盈利是正向因素，这是千载难逢的发展时机；但是伴随全球市场需求不足的情势未见改善，这将成为公司未来一个时期面临的最大挑战。

我们的业务正处于增长的有利位置，日益高标准化的中国药品包装市场，为我集团具有严格标准的药包材包装解决方案提供了机遇，我们计划进一步投资，在华东市场发展集团的优势，拓展药品包装市场；在华南市场增加软包装印刷能力，提升软包装的供应能力，以达到进一步提高市场竞争力的目标。

可见的未来，我们与客户拥有的深交、充满价值的合作关系，将让我们拥有的规模、资本和专业知识发挥极致，最终使我们的价值包装方案有效地传递到客户的手里，形成共赢发展的良好局面。

对于公司2016年的发展前景，我抱以积极的心态。同时为南方包装的1500名员工的努力喝彩，希望在2016年能继续为公司的发展做出贡献。我也代表集团全体员工，向我们的客户、供应商和股东们表示感谢，感谢您们的持续投资、支持和对公司的信任。

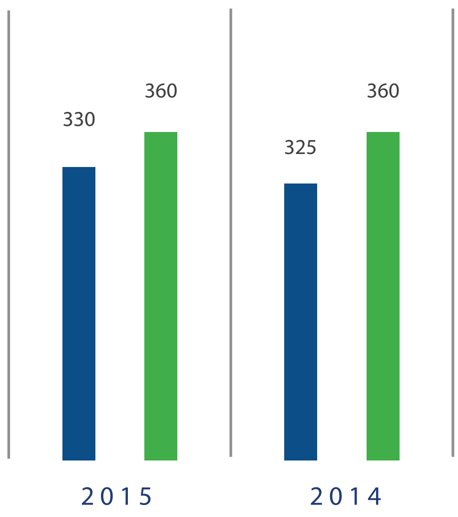
董事局提议股东大会通过2015年度分红方案：每股（拼股后）普通股分派新加坡币1.2分（S$0.012）的现金红利，该分派红利将以现金形式进行安排。

谢谢!

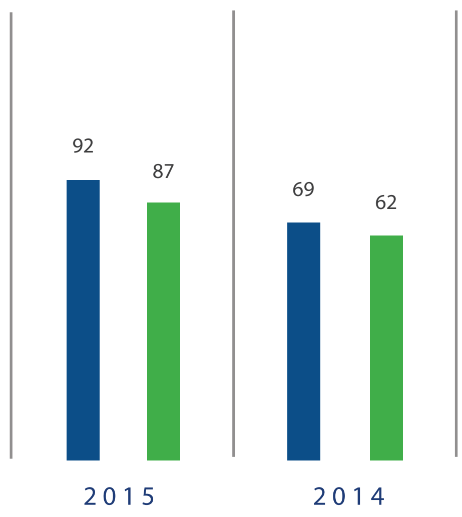
彭顺铭
执行主席
南方包装集团有限公司

Financial Highlight as at 31 December 2015

SEGMENTAL REVENUE (IN RMB MILLION)



SEGMENTAL GROSS PROFIT (IN RMB MILLION)



■ Flexible Packaging ■ Rigid Packaging

12 MONTHS ENDED 31 DECEMBER 2015 (IN RMB MILLION)

	2015	2014
Revenue	691	686
Gross Profit	179	131
Net Profit(loss)	41	(28)
Total Assets	855	959
Total Liabilities	364	508
Shareholder's Equity	491	451
Cash and cash equivalents	108	150
Earnings (loss) per share (cents) after share consolidation	60	(40)

On 29 February 2016, the Company completed a share consolidation of every four (4) ordinary shares in the capital of the Company into one (1) consolidated share.

The calculation of the earnings per share is based on the Group's profit after tax attributable to owners of the Company of the respective years divided by 70,319,164 ordinary shares (after share consolidation).

Operations & Financial Review

Sales revenue did not increase significantly in FY2015 due to an offsetting effect created by declines in both product sales prices and raw material costs. Relying on the production facilities strategically located at Southern and Eastern China, we managed to attract new and high quality customers to retain our overall market share. Sales revenue increased by RMB5 million to RMB691 million in FY2015.

Revenue By Business Segment	FY2015		FY2014		Change
	RMB`000	%	RMB`000	%	
Rigid packaging	360,863	52.2%	360,272	52.5%	0.2%
Flexible packaging	330,211	47.8%	325,559	47.5%	1.4%
Total	691,074	100.0%	685,831	100.0%	0.8%

During the year, the Group's gross profit increased by RMB48.2 million to RMB179 million. There are three main reasons:

Firstly, the proportion of sales of high value-added products increased.

Secondly, the efficient operation of those production facilities in Southern and Eastern China has enabled the Group to optimize resource utilization and reduce costs of production.

Thirdly, the Group retained its market share and capitalized strategically on the changes in oil prices.

Gross profit By Business Segments	FY2015		FY2014		Change
	RMB`000	%	RMB`000	%	
Rigid packaging	87,186	48.6%	61,970	47.2%	40.7%
Flexible packaging	92,236	51.4%	69,236	52.8%	33.2%
Total	179,422	100.0%	131,206	100.0%	36.7%

In terms of sales revenue by geographical regions, domestic demand is seen to be growing. Sales revenue in the People's Republic of China was RMB651 million in FY2015, accounting for 94.2% of Group's total revenue for FY2015. This is the reason for the continuous investments in China over the recent periods. Revenue from other regions decreased slightly due to lower market demand and exchange rate fluctuations.

Revenue By Geographical Segment	FY2015		FY2014		Change
	RMB`000	%	RMB`000	%	
PRC	650,548	94.1%	640,982	93.5%	1.5%
Hong Kong	7,811	1.1%	12,905	1.9%	-39.5%
America	14,002	2%	8,680	1.3%	61.3%
Others	18,713	2.8%	23,264	3.3%	-19.6%
Total	691,074	100.0%	685,831	100.0%	0.8%

The Group's net profit after tax for the year was RMB41.4 million, without any financial impacts from the investment in an associate which had been fully provided for in the previous year and reflecting one of its best financial performances in recent years.

2015年销售业绩增长不大主要原因是原材料价格及销售价格双降所至。集团依赖华东及华南两大基地的战略布局，有效地保持市场并吸收优质新客户,集团年度内销售额上涨RMB500万元，至RMB6.91亿元。

销售额	FY2015		FY2014		变化
	RMB`000	%	RMB`000	%	
硬包装	360,863	52.2%	360,272	52.5%	0.2%
软包装	330,211	47.8%	325,559	47.5%	1.4%
合计	691,074	100.0%	685,831	100.0%	0.8%

今年，集团的毛利额同期上涨RMB4,822万元至RMB1.79亿元，其成功所在有三大因素:

第一，在产品销售结构中，高附加值产品占比有所提高。

第二，随着高明和常州两大基地正式全面启用，使得集团能内部更有效地整合利用营运资源，大大降低了单位制造成本。

第三，保持市场占有率，赢取油价变动的战略时空。

毛利	FY2015		FY2014		变化
	RMB`000	%	RMB`000	%	
硬包装	87,186	48.6%	61,970	47.2%	40.7%
软包装	92,236	51.4%	69,236	52.8%	33.2%
合计	179,422	100.0%	131,206	100.0%	36.7%

从区域销售情况来看，中国区的市场需求仍然保持增长，其销售额达人民币6.51亿元，占销售总额的94.2%，这也是集团断续增加在中国投资布局的原因；其他区域受市场需求及汇率对成本的影响，销售额稍微下降。

销售额	FY2015		FY2014		变化
	RMB`000	%	RMB`000	%	
中国	650,548	94.1%	640,982	93.5%	1.5%
香港	7,811	1.1%	12,905	1.9%	-39.5%
美国	14,002	2%	8,680	1.3%	61.3%
其他	18,713	2.8%	23,264	3.3%	-19.6%
合计	691,074	100.0%	685,831	100.0%	0.8%

集团本年度的税后利润录得RMB4,139万元，已彻底摆脱去年对外投资损失的阴影，包装业务盈利达到近年较好表现。

Board of Directors

Pan Shun Ming
Executive Chairman and Chief Executive Officer

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

Chen Xiang Zhi
Vice Chairman and Executive Director

Mr. Chen, the Vice Chairman and Executive Director, joined our Group on 26 January 2010. He is responsible for assisting the Chairman and CEO for the development of the Group's business strategies and policies. Mr. Chen has more than 12 years of experience in large-scale enterprise management and is very experienced and good at capital operations. He joined Guangzhou Wanglaoji Pharmaceutical Company Limited as the Chairman & General Manager in 1998 and then Guangzhou Pharmaceutical Holdings Limited, a public listed company in China, as Managing Director in 2000. He was appointed as the Managing Director of Guangzhou Baiyunshan Pharmaceutical Co., Ltd, also a listed company in China in 2001. Mr. Chen was then appointed as the Deputy Managing Director of Guangzhou Light Industry & Trade Group Ltd; Chairman of Guangzhou Lonkey Co., Ltd (a listed company in China); Vice Chairman of MeadJohnson Nutrition (China) Co., Ltd, as well as Vice Chairman of Guangzhou Pacific Tinplate Co., Ltd. since 2004.

Pu Jin Bo
Deputy Chief Executive Officer and Executive Director

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

Board of Directors

Mai Shu Ying
Executive Director

Ms. Mai is our Finance Director, Executive Director and the co-founder of our Group. Ms. Mai founded our Group together with Mr. Pan in the early 1980s. She is in-charge of our Group's finance department and is responsible in managing financial matters, in particular, overseeing the fund disbursement and administrative matters. Mr. Pan Shun Ming and Ms. Mai Shu Ying are spouses.

Li Yong Hua
Chief Operating Officer and Executive Director

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

Pan Zhao Jin
Executive Director

Mr. Pan Zhao Jin, the Executive Director, joined our Group in 2007. He is responsible for marketing and business development for the Group. Mr. Pan holds an IMBA degree from Sun Yat Sen University. He first joined the company as a CEO assistant in 2007 and was promoted as Vice General Manager in 2009, mainly responsible for Human Resource Management and R&D department.

Board of Directors

Yeung Koon Sang @ David Yeung
Lead Independent Director

Mr. Yeung was appointed as an Independent Director of our Company in September 2004. He is the managing director of Kreston David Yeung PAC, which he founded in 1987. He has over 20 years' experience in public accountancy and had worked previously with Deloitte & Touché, UK and Ernst & Young, Singapore. He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. Mr. Yeung holds a Master of Social Science (Accounting) degree from the University of Birmingham, England. He is also a practising member of the Institute of Certified Public Accountants of Singapore and a fellow of the Association of Chartered Certified Accountants, United Kingdom.

Chia Chor Leong
Independent Director

Mr Chia was appointed as an Independent Director of our Company in October 2014. Mr Chia obtained an LL.B. (Honours) degree from the University of Singapore in 1980 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1981. He has been practising as an advocate and solicitor since 1981, and is presently a director of Citilegal LLC., a law corporation. Mr Chia is a distinguished solicitor, a Fellow of the Singapore Institute of Arbitrators and a member of that Institute's Panel of Arbitrators. He is an accredited adjudicator and an associate mediator with the Singapore Mediation Centre. He is also a commissioner for oaths as well as a notary public.

Mr Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review), and presently serves as the Chairman of the External Placement Review Board and as a member of the Independent Review Panel of the Ministry of Home Affairs, Singapore. He is also a member of the Singapore Road Safety Council. In recognition of his public service over the years since 1987, Mr Chia was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2000 and the Bintang Bakti Masyarakat (Public Service Star) in 2007.

Chung Tang Fong
Independent Director

Mr Chung was appointed as an Independent Director of our Company in May 2014. He was the one of the founders of the NUS Business School Mandarin Alumni and serviced as the President between 2008 and 2012. Mr Chung holds a Bachelor of Arts from Ottawa University, Kansas, USA, a Master of Business from Curtin University of Technology, Perth, Australia, a Doctorate in Business Administration from Victoria University School of Management, Neuchatel, Switzerland. He was admitted as a Fellow of the Chartered Management Institute, UK., Fellow of the Australian Institute of Management, Victoria, Australia, and a Research Scholar with the School of Economics at Peking University, China. In addition, Mr Chung attained a Master in Public Administration & Management from Lee Kuan Yew School of Public Policy, National University of Singapore.

Mr Chung is an active community leader. He is appointed as a Town Councillor of Jurong-Clementi Town Council and Chairman of its Tenders and Contracts Committee. He is also a Adviser of Keming Primary School Advisory Committee and Honorary President of the Singapore Chung Hwa Medical Institution. He was appointed as a Licensed Solemnizer cum Deputy Registrar of Marriages and District Councillor of South West CDC for more than a decade. In recognition of his public service, Mr Chung was awarded the Pingat Bakti Masyarkat (Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (Public Service Star) in 2008.

Zhang Jian Ling
Chief Investment Officer of Southern Packaging Group Limited

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

Lao Jing Wen
Financial Controller of Southern Packaging Group Limited

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

Guo Wei
Vice President (Production and R&D)

Mr. Guo Wei joined the Group in May 2003. Mr. Guo graduated from the Tianjing School of Arts (University) in 1988 and has more than 20 years of experience in the packaging industry. Before joining the Foshan Packaging Group as Plant Manager, he served in various management positions at Jinan Dong Tai Packaging.

Corporate Information

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

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

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

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

COMPANY SECRETARIES
Teo Meng Keong, ACIS
Toon Choi Fan, ACIS

REGISTERED OFFICE
80 Robinson Road
#02-00
Singapore 068898
Website: www.southern-packaging.com

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place,
Singapore Land Tower #32-01,
Singapore 048623

INDEPENDENT AUDITOR
BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267
Partner-in-charge: William Ng Wee Liang
(Appointed since the financial year ended 31 December 2012)

PRINCIPAL BANKERS
Agricultural Bank of China (Nanhai Pingzhou Sub-Branch)
Bank of China Limited (Nanhai Sub-Branch)
Bank of Communications Limited (Changzhou Branch)

The Board of Directors of Southern Packaging Group Limited (the "Company") (the "Board"), are committed to high standards of corporate governance and adopting the corporate governance practices contained in the revised Code of Corporate Governance 2012 (the "2012 CG Code") and the disclosure guide developed by the SGX-ST in January 2015 (the "Guide") so as to ensure greater transparency and protection of shareholders' interests. This statement outlines the main corporate governance practices that were in place throughout the financial year ended 31 December 2015 ("FY2015"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

BOARD MATTERS

The Board's Conduct of its Affairs

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

1.1 Role of the Board

The Board has the responsibility for the overall management of the Group. It establishes the corporate strategies of the Group, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

1.3 Delegation by the Board

To assist in the execution of its responsibilities, the Board has established an Audit Committee, Nominating Committee and Remuneration Committee. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board. The roles and responsibilities of these committees are provided for in the latter sections of this Annual Report.

1.4 Board meetings and attendance

The full Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. To ensure meetings are held regularly with maximum Director participation, the Company's Constitution allows a Director to participate at Board meetings by telephone or video-conference or other similar communication equipment which will permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

The numbers of Board and Board Committee meetings held during the FY2015 and the attendance of each Director where relevant are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings	4	4	1	1
Attendance:				
Pan Shun Ming	4	N/A	N/A	N/A
Chen Xiang Zhi	4	N/A	N/A	N/A
Pu Jinbo	4	N/A	N/A	N/A
Mai Shuying	3	N/A	N/A	N/A
Li Yonghua	3	N/A	N/A	N/A
Pan Zhaojin	3	N/A	N/A	N/A
Yeung Koon Sang @ David Yeung	4	4	1	1
Chung Tang Fong	3	3	1	1
Chia Chor Leong	4	4	1	1

N/A: Not Applicable

1.5 Matters reserved for the Board's decisions

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

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

- the Group's long term objectives and commercial strategy;
- merger and amalgamation;
- changes in capital structure;
- acquisition of any investment and asset by the Company or any of its subsidiaries;
- approval of financial results announcements, Annual Reports and Audited Financial Statements;
- recommendation or declaration of dividend;
- reviewing the performance of the Board annually;
- remuneration packages for Executive Directors and key management personnel; and
- any matter required to be considered or approved by the Board as a matter of law or regulation.

1.6 Board induction and training

The Company does not have a formal training programme for the Directors but newly appointed Directors are provided with extensive information regarding the Group's businesses and governance practices. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to be familiar with the business operations.

The Directors are kept informed of changing commercial risks faced by the Group through briefings at Board meetings, as well as articles and reports circulated to them. The Board of Directors is also briefed on changes in regulations and guidelines.

<u>1.7 Formal appointment letter to each Director</u>

For future appointments, the Company will also provide each newly appointed Director with a formal letter of appointment setting out the Director's duties and obligations.

Board Composition and Guidance

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

<u>2.1, 2.2 & 3.3 Independent Directors</u>

The Board of Directors comprises the following nine (9) Directors, three (3) of whom are Independent Directors. A Lead Independent Director is also appointed. The criteria for independence are determined based on the definition as provided in the 2012 CG Code.

(i) Pan Shun Ming (Executive Chairman and Chief Executive Officer)

(ii) Chen Xiang Zhi (Executive Director and Vice Chairman)

(iii) Pu Jinbo (Executive Director and Deputy Chief Executive Officer)

(iv) Mai Shuying (Executive Director)

(v) Li Yonghua (Executive Director and Chief Operating Officer)

(vi) Pan Zhaojin (Executive Director)

(vii) Yeung Koon Sang @ David Yeung (Lead Independent Director)

(viii) Chung Tang Fong (Independent Director)

(ix) Chia Chor Leong (Independent Director)

The Board noted the requirement for independent directors to make up at least half of the Board where the Chairman of the Board and the Chief Executive Officer is the same person by financial year commencing 1 January 2017.

<u>2.3 Review of Directors' independence</u>

The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. There is no Director who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent. No NC member was involved in the deliberation in respect of his independence.

2.4 Duration of Independent Director's tenure

Rigorous reviews have been carried out by the Board to assess the independent status of Mr Yeung Koon Sang @ David Yeung (who was appointed on 23 September 2004), who has served on the Board beyond nine years. The NC is of the view that Mr Yeung Koon Sang @ David Yeung is considered independent in accordance with the Guideline 2.3 of the 2012 CG Code. The NC is of the opinion that Mr Yeung Koon Sang @ David Yeung continues to exercise strong independent business judgement with a view to the best interests of the Company. The independence of that Mr Yeung Koon Sang @ David Yeung was not in any way affected by the length of service and the NC is satisfied that Mr Yeung Koon Sang @ David Yeung contributed to the Board with his invaluable experience and expertise. Having reviewed the Board composition through the annual Board evaluation, the Board has considered that there is no current need for progressive refreshing of the Board.

2.5 & 2.6 Board Composition

The Board examines its size and composition and is satisfied that it is an appropriate size and with its diversified background and experience provides core competencies such as finance, accounting, legal, business management, industry knowledge and strategic planning experience, is appropriate and effective to ensure the balance of power and authority to facilitate effective decision making.

The Board's policy with regard to diversity in identifying director nominees is to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board has taken steps to maintain or enhance its balance and diversity by conducting annual evaluation of the Board and individual Director assessment by the NC to assess if the Board has the right mix of expertise, experience and skills for the effectiveness of the Board.

2.7 & 2.8 Non-executive Director Meetings in Absence of Management

The Independent Non-Executive Directors should constructively challenge and help develop proposals on strategies. From time to time, the Non-Executive Directors have met in the absence of Management in FY2015.

Chairman and Chief Executive Officer

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

3.1 & 3.2 Role of Chairman and the CEO

The Group's Executive Chairman, Pan Shun Ming, also assumes the role of a Chief Executive Officer ("CEO") as he is the founder of the Group. Pan Shun Ming oversees the day to day management and operations of the Group and is responsible for setting the Group's overall business strategies and policies. Pan Shun Ming has considerable industry experience and has also provided the Group with strong leadership and vision.

The Chairman / CEO ensures that Board meetings are held when necessary, sets Board meeting agenda and reviews the Board papers in consultation with the management, prior to presenting them to the Board. The Chairman / CEO also ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group.

The Company has not adopted the recommendation of the 2012 CG Code to have different individuals appointed as the Chairman and the CEO. The Board is of the view that it is in the best interest of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered as well as to ensure that the Group is able to grasp business opportunities efficiently and promptly.

3.3 Lead Independent Director

The Board has also appointed Mr Yeung Koon Sang @ David Yeung as Lead Independent Director since the listing of the Company. The Company complied with Guideline 3.3(a) of the 2012 CG Code.

3.4 Independent Director Meetings in Absence of Other Directors

From time to time, the Independent Directors have met in the absence of other Directors in FY2015 and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

Board Membership

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

4.1 Nominating Committee

The Nominating Committee ("NC") comprises the following three (3) members, all of whom are Independent Directors. The Chairman of the NC is also not directly associated with any substantial shareholder of the Company.

(i)	Chia Chor Leong ***(Chairman)***	Independent Director
(ii)	Yeung Koon Sang @ David Yeung ***(Member)***	Lead Independent Director
(iii)	Chung Tang Fong ***(Member)***	Independent Director

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

(a) reviewing and recommending candidates for appointments to the Board and Board committees;

(b) reviewing and approving any new employment of related persons and proposed terms of their employment;

(c) reviewing and recommending candidates to be nominees on the boards and board committees of the listed companies and entities within the Company and its subsidiaries (the "Group");

(d) re-nomination of directors for re-election of directors in accordance with the Constitution at each annual general meeting;

(e) determining annually whether or not a director is independent;

(f) deciding whether or not a director of the Company is able to and has been adequately carrying out his duties and responsibilities;

(g) implementing a process for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board;

(h) decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholder's value;

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

(j) recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group; and

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

4.2 & 4.6 Recommendations to the Board & Board Nomination Process

The Company has in place policies and procedures for the appointment of new Directors to the Board, including a search and nomination process. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The NC can also approach relevant institutions such as the SID, professional organisations or business federations to source for a suitable candidate. New Directors are appointed by way of Directors' Resolutions, after the NC has reviewed and nominated them by taking into consideration the qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives. The Constitution has stated clearly the procedures for the appointment of new Directors, re-election and removal of Directors.

The Company's Constitution require that one-third (1/3) of the Director [or, if their number is not a multiple of three (3), the number nearest to but not less than one-third (1/3) with a minimum of one (1)] shall retire from office by rotation and that all the Directors shall retire from office once every 3 years. A retiring Director shall be eligible for re-election. Any person appointed by the Directors either to fill a casual vacancy or as an additional director during the year will hold office only until the next AGM and will be eligible for re-election.

The NC has recommended to the Board that Mr Pu Jinbo, Mr Chen Xiang Zhi and Mr Pan Zhaojin be nominated for re-election at the forthcoming AGM of the Company. The Board recommends the shareholders to approve the re-election of the said Directors. The details of the proposed resolutions are stipulated in the Notice of AGM.

4.4 Multiple Board Representations

During the financial year under review, the NC has ascertained that all Directors, including those who have multiple board representations, have devoted sufficient time and attention to the Group's affairs and have discharged their duties and responsibilities adequately. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorships a director can hold. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

4.7 Directors' Key Information

The date of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment	Directorships in other listed companies	
				Current	**Past three years**
Pan Shun Ming	Executive Chairman and CEO	30.12.2003	30.4.2015	Nil	Nil
Chen Xiang Zhi	Executive Director and Vice Chairman	26.1.2010	26.4.2013	Nil	Nil
Pu Jinbo	Executive Director and Deputy CEO	16.4.2004	26.4.2013	Nil	Nil
Mai Shuying	Executive Director	30.12.2003	30.4.2015	Nil	Nil
Li Yonghua	Executive Director and Chief Operating Officer	1.2.2011	30.4.2014	Nil	Nil
Pan Zhaojin	Executive Director	1.2.2011	30.4.2014	Nil	Nil

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment	Directorships in other listed companies	
				Current	Past three years
Yeung Koon Sang @ David Yeung	Lead Independent Director	23.9.2004	30.4.2015	• ACE Achieve Infocom Ltd • AEI Corporation Limited • Mary Chia Holdings Limited • United Envirotech Ltd. • CNA Group Ltd	• China Flexible Packaging Holdings Limited
Chung Tang Fong	Independent Director	2.5.2014	30.4.2015	• ACE Achieve Infocom Ltd • Chewathai Ltd	Nil
Chia Chor Leong	Independent Director	10.10.2014	30.4.2015	• Frencken Group Limited • Mary Chia Holdings Limited	• Resource Holdings Limited

Key information regarding the Directors is set out on pages 8 to 10 of this Annual Report.

Board Performance

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

5.1-5.3 Board and Individual Director Assessments

The NC has established and implemented processes for monitoring and evaluating the performance of the Board as a whole and effectiveness and contribution of individual directors.

The evaluation of the Board is conducted annually. As part of the process, the Directors will complete appraisal forms which are collated by the Company Secretary. The Company Secretary will then review the results of the appraisal and present the results to the Chairman of the NC who will then present a report to the Board.

An individual assessment of each Director is also undertaken annually. The process of the assessment is through self-assessment where each Director will complete appraisal forms which are collated by the Company Secretary. The Company Secretary consolidates the appraisal forms and presents the results to the Chairman of the NC who will then present a report to the Board. The Board is of the opinion that a separate assessment on the effectiveness of the Board Committees is not necessary as the Board Committees share common members.

The NC, having reviewed the responses and the summary reports of the evaluation, is satisfied with the overall effectiveness of the Board as well as the performance and contribution of each of the director. The NC is of the opinion that the performance of the Board for FY2015 has been satisfactory and has achieved its performance objectives.

Access to Information

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

6.1 & 6.2 Provision of Information to the Board

The Board has separate and independent access to senior management and the company secretary at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. The management provides the Board with information on the half-year and full-year financial results, progress reports of the Group's operations, corporate development, regulatory updates, business developments and audit reports. The management also seek consultation from the Board regularly whenever necessary and appropriate. The Board is issued with meeting agenda and board papers timely and prior to Board meetings.

6.3 & 6.4 Company Secretary

At least one of the company secretaries or their representative is always present at all Board and Board Committee meetings to record the proceedings, to ensure that all Board and Board Committee's procedures are followed as well as to ensure that good information flows within the Board and Board Committees as well as between the management and the Non-Executive Directors.

The company secretaries and their representative attend to corporate secretarial matters of the Company. They also ensure that the Company complies with its Constitution and applicable rules and requirements under the Companies Act (Chapter 50) (the "Act") and Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") together with the management.

The appointment and removal of a company secretary is a matter for consideration by the Board as a whole.

6.5 Independent Professional Advice

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

7.1 & 7.2 Remuneration Committee

The Remuneration Committee ("RC") comprises the following three (3) members, all of whom including the Chairman of the RC are Independent Directors:-

(i)	Yeung Koon Sang @ David Yeung ***(Chairman)***	Lead Independent Director
(ii)	Chung Tang Fong ***(Member)***	Independent Director
(iii)	Chia Chor Leong ***(Member)***	Independent Director

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

(a) review and approve the policy for determining the remuneration of the executives of the Company and its subsidiaries (the "Group"), including that of the executive director, chief executive officer and other key management personnel;

(b) review the on-going appropriateness and relevance of the executive remuneration policy and other benefit programs including the terms of renewal for those executive directors whose current employment contracts will expire or had expired;

(c) consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each member of key management (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy for each of the companies within our Group;

(d) review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service;

(e) consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to each member of key management personnel;

(f) seek expert advice inside the company and/or outside professional advice on remuneration of all directors;

(g) determine, review and approve the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement;

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

(i) review the remuneration of employees who are related to the Directors and substantial shareholders.

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

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

<u>7.3 Remuneration Consultant</u>

The RC may seek expect advice inside or outside the Company on remuneration of all Directors. During FY2015, the Company did not engage any external remuneration consultant.

Level and Mix of Remuneration

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

<u>8.1 & 8.3 Remuneration Structure</u>

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel, and determines specific remuneration packages for each executive director. The recommendations of the RC on remuneration of directors would be submitted for endorsement by the entire Board.

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

In setting the remuneration packages of the Executive Directors and key management personnel, the Company takes into consideration the remuneration and employment conditions and makes a comparative study of the packages of executive directors and key management personnel in comparable companies/industries as well as the Group's relative performance.

The payment of Directors' fees to Non-Executive Directors are subject to approval by the Company's shareholders at the AGM. No Director is involved in the discussion and in deciding his own remuneration.

8.4 Contractual provisions

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

Disclosure on Remuneration

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

9.1 & 9.2 Directors' Remuneration

The breakdown (in the percentage terms) of the Directors' remuneration for the financial year ended 31 December 2015 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Directors					
Between S$250,000 and S$500,000					
Pan Shun Ming	92.7%	5.1%	2.2%	–	100%
Mai Shuying	92.7%	5.0%	2.3%	–	100%
Below S$250,000					
Chen Xiang Zhi	89.7%	9.1%	1.2%	–	100%
Pu Jinbo	84.1%	9.2%	6.7%	–	100%
Li Yonghua	75.4%	23.7%	0.9%	–	100%
Pan Zhaojin	82.2%	8.6%	9.2%	–	100%
Yeung Koon Sang @ David Yeung	–	–	–	100%	100%
Chung Tang Fong	–	–	–	100%	100%
Chia Chor Leong	–	–	–	100%	100%

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

9.3 Key Management Personnel's Remuneration

A breakdown of the level and mix of top three key management personnel's remuneration for the financial year ended 31 December 2015 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Key Management Personnel					
Below S$250,000					
Zhang Jianling	85.7%	13.4%	0.9%	–	100%
Lao Jing Wen	89.5%	10.3%	0.2%	–	100%
Guo Wei	84.8%	5.2%	10%	–	100%

The annual aggregate remuneration paid to the top three key management personnel of the Company (who are not directors or the CEO) for the FY2015 is S$314,693.

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

During the financial year ended 31 December 2015, there is only one person who has family relationship with a director or CEO of the Company, whose remuneration exceeded S$50,000. Details relating thereto are appended below:

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mr. Ang Wei Jun	29	Son in law of the Company's Executive Chairman and Chief Executive Officer and Substantial Shareholder, Mr. Pan Shun Ming	Deputy Chief Investment Officer - Responsible for support in investment and financing work since 1 September 2013	None.

Mr Ang Wei Jun's remuneration is in the band of S$100,000 to S$150,000 for the financial year ended 31 December 2015.

ACCOUNTABILITY AND AUDIT

Accountability

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

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

In presenting the full year financial statements and half yearly financial result announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. The Board members are also provided with up-to-date financial reports, summary and analysis on the Group's performance for monitoring and decision making. The Board members are provided with management accounts and such explanation and information on a monthly basis.

Risk Management and Internal Controls

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

<u>11.1 Risk Management and Internal Controls</u>

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

<u>11.2 & 11.3 Adequacy and effectiveness of the Internal Controls</u>

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

The Board had received assurance from the CEO and Group Financial Controller that the financial records as at 31 December 2015 have been properly maintained and the financial statements for the financial year ended 31 December 2015 give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

As at the date hereof, after taking into account the above factors as well as the assistance/services rendered to the Company by both its internal and external auditors, the Board is satisfied that the present internal controls of the Group is adequate and effective for the nature and the size of the Group's operations and business. The AC similarly concurs with the views of the Board on the adequacy and effectiveness of the present internal controls of the Group to address its financial, operational, compliance and information technology controls, and risk management systems risk areas.

Audit Committee

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

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

The AC comprises the following three (3) members, all of whom, including the Chairman of the AC, are Independent Directors:-

(i)	Yeung Koon Sang @ David Yeung ***(Chairman)***	Lead Independent Director
(ii)	Chung Tang Fong ***(Member)***	Independent Director
(iii)	Chia Chor Leong ***(Member)***	Independent Director

The functions of the AC are as follows:

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

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

(c) review the half-yearly and annual financial statements and results announcements before submission to the Board for approval;

(d) review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls;

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

(f) commission and review an annual internal control audit;

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

(h) review the co-operation given by the management to the external auditors;

(i) meet with the External and Internal Auditors without the presence of the Management at least once a year;

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

(k) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response and report such matters to the Board at an appropriate time;

(l) take recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(m) review significant financial reporting issues and judgments with the Financial Controller and the external auditors so as to ensure the integrity of the financial statements of our Group and any formal announcements relating to the Group's financial performance before submission to the Board of Directors;

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

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

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

(q) review interested person transactions and any potential conflicts of interests (if any);

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

(s) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

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

(u) propose and establish a "Whistle-blowing policy" and review the procedures;

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

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

The members of the AC have many years of experience in accounting and financial management and the Board is of the view that the members of the AC are qualified to discharge the AC's functions.

12.3 & 12.5 Authority of AC and meeting with auditors

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.The AC has full access to and co-operation of the Company's management and has full discretion to invite any Director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions. The AC has met with the external auditors and internal auditors once in the absence of Management in FY2015.

12.6 Independence of External Auditors

The AC has reviewed the independence of the external auditors including the range and value of non-audit services performed by its external auditors and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended the re-appointment of Messrs BDO LLP as external auditors of the Company at the forthcoming AGM.

The aggregate amount of fees paid and payable by the Group to the external auditors for the financial year ended 31 December 2015 is S$194,772, of which audit fees amounted to approximately S$192,272 and non-audit fees amounted to approximately S$2,500.

The external auditors have unrestricted access to the AC.

In re-appointing the external auditors of the Group, the AC is satisfied that the Company has complied with the Listing Rules 712 and 715 of the Listing Manual of SGX-ST.

12.7 Whistle-Blowing Policy

The Company has in place a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees and any other persons may raise concerns, in confidence, on improper conduct or other matters to the management and/or the AC, where applicable. The details of the policy have been disseminated and made available to all parties concerned. The AC would be vested with the power and authority to receive, investigate and enforce appropriate action when any such non-compliance matter is brought to its attention.

12.8 AC Activities

During the FY2015, the AC met four (4) times to discuss the following matters:-

(a) the audit plans and results of the external auditors;

(b) the Group's financial and operating results and accounting policies;

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;

(d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

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

(f) the co-operation and assistance given by the management to the Group's external auditors; and

(g) the re-appointment of the external auditors of the Company.

Internal Audit

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

13.1-13.5 Internal Audit

The Board recognises the importance of maintaining an internal audit function, independent of the activities it audits. With the recommendation of the Audit Committee, the Board has appointed Da Xin LLP as the Group's Internal Auditors. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner. The AC will review the adequacy of the internal audit function annually with the Internal Auditors and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC had reviewed and of the view that the internal audit function is adequate and effective in FY2015.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

14.1 & 14.3 Shareholder Rights

The Company treats all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' right and continually review and update such governance arrangement.

The Directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures.

With effect from 3 January 2016, the Companies Act provides that a relevant intermediary (such as a corporation, person or the Central Provident Fund Board that provide nominee or custodial services) may appoint more than 2 proxies in relation to a meeting to exercise all or any of his rights to attend and to speak and vote at the meeting. Notwithstanding that the Constitution of the Company is yet to be amended, the Company will provide the necessary measures to allow appointment of more than 2 proxies by a relevant intermediary.

Communication with Shareholders

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

15.2-15.4 Communication with Shareholders

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. In addition to the regular dissemination of information on major developments through SGXNET, the Company also responds to enquiries from investors, analysts, fund managers and the press. However, the Company does not practise selective disclosure as all price-sensitive information is always released through SGXNET.

Information is disseminated to shareholders on a timely basis through:

- announcements and press releases to the SGX-ST;
- Annual Reports prepared and issued to all shareholders; and
- the Company's website at www.southern-packaging.com at which shareholders can access to information on the Group.

15.5 Dividend Policy

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

The Board has recommended a first and final tax-exempt (one-tier) dividend of S$0.012 per ordinary share after share consolidation for the financial year ended 31 December 2015 for the shareholders' approval at the forthcoming AGM.

Conduct of Shareholder Meetings

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

16.1-16.5 Conduct of Shareholder Meetings

The Company's general meetings (Annual General Meeting ("AGM") and/or Extraordinary General Meeting ("EGM")) are the principal forums for dialogue with shareholders. The Company values any feedback from shareholders. During the general meetings, shareholders are given ample time and opportunities to air their views and concerns.

The Chairmen of the Board Committees are normally present for all general meetings and available to address questions at general meetings. External auditors are also present to assist the directors in addressing any queries by shareholders.

Shareholders are encouraged to attend the AGM/EGM to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. Notice of general meetings will be advertised in newspapers and announced on SGXNET.

The Company allows a member entitled to attend and vote to appoint not more than two proxies who need not be a member of the Company, to attend and vote at the general meetings, in accordance with Section 181 of the Act and Articles 65 to 75 of the Company's Constitution.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual of the SGX-ST on dealing in securities, the Company has in place a policy prohibiting share dealings by Directors and employees of the Group during the period commencing one (1) month before the announcement of the Company's half-year and full-year financial statements, as the case may be, and ending on the date of the announcement of the relevant results. In addition, the Directors and employees of the Group are discouraged from dealing in the Company's shares on short-term considerations. This has been made known to Directors, officers and staff of the Company and Group. They are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

MATERIAL CONTRACTS

There were no material contracts that are either still subsisting at the end of FY2014 or entered into by the Group during FY2015, involving the interest of the Chief Executive Officer, any Director, or controlling shareholder.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The Company and its subsidiaries had the following interested person transactions during FY2015:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conduct under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Guangdong Xing Hua Health Drink Co. Ltd [1]	RMB898,356 (S$198,181)	–
Mai Shu Ying, Pan Shun Ming [2]	RMB518,195 (S$114,316)	–
Foshan Unibott Technology Limited [3]	RMB698,744 (S$154,146)	–
Guangdong Xing Hua Health Drink Co. Ltd [4]	RMB10,173,151 (S$2,244,243)	–

Notes:

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

(2) Rental payment for office occupied by Southern (Hong Kong) Packaging Co. Limited

(3) Supply of products by Foshan Unibott Technology Limited

(4) Short term borrowing from Foshan Southern Packaging Co. Limited

DIRECTORS' **STATEMENT**

The Directors of the Company present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015 and the statement of changes in equity of the Company for the financial year then ended.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Pan Shun Ming
Chen Xiang Zhi
Pu Jinbo
Mai Shuying
Li Yonghua
Pan Zhaojin
Yeung Koon Sang @ David Yeung
Chung Tang Fong
Chia Chor Leong

3. Arrangements to enable Directors to acquire shares or debentures

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

4. Directors' interests in shares or debentures

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

4. **Directors' interests in shares or debentures** (Continued)

	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	Balance as at 1.1.2015	**Balance as at 31.12.2015**	**Balance as at 1.1.2015**	**Balance as at 31.12.2015**
Company	**Number of ordinary shares**			
Pan Shun Ming [(1)]	109,538,790	109,538,790	54,956,061	54,956,061
Mai Shuying [(1)]	54,956,061	54,956,061	109,538,790	109,538,790
Pu Jinbo [(2)]	731,818	731,818	10,000	10,000
Pan Zhaojin	–	–	164,494,851	164,494,851

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

(2) 10,000 shares held through CIMB Securities (Singapore) Pte Ltd.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2016 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2015.

5. **Share options**

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

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

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

6. **Audit committee**

The Audit Committee of the Company is chaired by Yeung Koon Sang @ David Yeung, and includes Chung Tang Fong and Chia Chor Leong, all Independent and Non-Executive Directors. The Audit Committee has met 4 times since the last Annual General Meeting and has reviewed the following, where relevant, with the Executive Directors and internal and external auditors of the Company:

(a) the audit plans and results of the internal and external auditors;

(b) the Group's financial and operating results and accounting policies;

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditor's report on those financial statements;

(d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

6. **Audit committee** (Continued)

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

(f) the re-appointment of the external auditor of the Company.

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

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

7. **Independent auditor**

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

On behalf of the Board of Directors

Pan Shun Ming
Director

Mai Shuying
Director

31 March 2016

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Packaging Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 35 to 93, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

INDEPENDENT AUDITOR'S **REPORT**

To the Members of Southern Packaging Group Limited

Report on Other Legal and Regulatory Requirements

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2016

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2015

	Note	Group 2015 RMB	Group 2014 RMB
Revenue	4	691,074,184	685,830,607
Cost of sales		(511,651,846)	(554,624,170)
Gross profit		179,422,338	131,206,437
Other item of income			
Other income	5	8,504,877	9,588,958
Other items of expense			
Distribution expenses		(35,896,725)	(41,194,335)
Administrative expenses		(79,376,664)	(74,673,881)
Finance costs	6	(20,457,106)	(17,846,023)
Share of loss of associate		–	(10,096,583)
Impairment of asset held for sale	20	–	(20,992,650)
Profit/(Loss) before income tax	7	52,196,720	(24,008,077)
Income tax expense	8	(10,807,012)	(4,463,658)
Profit/(Loss) for the financial year, representing profit/(loss) for the financial year attributable to owners of the parent		41,389,708	(28,471,735)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1,141,486	159,178
Total comprehensive income for the financial year, representing total comprehensive income attributable to owners of the parent		42,531,194	(28,312,557)
Earnings/(Loss) per share (RMB cents)			
- Basic and diluted (adjusted based on the total issued shares of 70,319,164 after share consolidation)	9	58.86	(40.49)

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

STATEMENTS OF
FINANCIAL POSITION
As at 31 December 2015

	Note	Group 2015 RMB	Group 2014 RMB	Company 2015 RMB	Company 2014 RMB
ASSETS					
Non-current assets					
Property, plant and equipment	10	415,854,151	438,910,738	–	–
Investment property	11	1,067,565	602,804	–	–
Investments in subsidiaries	12	–	–	415,108,039	402,360,879
Investment in an associate	13	–	–	–	–
Prepaid lease payments	14	63,357,614	64,592,926	–	–
Deferred tax assets	15	1,382,363	1,254,231	–	–
Total non-current assets		481,661,693	505,360,699	415,108,039	402,360,879
Current assets					
Prepaid lease payments	14	1,498,837	1,254,705	–	–
Current income tax recoverable		–	396,111	–	–
Inventories	16	74,122,315	94,217,780	–	–
Trade receivables	17	156,644,924	178,434,647	–	–
Other receivables and prepayments	18	24,833,011	22,393,754	64,912	14,241
Cash and cash equivalents	19	108,214,295	149,515,893	1,324,415	1,167,001
Total current assets		365,313,382	446,212,890	1,389,327	1,181,242
Asset held for sale	20	7,881,700	7,881,700	–	–
		373,195,082	454,094,590	1,389,327	1,181,242
Total assets		854,856,775	959,455,289	416,497,366	403,542,121
LIABILITIES AND EQUITY					
Equity					
Share capital	21	230,592,765	230,592,765	230,592,765	230,592,765
Capital contribution	22	12,638,812	12,638,812	–	–
Statutory reserve	22	48,164,213	46,009,025	–	–
Foreign currency translation account	22	(3,164,657)	(4,306,143)	–	–
Retained earnings		202,903,972	166,282,795	180,354,735	169,122,756
Total equity		491,135,105	451,217,254	410,947,500	399,715,521
Non-current liabilities					
Deferred government subsidies	23	11,294,000	11,342,504	–	–
Deferred tax liabilities	15	2,696,739	545,758	–	–
Bank borrowings	24	70,000,000	108,552,600	–	–
Total non-current liabilities		83,990,739	120,440,862	–	–
Current liabilities					
Deferred government subsidies	23	561,035	140,234	–	–
Current income tax payable		6,839,854	4,107,834	–	–
Trade payables	25	106,025,902	107,496,206	–	–
Other payables	26	28,233,506	20,849,762	5,549,866	3,826,600
Bank borrowings	24	138,070,634	255,203,137	–	–
Total current liabilities		279,730,931	387,797,173	5,549,866	3,826,600
Total liabilities		363,721,670	508,238,035	5,549,866	3,826,600
Total liabilities and equity		854,856,775	959,455,289	416,497,366	403,542,121

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

STATEMENTS OF
CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Note	Share capital RMB	Capital contribution RMB	Statutory reserve RMB	Foreign currency translation account RMB	Retained earnings RMB	Total equity RMB
Group							
Balance as at 1.1.2015		230,592,765	12,638,812	46,009,025	(4,306,143)	166,282,795	451,217,254
Profit for the financial year		–	–	–	–	41,389,708	41,389,708
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		–	–	–	1,141,486	–	1,141,486
Total comprehensive income for the financial year		–	–	–	1,141,486	41,389,708	42,531,194
Distributions to owners of the parent							
Dividends	29	–	–	–	–	(2,613,343)	(2,613,343)
Others							
Transfer to statutory reserve	22	–	–	2,366,450	–	(2,366,450)	–
Liquidation of a subsidiary		–	–	(211,262)	–	211,262	–
Balance as at 31.12.2015		230,592,765	12,638,812	48,164,213	(3,164,657)	202,903,972	491,135,105

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

STATEMENTS OF
CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Note	Share capital RMB	Capital contribution RMB	Statutory reserve RMB	Foreign currency translation account RMB	Retained earnings RMB	Total equity RMB
Group							
Balance as at 1.1.2014		230,592,765	12,638,812	38,416,137	(4,465,321)	207,951,015	485,133,408
Loss for the financial year		–	–	–	–	(28,471,735)	(28,471,735)
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		–	–	–	159,178	–	159,178
Total comprehensive income for the financial year		–	–	–	159,178	(28,471,735)	(28,312,557)
Distributions to owners of the parent							
Dividends	29	–	–	–	–	(5,603,597)	(5,603,597)
Others							
Transfer to statutory reserve	22	–	–	7,592,888	–	(7,592,888)	–
Balance as at 31.12.2014		230,592,765	12,638,812	46,009,025	(4,306,143)	166,282,795	451,217,254

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Note	Share capital RMB	Retained earnings RMB	Total equity RMB
Company				
Balance as at 1.1.2015		230,592,765	169,122,756	399,715,521
Profit for the financial year, representing total comprehensive income for the financial year		–	13,845,322	13,845,322
Distributions to owners of the parent				
Dividends	29	–	(2,613,343)	(2,613,343)
Balance as at 31.12.2015		230,592,765	180,354,735	410,947,500
Balance as at 1.1.2014		230,592,765	115,653,574	346,246,339
Profit for the financial year, representing total comprehensive income for the financial year		–	59,072,779	59,072,779
Distributions to owners of the parent				
Dividends	29	–	(5,603,597)	(5,603,597)
Balance as at 31.12.2014		230,592,765	169,122,756	399,715,521

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2015

	Group	
	2015	**2014**
	RMB	**RMB**
Cash flows from operating activities		
Profit/(Loss) before income tax	52,196,720	(24,008,077)
Adjustments for:		
Allowance for impairment of trade receivables	775,414	509,462
Amortisation of deferred government subsidy	(527,703)	(435,347)
Amortisation of prepaid lease payments	1,498,010	1,605,396
Bad trade receivables written off	10,552	–
Depreciation of investment property	22,604	22,604
Depreciation of property, plant and equipment	44,497,915	44,144,597
Impairment of asset held for sale	–	20,992,650
Interest expense	20,457,106	17,846,023
Interest income	(1,102,906)	(527,955)
Loss on disposal of property, plant and equipment	510,115	506,457
Share of loss of associate	–	10,096,583
Unrealised foreign currency exchange loss	83,412	33,769
Write-down of inventories	1,971,853	751,000
Operating cash flows before working capital changes	120,393,092	71,537,162
Working capital changes:		
Inventories	18,123,612	2,537,238
Trade receivables	27,609,249	16,989,192
Other receivables and prepayments	(2,498,127)	30,266,431
Trade payables	(6,111,306)	(13,049,371)
Other payables	7,221,119	(4,073,180)
Cash generated from operations	164,737,639	104,207,472
Income tax paid	(5,656,032)	(9,002,591)
Net cash from operating activities	159,081,607	95,204,881
Cash flows from investing activities		
Payments of prepaid lease	(506,830)	(11,893,615)
Purchase of property, plant and equipment	(27,528,097)	(5,119,718)
Proceeds from disposal of property, plant and equipment	4,057,360	15,029,582
Government subsidies received on purchase of property, plant and equipment	900,000	–
Net cash used in investing activities	(23,077,567)	(1,983,751)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Group	
	2015	2014
	RMB	RMB
Cash flows from financing activities		
Interest paid	(20,457,106)	(17,846,023)
Interest received	1,102,906	527,955
Proceeds from bank borrowings	167,130,794	330,111,174
Repayment of bank borrowings	(323,102,476)	(321,151,006)
Decrease/(Increase) in pledged fixed deposits	15,824,326	(4,268,001)
Dividends paid	(2,613,343)	(5,603,597)
Net cash used in financing activities	(162,114,899)	(18,229,498)
Net change in cash and cash equivalents	(26,110,859)	74,991,632
Cash and cash equivalents as at the beginning of the financial year	130,382,483	55,341,197
Effect of exchange rate changes on the balance of cash held in foreign currencies	633,587	49,654
Cash and cash equivalents as at the end of the financial year (Note 19)	104,905,211	130,382,483

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

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

1. General information

Southern Packaging Group Limited (the "Company") (Registration Number: 200313312N) is a public company limited by shares, incorporated and domiciled in the Republic of Singapore with its registered office at 80 Robinson Road, #02-00, Singapore 068898 and principal place of business at No. 9 Foping Four Road, Gui Cheng, Nanhai, Foshan City, Guangdong 528251, People's Republic of China. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

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

The consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors on 31 March 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

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

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current and prior financial years.

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure initiative	1 January 2017
FRS 12 (Amendments)	: Recognition to Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 114	: Regulatory Deferral Accounts	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
Improvement to FRSs (November 2014)		1 January 2016

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

The management anticipates that the adoption of the above FRS in future periods, if applicable, will not have a material impact on the financial statements of the Group in the period of initial adoption, except as discussed below.

Amendments to FRS 7 Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The new impairment requirements are also likely to bring significant changes for impairment provision on trade and other receivables.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. On adoption of FRS 115, the Group will be required to address variable consideration elements in determining the transactions price, which in turn will be the amount to be recognised as revenue for that financial year based on the actual quantity sold as at the end of that financial year. The difference between the estimated transaction price and the contract price of the products sold will be recognised as a contract liability shown on the Group's statement of financial position.

The Group is also in the process of assessing the potential impact on accounting for contract modifications.

The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

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

Subsidiaries are consolidated from the date on which control is obtained by to the Group up to the effective date on which control is lost, as appropriate.

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

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

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

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

2.3 Business combinations

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

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

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Sale of goods and raw materials

Revenue from the sale of rigid and flexible packaging products and raw materials is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and raw materials;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods and raw materials sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Normally these conditions are considered to be met when the goods are delivered to and accepted by the buyer.

Interest income

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

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

2. Summary of significant accounting policies (Continued)

2.5 Government subsidies

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

Other government subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Where the subsidy relates to expenditure which are not capitalised, the fair value of subsidies are credited to profit or loss as and when the underlying expenses are included in profit or loss to match such related expenditure.

2.6 Retirement benefit costs

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

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

2.7 Employee leave entitlements

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

2.8 Leases

The Group as a lessee

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. Summary of significant accounting policies (Continued)

2.9 Borrowing costs

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

All other borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.10 Taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

2. **Summary of significant accounting policies** (Continued)

2.10 Taxes (Continued)

Deferred tax (Continued)

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

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

Sales tax

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

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

- receivables and payables that are stated with the amount of sales tax included.

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

2.11 Foreign currency transactions and translation

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.12 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Investment property

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer between investment property and owner-occupied property, the transfer does not change the carrying amount of the property transferred and it does not change the cost of that property for measurement or disclosure purpose. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.12 to the financial statements up to the date of change in use.

2.14 Associate

An associate is an entity over which the Group has significant influence, but that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. Any premium paid for an associate above the fair value at the group's share of identifiable net assets is included in the carrying amount of the associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

2.15 Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the lease terms.

2. Summary of significant accounting policies (Continued)

2.16 Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

2.17 Inventories

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

2.18 Financial instruments

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

<u>Effective interest method</u>

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

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Financial assets

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

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

Loans and receivables

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

Loans and receivables in the statements of financial position comprise trade receivables, other receivables and prepayments (excluding prepayments and advances to suppliers) and cash and cash equivalents.

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

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

2. Summary of significant accounting policies (Continued)

2.18 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Trade and other payables

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

Borrowings

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

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

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

2. Summary of significant accounting policies (Continued)

2.19 Non-current asset held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

2.20 Dividends

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

2.21 Cash and cash equivalents

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

2.22 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

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

Impairment of investments in subsidiaries and financial assets

The Group follows the guidance of FRS 36 and FRS 39, in determining whether investments in subsidiaries and financial assets are impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the recoverable amount of the investments in subsidiaries and fair values of financial assets are less than their carrying amounts and the financial health of and near-term business outlook for the investment and financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3.2 Key sources of estimation uncertainty

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

(i) Allowance for impairment of trade and other receivables

The policy for impairment of receivables of the Group is based on the aging analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables (excluding prepayments and advances to suppliers) as at 31 December 2015 were RMB160,617,867 (2014: RMB183,066,015) and RMB64,912 (2014: RMB14,241) respectively.

(ii) Inventory valuation method

Inventories are valued at the lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from the market of similar items. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2015 was RMB74,122,315 (2014: RMB94,217,780).

(iii) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2015 was RMB415,854,151 (2014: RMB438,910,738).

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Impairment of asset held for sale

At the end of the financial year, an assessment is made on whether there is indication that the asset held for sale is impaired. Independent professional valuation to determine the carrying amount of the asset will be procured when the need arise. The Group's carrying amount of the asset held for sale as at 31 December 2015 was RMB7,881,700 (2014: RMB7,881,700).

(v) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current income tax payable and recoverable as at 31 December 2015 were RMB6,839,854 (2014: RMB4,107,834) and Nil (2014: RMB396,111) respectively. The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2015 were RMB1,382,363 (2014: RMB1,254,231) and RMB2,696,739 (2014: RMB545,758) respectively.

(vi) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures asset held for sale (Note 20 and 32.2) at fair value on a non-recurring basis.

For more detailed information in relation to the fair value measurement of the items above including the carrying amounts and the estimation uncertainty involved, please refer to the respective notes.

4. Revenue

	Group	
	2015	**2014**
	RMB	**RMB**
Sales of goods	691,074,184	685,830,607

5. Other income

	Group	
	2015	**2014**
	RMB	**RMB**
Amortisation of deferred government subsidy related to assets *	527,703	435,347
Foreign exchange gains, net	486,716	501,649
Government subsidies related to expenditure *	31,200	2,398,637
Interest income - bank deposits	1,102,906	527,955
Miscellaneous income **	616,975	1,358,943
Operating lease income - investment property	195,196	288,000
Operating lease income - office premises	52,159	99,052
Sales of raw materials	5,492,022	3,979,375
	8,504,877	9,588,958

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

** Miscellaneous income mainly consist of waiver of debts from other payables, insurance compensation and sale of samples.

6. Finance costs

	Group	
	2015	**2014**
	RMB	**RMB**
Interest expense on bank borrowings	20,457,106	17,846,023

7. Profit/(Loss) before income tax

The above is arrived at after charging:

	Group	
	2015	2014
	RMB	RMB
Cost of sales		
Cost of inventories recognised as an expense	511,651,846	554,624,170
Included in the above are:		
- Depreciation of property, plant and equipment	40,287,291	39,598,343
- Operating lease expenses – factory space	898,356	1,277,399
- Write-down of inventories	1,971,853	751,000
Distribution expenses		
Advertisement and promotional expenses	136,639	163,932
Depreciation of property, plant and equipment	97,496	91,626
Entertainment expenses	2,027,998	2,834,645
Employee benefits expense		
- Salaries, bonuses and allowances	6,087,456	5,323,938
- Contributions to defined contribution plans	318,596	274,906
- Staff welfare	540,135	289,863
Operating lease expenses – sales offices	232,715	1,547,901
Transportation costs	22,482,422	26,907,826
Travelling and accommodation expenses	2,052,079	2,384,690
Upkeep of motor vehicles expenses	682,054	971,121
Administrative expenses		
Allowance for impairment of trade receivables	775,414	509,462
Amortisation of prepaid lease payments	1,498,010	1,605,396
Audit fee		
- Auditors of the Company	409,536	424,422
- Other auditors (a member firm of BDO International Limited)	450,000	688,942
- Other auditors	36,885	32,092
Non-audit fee		
- Auditors of the Company	12,739	13,678
- Other auditors (a member firm of BDO International Limited)	17,000	52,000
Bad trade receivables written off	10,552	-
Bank charges	403,657	818,875
Depreciation of investment property	22,604	22,604
Depreciation of property, plant and equipment	4,113,128	4,454,628

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

	Group 2015 RMB	Group 2014 RMB
Administrative expenses (Continued)		
Directors' remuneration		
- Directors of the Company [1]		
- Directors' fees	558,149	460,010
- Salaries, bonuses and allowances	7,726,922	7,656,891
- Contributions to defined contribution plans	242,240	224,505
Duty and tax	3,081,130	2,635,725
Employee benefits expense [1]		
- Salaries, bonuses and allowances	10,857,568	11,271,104
- Contributions to defined contribution plans	1,332,236	1,073,205
- Other related costs	1,718,920	1,679,977
Loss on disposal of property, plant and equipment	510,115	506,457
Office repairs and maintenance expenses	219,641	507,579
Operating lease expenses – office premises	520,133	593,284
R&D expenditure	27,659,730	21,874,754
Telephone and fax charges	795,926	776,448
Travelling and accommodation expenses	2,123,197	1,805,739

(1) Directors' remuneration and employee benefits expense include key management personnel remuneration as disclosed in Note 34 to the financial statements.

8. Income tax expense

	Group 2015 RMB	Group 2014 RMB
Current income tax		
- current financial year	8,308,098	2,504,543
- underprovision in prior financial years	132	935,772
Withholding tax	475,933	2,768,871
	8,784,163	6,209,186
Deferred tax		
- current financial year	2,022,849	(417,518)
- overprovision in prior financial years	–	(1,328,010)
	2,022,849	(1,745,528)
	10,807,012	4,463,658

Subsidiaries of the Group which are incorporated in PRC are subject to China income tax of 25% except for Foshan Southern Packaging Co., Ltd which is awarded the status of a High Technology Enterprise and enjoys a concessionary tax rate of 15% on its profits up till the financial year ending 31 December 2016. Southern (HK) Packaging Company Limited, a subsidiary incorporated in Hong Kong is subject to Hong Kong income tax of 16.5%.

8. Income tax expense (Continued)

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

	Group	
	2015	2014
	RMB	RMB
Profit/(Loss) before income tax	52,196,720	(24,008,077)
Share of loss of associate	–	10,096,583
	52,196,720	(13,911,494)
Tax at Singapore statutory income tax rate	8,873,442	(2,364,954)
Tax effect of expenses that are not deductible in determining taxable profit	1,778,245	5,341,913
Tax effect of income that are not taxable in determining taxable profit	(1,022,644)	(1,073,016)
Effect of different tax rates of overseas operations	701,904	183,082
Underprovision of current income tax in prior financial years	132	935,772
Overprovision of deferred tax in prior financial years	–	(1,328,010)
Withholding tax	475,933	2,768,871
Tax expense for the financial year	10,807,012	4,463,658

9. Earnings/(Loss) per share

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

	Group	
	2015	2014
The calculation of basic and diluted earnings/(loss) per share is based on:		
Profit/(Loss) for the financial year attributable to owners of the parent (RMB)	41,389,708	(28,471,735)
Number of ordinary shares*	70,319,164	70,319,164

* The Company consolidated 4 existing ordinary shares into 1 new ordinary share on 29 February 2016. For comparative purpose, the earnings per share for the financial year ended 31 December 2014 had been adjusted for it to be stated on a comparable basis.

As the Company has no dilutive potential ordinary shares, the diluted earnings per share are equivalent to basic earnings/(loss) per share.

10. Property, plant and equipment

	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Group							
Cost							
Balance as at 1.1.2015	199,741,443	370,725,484	163,005,897	8,655,573	321,439	50,324,435	792,774,271
Additions	296,000	2,444,228	14,642,999	428,731	–	13,088,767	30,900,725
Disposals	–	(8,322,349)	(8,098,755)	–	–	(84,631)	(16,505,735)
Transfer to investment property	(732,860)	–	–	–	–	–	(732,860)
Reclassification	13,311,572	25,877,550	9,943,530	2,855,160	–	(51,987,812)	–
Currency translation differences	–	–	5,640	–	19,924	–	25,564
Balance as at 31.12.2015	212,616,155	390,724,913	179,499,311	11,939,464	341,363	11,340,759	806,461,965
Accumulated depreciation							
Balance as at 1.1.2015	16,874,566	221,871,424	106,479,637	8,105,741	321,439	–	353,652,807
Depreciation for the financial year	5,530,628	22,986,845	15,389,484	590,958	–	–	44,497,915
Disposals	–	(7,305,988)	(227,700)	–	–	–	(7,533,688)
Transfer to investment property	(245,495)	–	–	–	–	–	(245,495)
Currency translation differences	–	–	5,625	–	19,924	–	25,549
Balance as at 31.12.2015	22,159,699	237,552,281	121,647,046	8,696,699	341,363	–	390,397,088
Accumulated impairment loss							
Balance as at 1.1.2015 and 31.12.2015	–	182,482	28,244	–	–	–	210,726
Carrying amount							
Balance as at 31.12.2015	190,456,456	152,990,150	57,824,021	3,242,765	–	11,340,759	415,854,151

10. Property, plant and equipment (Continued)

	Buildings RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Construction in progress RMB	Total RMB
Group							
Cost							
Balance as at 1.1.2014	82,265,454	347,320,516	127,313,361	8,484,756	320,339	139,542,892	705,247,318
Additions	26,526,790	12,851,937	14,484,570	770,565	–	69,585,465	124,219,327
Disposals	–	(24,714,748)	(12,450,765)	(631,116)	–	(79,727)	(37,876,356)
Transfer from investment property	1,182,570	–	–	–	–	–	1,182,570
Reclassification	89,766,629	35,267,779	33,658,419	31,368	–	(158,724,195)	–
Currency translation differences	–	–	312	–	1,100	–	1,412
Balance as at 31.12.2014	199,741,443	370,725,484	163,005,897	8,655,573	321,439	50,324,435	792,774,271
Accumulated depreciation							
Balance as at 1.1.2014	13,257,258	220,472,859	89,883,756	7,572,950	320,339	–	331,507,162
Depreciation for the financial year	3,277,342	22,454,721	17,351,684	1,060,850	–	–	44,144,597
Disposals	–	(21,056,156)	(756,102)	(528,059)	–	–	(22,340,317)
Transfer from investment property	339,966	–	–	–	–	–	339,966
Currency translation differences	–	–	299	–	1,100	–	1,399
Balance as at 31.12.2014	16,874,566	221,871,424	106,479,637	8,105,741	321,439	–	353,652,807
Accumulated impairment loss							
Balance as at 1.1.2014 and 31.12.2014	–	182,482	28,244	–	–	–	210,726
Carrying amount							
Balance as at 31.12.2014	182,866,877	148,671,578	56,498,016	549,832	–	50,324,435	438,910,738

10. Property, plant and equipment (Continued)

	Furniture, fixture and equipment RMB
Company	
Cost	
Balance as at 1.1.2015 and 31.12.2015	28,074
Accumulated depreciation	
Balance as at 1.1.2015 and 31.12.2015	28,074
Carrying amount	
Balance as at 31.12.2015	–
Cost	
Balance as at 1.1.2014 and 31.12.2014	28,074
Accumulated depreciation	
Balance as at 1.1.2014 and 31.12.2014	28,074
Carrying amount	
Balance as at 31.12.2014	–

During the financial year, the Group acquired property, plant and equipment which were financed as follows:

	Group	
	2015	**2014**
	RMB	**RMB**
Additions to property, plant and equipment	30,900,725	124,219,327
Acquired under borrowings	–	(119,099,609)
Trade payables	(3,372,628)	–
Cash payments to acquire property, plant and equipment	27,528,097	5,119,718

Borrowing costs of Nil (2014: RMB1,174,057) which arose on the financing specifically entered into for the construction of the building and machinery were capitalised by the Group.

The Group has pledged buildings and plant and machinery having carrying amounts of RMB78,548,212 (2014: RMB80,525,710) and RMB35,867,396 (2014: RMB43,506,256) respectively to secure banking facilities granted to the Group (Note 24).

11. Investment property

	Group RMB
Cost	
Balance as at 1.1.2015	804,359
Transfer from property, plant and equipment	732,860
Balance as at 31.12.2015	1,537,219
Accumulated depreciation	
Balance as at 1.1.2015	201,555
Depreciation for the financial year	22,604
Transfer from property, plant and equipment	245,495
Balance as at 31.12.2015	469,654
Carrying amount	
Balance as at 31.12.2015	1,067,565
Cost	
Balance as at 1.1.2014	1,986,929
Transfer to property, plant and equipment	(1,182,570)
Balance as at 31.12.2014	804,359
Accumulated depreciation	
Balance as at 1.1.2014	518,917
Depreciation for the financial year	22,604
Transfer from property, plant and equipment	(339,966)
Balance as at 31.12.2014	201,555
Carrying amount	
Balance as at 31.12.2014	602,804

The investment property relates to a 708 sqm (2014: 400 sqm) office premise located at No. 9 Foping Four Road, Sixth and Seventh floor (2014: Seventh floor), Gui Cheng, Nanhai, Foshan City, Guangdong 528251, People's Republic of China.

The management is unable to measure the fair value of the investment properly reliably as the market for comparable properties is inactive and alternative reliable measurements of fair value are not available. Furthermore, the PRC government has changed the future plans for the area of land where the investment property is located, from manufacturing to commercial. As such, the fair value of the investment property cannot be determined reliably as at the end of the current and previous financial years.

The rental income from the Group's investment property which is leased out under operating leases, amounted to RMB195,196 (2014: RMB288,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to RMB53,160 (2014: RMB51,034).

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

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

12. Investments in subsidiaries

	Company 2015 RMB	Company 2014 RMB
Unquoted equity contribution/shares, at cost	407,696,551	398,798,506
Deemed investment arising from the issuance of financial guarantees	7,411,488	3,562,373
	415,108,039	402,360,879

The deemed investment pertains to the fair value of financial guarantee contracts in respect of corporate guarantees granted by the Company for bank loans obtained by certain subsidiaries (Note 24).

Details of the subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Country of incorporation (or registration) and place of business	Effective equity interest held by the Group 2015 %	Effective equity interest held by the Group 2014 %	Principal activities
Foshan Nanxin Packaging Co., Ltd. [(1)]	People's Republic of China	100	100	Trading and manufacturing of packaging products for foodstuff, medical and cosmetic industries and engaged in sub-contract processing business
Foshan Southern Packaging Co., Ltd. [(1)]	People's Republic of China	100	100	Trading and manufacturing of packaging products for foodstuff, medical and cosmetic products
Southern Packaging (Jiangsu) Co., Ltd. [(1)]	People's Republic of China	100	100	Trading and manufacturing of packaging products for foodstuff, medical and cosmetic products
Southern (HK) Packaging Company Limited [(2)] [(3)]	Hong Kong	100	100	Trading of packaging products for foodstuff,medical and cosmetic products
Grand Million Holding Limited [(4)]	Cayman Islands	100	100	Dormant
Shanghai Xingnan Packaging Co., Ltd [(5)]	People's Republic of China	–	100	Dormant

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

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

(3) The statutory financial statements prepared in accordance with the generally accepted accounting principles in Hong Kong, were audited by 嘉达会计师事务所 (Katax C.P.A. Limited) for tax filing and annual registration.

(4) Not required to be audited under the law in the country of incorporation. On 29 February 2016, the subsidiary has obtained approval from the Registrar of Companies, Cayman Islands that it will be struck off from the Companies Register effective 30 June 2016.

(5) The company was liquidated on 8 January 2015.

12. Investments in subsidiaries (Continued)

Increase in investment of a subsidiary

In the current financial year, the Company injected additional capital in cash of RMB17,824,333 as registered and paid-up capital in a wholly-owned subsidiary, Southern Packaging (Jiangsu) Co., Ltd..

Liquidation of a subsidiary

On 8 January 2015, the Company completed the liquidation of its subsidiary, Shanghai Xingnan Packaging Co., Ltd.

The effects of liquidation of the subsidiary are as follows:

	2015
	RMB
Bank balance, representing liquidation distribution from a subsidiary	9,449,441
Investment in subsidiary	(8,926,288)
Net liquidation distribution from the subsidiary recorded in Company's profit or loss	523,153

The effects of liquidation of the subsidiary on cash flows are as follows:

	2015
	RMB
Net liquidation distribution from the subsidiary, represented distribution settled in cash	9,449,441
Less: Bank balance from subsidiary	(9,449,441)
Net cash inflow from liquidation of subsidiary	–

Significant restrictions

Cash and bank balances of RMB94,056,203 (2014: RMB141,925,701) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

13. Investment in an associate

	Group 2015 RMB	Group 2014 RMB
Cost of investment in an associate	–	59,695,366
Share of post-acquisition losses	–	(30,821,016)
Transfer to asset held for sale (Note 20)	–	(28,874,350)
	–	–

Details of the Group's associate as at 31 December 2015 are as follows:

Name of associate	Country of incorporation (or registration) and place of business	Effective equity interest held by the Group 2015 %	Effective equity interest held by the Group 2014 %	Principal activity
Held by Foshan Southern Packaging Co., Ltd.				
Foshan Energetic Film Co., Ltd. [1]	People's Republic of China	35	35	Manufacturing of film

[1] Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, a member firm of BDO International Limited

Pursuant to Paragraph B17 of FRS 112 *Disclosure of Interest in Other Entities*, when an entity's interest in an associate is classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose summarised financial information for the associate. Accordingly, no disclosure is made in respect of this.

14. Prepaid lease payments

	Group RMB
Balance as at 1.1.2014	
Cost	60,805,488
Accumulated amortisation	(5,246,076)
Carrying amount	55,559,412
Financial year ended 31.12.2014	
Carrying amount as at 1.1.2014	55,559,412
Addition	11,893,615
Amortisation for the financial year	(1,605,396)
Carrying amount as at 31.12.2014	65,847,631
Balance as at 31.12.2014 and 1.1.2015	
Cost	72,699,103
Accumulated amortisation	(6,851,472)
Carrying amount	65,847,631
Financial year ended 31.12.2015	
Carrying amount as at 1.1.2015	65,847,631
Addition	506,830
Amortisation for the financial year	(1,498,010)
Carrying amount as at 31.12.2015	64,856,451
Balance as at 31.12.2015	
Cost	73,205,933
Accumulated amortisation	(8,349,482)
Carrying amount	64,856,451

Presented in the consolidated statement of financial position as:

	Group	
	2015 RMB	2014 RMB
Current	1,498,837	1,254,705
Non-current	63,357,614	64,592,926
	64,856,451	65,847,631

14. Prepaid lease payments (Continued)

Prepaid lease payments are amortised on a straight-line basis over the lease term of 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

Included in the prepaid lease payments as at 31 December 2015 is an amount of RMB 16.86million relating to the land use rights of Nanhai District of Foshan City, Guicheng Street, Sanshan Creative Industry Park, SS-D04 block (hereinafter referred to as the “San Shan Lands”).

On 10 October 2012, the Group, via its subsidiary, Foshan Southern Packaging Co., Ltd (“FSP”) entered into an agreement with the Guangdong Foshan Municipal Bureau of Land Resources and Rural Planning Bureau (hereinafter referred to as “Bureau”) to acquire the land use rights of San Shan Lands at a sale price of RMB17.47 million (of which the deposit was RMB3.5 million). The period of the land use rights is 50 years.

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

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

On 13 July 2015, FSP has informed the Bureau that the construction cannot be commenced as there was no electricity supply at the San Shan Lands which was required for the project. FSP has also requested for extension of the construction period to commence from the date when electricity points are made ready for use in second half of 2016 based on the communication with the electricity department.

In view of the above, the management is of the view that no impairment on the value of prepaid lease payments nor provision for penalty is required.

The Group has pledged certain of its land use rights having a carrying amount of RMB55,710,265 (2014: RMB33,785,737) to secure banking facilities granted to the Group (Note 24).

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

15. Deferred tax assets/(liabilities)

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

	Accruals	Provisions	Deferred government subsidies	Undistributed earnings of subsidiaries	Prepaid lease payments	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Group						
Balance as at 1.1.2015	1,425,354	718,104	2,870,684	–	(4,305,669)	708,473
(Charged)/Credited to profit or loss	(1,425,354)	219,411	93,075	(1,000,000)	90,019	(2,022,849)
Balance as at 31.12.2015	–	937,515	2,963,759	(1,000,000)	(4,215,650)	(1,314,376)

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

	Accruals	Provisions	Deferred government subsidies	Undistributed earnings of subsidiaries	Prepaid lease payments	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Group						
Balance as at 1.1.2014	1,533,759	530,354	1,651,512	(356,992)	(4,395,688)	(1,037,055)
(Charged)/Credited to profit or loss	(108,405)	187,750	1,219,172	356,992	90,019	1,745,528
Balance as at 31.12.2014	1,425,354	718,104	2,870,684	–	(4,305,669)	708,473

Disclosed as:

	RMB
2015	
Deferred tax assets	1,382,363
Deferred tax liabilities	(2,696,739)
2014	
Deferred tax assets	1,254,231
Deferred tax liabilities	(545,758)

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

As at 31 December 2015, the deferred tax liabilities on the withholding tax and other taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC amounting to RMB67,852,256 (2014: RMB41,183,415) have not been recognised as the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

16. Inventories

	Group	
	2015	2014
	RMB	RMB
Raw materials and consumables	37,200,333	42,970,768
Work in progress	6,958,917	8,523,772
Finished goods	29,963,065	42,723,240
	74,122,315	94,217,780

17. Trade receivables

	Group	
	2015	2014
	RMB	RMB
Trade receivables		
- third parties	130,219,433	153,654,301
- an associate	115,750	1,595,950
	130,335,183	155,250,251
Bills receivables	28,035,353	24,102,313
	158,370,536	179,352,564
Less: Allowance for impairment of trade receivables – third parties	(1,725,612)	(917,917)
	156,644,924	178,434,647

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

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable. Allowance for impairment of trade receivables between 1 and 2 years are provided for based on ongoing evaluation of collectability and aging analysis of individual receivables by reference to their past default experience.

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

Included in the Group's trade receivables are debtors with a carrying amount of RMB13,450,676 (2014: RMB32,408,349) which are past due at the end of the financial year for which the Group has not provided for impairment. The Group does not hold any collateral over these balances.

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

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year. Management is of the opinion that there is no further credit provision required in excess of the allowance for impairment as the debtors are assessed to be creditworthy, based on the credit evaluation process performed by management.

The table below is an analysis of trade receivables as at the end of the financial year:

	Group	
	2015	2014
	RMB	RMB
Not past due and not impaired	143,194,248	146,026,298
Past due but not impaired (i)	13,450,676	32,408,349
Impaired receivables	1,725,612	917,917
Less: Allowance for impairment of trade receivables	(1,725,612)	(917,917)
	156,644,924	178,434,647

17. Trade receivables (Continued)

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

	Group	
	2015	**2014**
	RMB	**RMB**
< 3 months	7,557,212	19,484,936
3 months to 6 months	5,520,685	4,521,897
6 months to 12 months	372,779	3,321,506
> 12 months	–	5,080,010
	13,450,676	32,408,349

Movements in the allowance for impairment of trade receivables:

	Group	
	2015	**2014**
	RMB	**RMB**
Balance as at the beginning of the financial year	917,917	408,455
Allowance recognised in profit or loss	775,414	509,462
Currency translation differences	32,281	–
Balance as at the end of the financial year	1,725,612	917,917

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

	Group	
	2015	**2014**
	RMB	**RMB**
Denominated in:		
United States dollar	5,146,862	3,321,827

18. Other receivables and prepayments

	Group		Company	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
Other receivables				
- third parties	3,972,943	4,631,368	13,763	14,241
- subsidiaries	–	–	51,149	–
	3,972,943	4,631,368	64,912	14,241
Advances to suppliers	18,559,392	9,882,846	–	–
Prepayments for construction in progress	–	6,084,463	–	–
Prepayments	2,300,676	1,795,077	–	–
Other receivables and repayments	24,833,011	22,393,754	64,912	14,241
Add: Trade receivables	156,644,924	178,434,647	–	–
Add: Cash and cash equivalents	108,214,295	149,515,893	1,324,415	1,167,001
Less: Prepayments for construction in progress	–	(6,084,463)	–	–
Less: Prepayments	(2,300,676)	(1,795,077)	–	–
Less: Advances to suppliers	(18,559,392)	(9,882,846)	–	–
Loans and receivables	268,832,162	332,581,908	1,389,327	1,181,242

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

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

In determining the recoverability of other receivables, the management considers any change in the credit quality of the other receivables. Management is of the opinion that there is no credit provision required as the debtors are assessed to be creditworthy, based on the credit evaluation process performed by management.

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

	Group		Company	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
Denominated in:				
Singapore dollar	13,763	14,241	13,763	14,241

19. Cash and cash equivalents

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB	**RMB**	**RMB**	**RMB**
Cash on hand	15,927	12,687	–	–
Cash at bank	104,889,284	130,369,796	1,324,415	1,167,001
Fixed deposits	3,309,084	19,133,410	–	–
Cash and cash equivalents as shown in the statements of financial position	108,214,295	149,515,893	1,324,415	1,167,001
Less: Fixed deposits pledged	(3,309,084)	(19,133,410)		
Cash and cash equivalents as shown in the consolidated statement of cash flows	104,905,211	130,382,483		

Cash and cash equivalents comprise cash and bank balances and short-term fixed deposits held by the Group and the Company with an original maturity of approximately 90 days. The carrying amounts of these assets approximate their fair value.

Cash at bank earns interest of 0.35% per annum.

The Group has pledged fixed deposits of RMB3,309,084 (2014: RMB19,133,410) to secure short term bank borrowings. The pledged fixed deposits earn interest of 2.1% per annum and for a tenure of approximately 90 days.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB	**RMB**	**RMB**	**RMB**
Euro	60,088	64,072	–	–
United States dollar	8,999,847	9,044,888	77,461	318,035
Hong Kong dollar	93,177	56,368	34,308	–
Singapore dollar	1,212,646	848,966	1,212,646	848,966

20. Asset held for sale

In December 2014, the management intended to dispose of the investment in associate (Note 13). The investment in associate, which is expected to be sold within twelve months from the end of the financial year ended 31 December 2014, has been classified as asset held for sale and is presented separately in the statements of financial position.

During the current financial year, the Company was informed by the SGX-ST that shareholders' approval would be required for the disposal of the asset held for sale. An extraordinary general meeting will need to be held to seek approval from the shareholders before the sale can be completed. The management is of the view that the shareholders' approval will be obtained. Accordingly, the classification of the asset held for sale under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* as at 31 December 2015 is considered to be appropriate.

20. Asset held for sale (Continued)

Asset appraisal report of the corporate value of the associate dated on 19 December 2014 was used as the referential basis by the shareholders for this purpose. The valuation was based on a valuation made by Foshan Tongyi Assets Appraisal Land and Real Estate Appraisal Co., Ltd, a firm of independent professional valuers. The valuation technique used is based on asset-based approach and appraisal base date is 30 November 2014. Details of valuation techniques and inputs used are disclosed in Note 32.2 to the financial statements.

Based on the appraisal report, the corporate value of the associate is RMB22,519,144 of which the Group's share of the value at 35% is approximately RMB7,881,700. Accordingly, an impairment loss of RMB20,992,650 was recognised in the "Impairment of asset held for sale" line item in the profit or loss during the financial year ended 31 December 2014.

Details of asset held for sale are as follows:

	Group 2014 RMB
Transfer from investment in associate (Note 13)	28,874,350
Impairment loss recognised in profit or loss	(20,992,650)
	7,881,700

On 22 March 2016, Foshan Southern Packaging Co. Ltd. entered into a conditional sale and purchase agreement with Energetic Holdings Limited, a company incorporated in Hong Kong which is wholly owned by the Executive Chairman and Chief Executive Officer of the Company, Mr. Pan Shun Ming and his spouse, the Executive Director of the Company, Mdm Mai Shuying, for the sale of the investment in associate for a purchase consideration of RMB7,881,700. Upon completion of the disposal, Foshan Energetic Film Co., Ltd ("PET") will cease to be an associate of the Company.

21. Share capital

	Group and Company			
	2015	**2014**	**2015**	**2014**
	Number of ordinary shares		**RMB**	**RMB**
Issued and paid up				
Balance as at the beginning and end of the financial year	281,276,826	281,276,826	230,592,765	230,592,765

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

On 29 February 2016, the Company completed a share consolidation to meet the minimum trading price requirement, as required by the Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited, and every four (4) existing issued ordinary shares registered in the name of each shareholder has been consolidated to constitute one (1) consolidated share.

22. Reserves

	Group	
	2015	**2014**
	RMB	**RMB**
Capital contribution	12,638,812	12,638,812
Statutory reserve	48,164,213	46,009,025
Foreign currency translation account	(3,164,657)	(4,306,143)
	57,638,368	54,341,694

Capital contribution

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

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

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

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to transfer 10% of its profits after income tax determined in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiaries. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries.

Foreign currency translation account

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

23. Deferred government subsidies

	Group 2015 RMB	Group 2014 RMB
Balance as at the beginning of the financial year	11,482,738	11,918,085
Additions	900,000	–
Recognised as income during the financial year (Note 5)	(527,703)	(435,347)
Balance as at the end of the financial year	11,855,035	11,482,738
Portion classified as current liabilities	(561,035)	(140,234)
Portion classified as non-current liabilities	11,294,000	11,342,504

The Group received subsidies from the PRC government for the purchase of land use rights and plant and machinery. The subsidies are recognised over the duration of the useful lives of the land use rights (Note 14) and plant and machinery. The carrying amounts of the subsidies as at 31 December 2015 for the purchase of land use rights and plant and machinery were RMB6,325,582 (2014: RMB6,465,815) and RMB5,529,453 (2014: RMB5,016,923) respectively.

24. Bank borrowings

	Group 2015 RMB	Group 2014 RMB
Bank borrowings		
- Bank A	45,000,000	54,000,000
- Bank B	138,552,600	154,653,800
- Bank C	–	30,000,000
- Bank D	–	33,022,830
- Bank E	4,518,034	2,340,527
- Bank F	–	31,868,580
- Bank G	20,000,000	57,870,000
	208,070,634	363,755,737
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(138,070,634)	(255,203,137)
Amounts due for settlement after 12 months	70,000,000	108,552,600

The bank borrowings have average effective interest rates ranging from 2.50% to 7.36% (2014: 2.45% to 7.40%) per annum with maturity dates ranging from 27 February 2016 to 14 July 2019 (2014: 2 January 2015 to 14 July 2019).

Bank borrowings of RMB75 million (2014: RMB142 million) are arranged at fixed interest rates ranging from 5.29% to 6.16% (2014: 6.60% to 7.20%) per annum and expose the Group to fair value interest rate risk. Other borrowings of RMB133.07 million (2014: RMB221.76 million) are arranged at floating rates based on prevailing interbank rate in the PRC, thus exposing the Group to cash flow interest rate risk.

24. Bank borrowings (Continued)

The Group has borrowings from the various banks:

a) Borrowings obtained from Bank A amounting to RMB45 million (2014: RMB54 million) are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments, investment property and supported by individual guarantee by two Directors/shareholders of the Company.

b) Borrowings obtained from Bank B amounting to approximately RMB138.6 million (2014: RMB154.7 million) are secured by a charge over certain of the Group's property, plant and equipment, prepaid lease payments and supported by a corporate guarantee by the Company.

c) Borrowings obtained from Bank C amounting to Nil (2014: RMB30 million) are supported by a corporate guarantee by the Company.

d) Borrowings obtained from Bank D amounting to Nil (2014: RMB33 million) are secured by a charge over certain of the Group's property, plant and equipment and supported by a corporate guarantee by the Company.

e) Borrowings obtained from Bank E amounting to approximately RMB4.5 million (2014: RMB2.3 million) are unsecured.

f) Borrowings obtained from Bank F amounting to approximately Nil (2014: RMB31.9 million) are secured by a charge over the Group's pledged fixed deposits and supported by a corporate guarantee by the Company.

g) Borrowings obtained from Bank G amounting to approximately RMB20 million (2014: RMB57.9 million) are secured by a charge over certain of the Group's prepaid lease payments.

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

	Group	
	2015	**2014**
	RMB	**RMB**
Denominated in:		
United States dollar	4,518,034	2,340,527

25. Trade payables

	Group	
	2015	**2014**
	RMB	**RMB**
Third parties	106,025,902	107,496,206

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

25. Trade payables (Continued)

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

	Group	
	2015	**2014**
	RMB	**RMB**
Denominated in:		
Euro	128,928	138,724
Japanese yen	2,350,890	885,256
United States dollar	7,409,803	2,916,923

26. Other payables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB	**RMB**	**RMB**	**RMB**
Other payables				
- third parties	6,562,765	4,381,812	–	–
- a related party	2,332,575	2,332,575	–	–
- subsidiaries	–	–	789,520	612,510
	8,895,340	6,714,387	789,520	612,510
Financial guarantee contracts	–	–	2,587,549	1,390,020
Accrued expenses	16,509,853	12,010,426	2,172,797	1,824,070
Customers advances	2,828,313	2,124,949	–	–
Other payables	28,233,506	20,849,762	5,549,866	3,826,600
Add: Trade payables	106,025,902	107,496,206	–	–
Add: Bank borrowings	208,070,634	363,755,737	–	–
Less: Customers advances	(2,828,313)	(2,124,949)	–	–
Other financial liabilities at amortised cost	339,501,729	489,976,756	5,549,866	3,826,600

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

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

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

The Company provides financial guarantees amounting to RMB160.6 million (2014: RMB339.4 million) to various banks in respect of banking facilities obtained by its subsidiaries.

The customers advances represent deposits for goods and are unsecured, non-interest bearing and expected to be utilised within 12 months after the end of the financial year.

26. Other payables (Continued)

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

	Group		Company	
	2015 RMB	**2014 RMB**	**2015 RMB**	**2014 RMB**
Denominated in:				
Hong Kong dollar	–	–	344,933	198,302
United States dollar	–	105,963	64,936	61,190
Singapore dollar	4,760,347	3,214,089	4,760,347	3,214,089

27. Operating lease commitments

The Group as lessee

	Group	
	2015 RMB	**2014 RMB**
Minimum lease payments under operating leases recognised as expense during the financial year	1,649,729	3,418,584

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

	Group	
	2015 RMB	**2014 RMB**
Not later than one year	772,093	557,592
Later than one year and not later than five years	443,631	76,000
	1,215,724	633,592

Leases are negotiated and rentals are fixed for an average term of 1 to 5 years (2014: 1 to 5 years).

27. Operating lease commitments (Continued)

The Group as lessor

The Group rents out its investment property and office premises in the PRC under operating leases. Property rental income earned during the financial year was RMB247,355 (2014: RMB387,052). Leases are negotiated and rentals are fixed for an average term of 1 to 3 years (2014: 1 to 3 years).

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

	Group	
	2015	**2014**
	RMB	**RMB**
Not later than one year	271,500	135,000
Later than one year and not later than five years	280,000	10,000
	551,500	145,000

28. Capital commitments

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

	Group	
	2015	**2014**
	RMB	**RMB**
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of property, plant and equipment	1,795,666	4,992,510

29. Dividends

	Company	
	2015	**2014**
	RMB	**RMB**
Final tax-exempt dividends of S$0.002 per ordinary share in respect of the financial year ended 31 December 2014	2,613,343	–
Final tax-exempt dividends of S$0.004 per ordinary share in respect of the financial year ended 31 December 2013	–	5,603,597
	2,613,343	5,603,597

The Board of Directors propose a final tax-exempt dividend of S$0.012 per ordinary share, totaling approximately S$843,829 (equivalent to approximately RMB3,824,997) in respect of the financial year ended 31 December 2015. The dividend is subject to approval by shareholder at the Annual General Meeting and has not been included as a liability in these financial statements.

30. Segment information

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

The Group's reportable segments under FRS 108 are therefore as follows:

- Flexible packaging segment mainly manufactures plastic packaging bags with design supplied by the customers for the pharmaceutical industry, food and beverage industry and hygiene industry.

- Rigid packaging segment mainly manufactures polythylene terephthalate ("PET") bottles together with printing of design onto the bottle for pharmaceutical industry, food and beverage industry and hygiene industry.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue represents revenue generated from external customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of corporate income and expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

<u>Segment assets</u>

Other than cash and cash equivalents, prepaid lease payments, investment property, current income tax recoverable and deferred tax assets, all assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

<u>Segment liabilities</u>

Other than bank borrowings, current income tax payable, deferred government subsidy, other payables - a related party and deferred tax liabilities, all liabilities are allocated to reportable segments. Liabilities related to reportable segments are allocated on the basis of the cost of sales of individual reportable segments.

30. Segment information (Continued)

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

Segment revenue, results and assets

	Rigid packaging		Flexible packaging		Consolidated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**RMB**
Group						
Revenue						
External sales	360,862,952	360,271,684	330,211,232	325,558,923	691,074,184	685,830,607
Results						
Segment gross profits	87,185,815	61,969,826	92,236,523	69,236,611	179,422,338	131,206,437
Allocated expense	(59,350,598)	(57,791,920)	(45,676,801)	(46,555,597)	(105,027,399)	(104,347,517)
Allocated income	2,747,728	3,854,274	2,611,469	1,838,891	5,359,197	5,693,165
Segment result	30,582,945	8,032,180	49,171,191	24,519,905	79,754,136	32,552,085
Unallocated expenses					(10,245,989)	(11,520,699)
Unallocated income					2,042,773	3,367,838
Interest income					1,102,906	527,955
Interest expense					(20,457,106)	(17,846,023)
Share of loss of associate					–	(10,096,583)
Impairment of asset held for sale					–	(20,992,650)
Profit/(Loss) before income tax					52,196,720	(24,008,077)
Income tax expense					(10,807,012)	(4,463,658)
Profit/(Loss) for the financial year attributable to owners of the parent					41,389,708	(28,471,735)
Assets						
Segment assets	471,254,091	440,792,674	200,186,548	293,142,460	671,440,639	733,935,134
Asset held for sale					7,881,700	7,881,700
Unallocated corporate assets					175,534,436	217,638,455
Consolidated total assets					854,856,775	959,455,289
Liabilities						
Segment liabilities	67,003,520	70,269,188	62,715,403	53,863,644	129,718,923	124,132,832
Unallocated corporate liabilities					234,002,747	384,105,203
Consolidated total liabilities					363,721,670	508,238,035

30. Segment information (Continued)

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
Rigid packaging	18,660,330	76,159,766	24,930,037	24,751,226
Flexible packaging	12,240,395	48,059,561	19,567,877	19,393,371
Unallocated segments	506,830	11,893,615	1,520,615	1,628,000
	31,407,555	136,112,942	46,018,529	45,772,597

Revenue from major products and services

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

Geographical information

The Group's operations are located in the PRC, Europe and Asia (excluding PRC) and the America. Manufacturing of products is carried out in the PRC.

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

	Revenue		Non-current assets	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
PRC	650,548,129	640,982,123	480,279,330	504,105,642
France	–	886,040	–	–
Poland	–	1,623,862	–	–
Hong Kong	7,811,213	12,905,493	–	826
America	14,002,196	8,679,704	–	–
Others	18,712,646	20,753,385	–	–
	691,074,184	685,830,607	480,279,330	504,106,468

Information about major customers

Included in revenue arising from rigid packaging and flexible packaging are revenues of RMB80,267,187 (2014: RMB79,191,612) and RMB31,270,387 (2014: RMB28,852,300) respectively which arose from sales to the Group's largest customer.

31. Financial instruments and financial risks

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

(i) Credit risk

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

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

As at the end of the financial year, approximately 23% (2014: 24%) of the Group's trade receivable from third parties were due from 3 (2014: 3) customers.

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables.

The Group's and Company's cash and bank balances are held with reputable financial institutions.

Further details of credit risk on trade and other receivables are disclosed in Notes 17 and 18.

The carrying amount of financial assets, grossed up for any allowances for losses, recorded in the financial statements represents the Group's and Company's maximum exposure to credit risk.

(ii) Market risks

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

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

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

31. Financial instruments and financial risks (Continued)

(ii) Market risks (Continued)

Foreign exchange risk

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

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

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB
Euro	60,088	64,072	128,928	138,724	–	–	–	–
US$	14,146,709	12,366,715	11,927,837	5,363,413	77,461	318,035	64,936	61,190
JPY	–	–	2,350,890	885,256	–	–	–	–
HK$	93,177	56,368	–	–	34,308	–	344,933	198,302
S$	1,226,409	863,207	4,760,347	3,214,089	1,226,409	863,207	4,760,347	3,214,089

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

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase in Euro, US$, JPY, HK$ and S$ against RMB. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items which are denominated in Euro, US$, JPY, HK$ and S$ and adjusts their translation at the end of the financial year for an instantaneous 10% change in foreign currency rates, with all variables held constant. The sensitivity analysis includes external loans as well as loans to foreign operation where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% against RMB, profit before income tax will increase/(decrease) by:

	Group		Company	
	2015 RMB	2014 RMB	2015 RMB	2014 RMB
Euro impact	(6,884)	(7,465)	–	–
US$ impact	221,887	700,330	(1,253)	25,685
JPY impact	(235,089)	(88,526)	–	–
HK$ impact	9,318	5,637	(31,063)	(19,830)
S$ impact	(353,394)	(235,088)	(353,394)	(235,088)

31. Financial instruments and financial risks (Continued)

(ii) Market risks (Continued)

Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

If the relevant foreign currency weakens by 10% against RMB, the effect on profit before income tax will be vice versa.

Interest rate risk

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

The interest rates and terms of repayment of the Group's interest-bearing financial instruments are disclosed in Notes 19 and 24.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's bank borrowings at the end of the financial year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year in the case of instruments that have variable interest rates. A 100 basis point (2014: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates increase/decrease by an instantaneous 100 basis points (2014: 100 basis points) with all other variables held constant, the Group's profit/loss before income tax for the financial year ended 31 December 2015 would have been higher/lower by approximately RMB1,835,482 (2014: lower/higher by approximately RMB1,837,420) as a result of changes in interest rates on the variable rate bank borrowings.

No sensitivity analysis is prepared on the cash and cash equivalents as the impact of the change in interest rates is not significant.

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

(iii) Liquidity risk

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

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

31. Financial instruments and financial risks (Continued)

(iii) Liquidity risk (Continued)

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Total
	%	RMB	RMB	RMB
Group				
2015				
Trade payables	–	106,025,902	–	106,025,902
Other payables *	–	25,405,193	–	25,405,193
Bank borrowings, fixed interest rate	5.7	77,618,779	–	77,618,779
Bank borrowings, variable interest rate	5.2	115,467,668	27,301,135	142,768,803
		324,517,542	27,301,135	351,818,677
2014				
Trade payables	–	107,496,206	–	107,496,206
Other payables *	–	18,724,813	–	18,724,813
Bank borrowings, fixed interest rate	6.9	147,860,383	–	147,860,383
Bank borrowings, variable interest rate	6.9	116,318,164	112,486,812	228,804,976
		390,399,566	112,486,812	502,886,378
Company				
2015				
Other payables	–	5,549,866	–	5,549,866
Financial guarantee contracts	1.5	93,970,741	77,301,135	171,271,876
		99,520,607	77,301,135	176,821,742
2014				
Other payables	–	3,826,600	–	3,826,600
Financial guarantee contracts	1.5	212,266,410	127,148,800	339,415,210
		216,093,010	127,148,800	343,241,810

* Excluding customers advances.

The maximum amount that the Company could be forced to settle under the financial guarantee contract is stated in Note 26, if the full guaranteed amount is claimed by the counterparty to the guarantee. The earliest period that the guarantee could be called is within one year (2014: one year) from the end of the financial year. Based on expectations at the end of the financial year, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

32. Fair value measurements

32.1 Fair value of financial assets and financial liabilities

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

The fair values of the Group's non-current financial liabilities in relation to bank borrowings approximates its carrying amount as these financial instruments are at floating interest rates.

32.2 Fair value of asset held for sale

The fair value of asset held for sale has been determined based on the associate's corporate value using asset-based approach that focuses on a company's fair market value of its total assets less its total liabilities.

Level 3 non-recurring fair value measurements

(i) Information about significant unobservable inputs used in Level 3 non-recurring fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2015 RMB	Fair value as at 31 December 2014 RMB	Valuation techniques	Unobservable inputs
Asset held for sale	7,881,700	7,881,700	Asset based valuation	i) Construction cost of the buildings ii) Replacement cost of the plants and equipment iii) Integrated proportion ratio applied to the plants and equipment based on the useful life and physical conditions iv) Quantised value applied to the market price of the land use rights

32. Fair value measurements (Continued)

32.2 Fair value of asset held for sale (Continued)

<u>Level 3 non-recurring fair value measurements</u> (Continued)

(ii) Valuation policies and procedures

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value Measurement* guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

33. Capital management policies and objectives

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

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

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

33. Capital management policies and objectives (Continued)

	Group		Company	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
Trade and other payables	134,259,408	128,345,968	5,549,866	3,826,600
Bank borrowings	208,070,634	363,755,737	–	–
Less: Cash and cash equivalents	(108,214,295)	(149,515,893)	(1,324,415)	(1,167,001)
Net debt	234,115,747	342,585,812	4,225,451	2,659,599
Equity attributable to owners of the parent	491,135,105	451,217,254	410,947,500	399,715,521
Total capital	725,250,852	793,803,066	415,172,951	402,375,120
Gearing ratio	32%	43%	1%	1%

Subsidiaries of the Group established in the PRC are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC and Note 22.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

34. Significant related party transactions

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

	Group	
	2015	2014
	RMB	RMB
With certain Directors of the Company		
Rental expense	518,195	511,992
With companies in which certain Directors have control		
Short term loan granted*	10,173,151	–
Rental expense	898,356	898,356
Sale of goods	(698,744)	–
With an associate		
Sale of goods	(120,415)	(95,950)

* This relates to a non-interest bearing short term loan which was granted and repaid during the financial year ended 31 December 2015.

Certain bank borrowings (Note 24) are supported by individual guarantees given by the Directors. No charge has been made for these guarantees.

34. Significant related party transactions (Continued)

Compensation of Directors and key management personnel

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB	**RMB**	**RMB**	**RMB**
Short-term benefits	10,330,191	10,158,774	6,075,606	6,360,882
Post-employment benefits	322,588	288,580	266,283	273,536
	10,652,779	10,447,354	6,341,889	6,634,418

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

SHAREHOLDERS' **INFORMATION**

As at 18 March 2016

Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote per Ordinary Share
No. of Holders	:	514 holders

DISTRIBUTION OF SHAREHOLDINGS AS AT 18 MARCH 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	2.92	388	0.00
100 - 1,000	104	20.23	49,336	0.07
1,001 – 10,000	257	50.00	946,469	1.35
10,001 - 1,000,000	132	25.68	8,130,858	11.56
1,000,001 and above	6	1.17	61,192,113	87.02
TOTAL	**514**	**100.00**	**70,319,164**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2016

	DIRECT INTEREST		INDIRECT INTEREST	
NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES	%
Pan Shun Ming	27,384,697	38.94	13,739,015[1]	19.54
Mai Shuying	13,739,015	19.54	27,384,697[2]	38.94
Jen Shek Chuen	8,332,651	11.85	–	–
Berry Plastics Asia Pte. Ltd.	5,825,000	8.28	–	–
Super Group Ltd	4,186,250	5.95	–	–
Pan Zhaojin	–	–	41,123,712[3]	58.48

Note :-

1. *Deemed interest by virtue of his spouse, Mdm Mai Shuying's direct interest in the Company.*
2. *Deemed interest by virtue of her spouse, Mr Pan Shun Ming's direct interest in the Company.*
3. *Deemed interest by virtue of his parent, Mr Pan Shun Ming and Mdm Mai Shuying's direct interest in the Company.*

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2016

NO.	NAME	NO. OF SHARES	%
1	PAN SHUN MING	27,384,697	38.94
2	MAI SHUYING	13,739,015	19.54
3	JEN SHEK CHUEN	8,332,651	11.85
4	BERRY PLASTICS ASIA PTE. LTD.	5,825,000	8.28
5	SUPER GROUP LTD	4,186,250	5.95
6	DB NOMINEES (SINGAPORE) PTE LTD	1,724,500	2.45
7	SHERFORD INTERNATIONAL PTE. LTD.	816,000	1.16
8	OCBC SECURITIES PRIVATE LIMITED	684,552	0.97
9	HUANG BAOJIA	587,363	0.84
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	515,050	0.73
11	LIM TCHEN NAN	387,500	0.55
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	363,409	0.52
13	TAN SIEW KENG CHRISTINA	279,000	0.40
14	HONG LEONG FINANCE NOMINEES PTE LTD	225,375	0.32
15	PU JINBO	182,954	0.26
16	HSU SHU HAO	168,000	0.24
17	ZHANG JIANLING	156,818	0.22
18	DONALD QUEK JEE KWEE	150,000	0.21
19	JENNIFER LEUNG MAN CHU	146,250	0.21
20	CIMB SECURITIES (SINGAPORE) PTE. LTD.	103,647	0.15
	TOTAL	**69,958,031**	**93.79**

Based on Shareholders' Information as at 18 March 2016, approximately 15.17% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company ("AGM") will be held at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 on Friday, 29 April 2016 at 9.00 a.m. to transact the following businesses:-

AS ORDINARY BUSINESSES:

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Independent Auditors' Report thereon. *Resolution 1*

2. To approve the payment of a tax exempt (one-tier) First and Final Dividend of 1.2 Singapore cents (S$0.012) per ordinary share for the financial year ended 31 December 2015. *Resolution 2*

3. To approve the payment of Directors' fees of S$123,000 for the financial year ended 31 December 2015. (last year: S$102,048) *Resolution 3*

4. To re-elect the following Directors of the Company retiring by rotation pursuant to Article 91 of the Company's Constitution:

   (i) Mr Pu Jinbo *Resolution 4*

   (ii) Mr Chen Xiang Zhi *Resolution 5*

   (iii) Mr Pan Zhaojin *Resolution 6*

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

AS SPECIAL BUSINESSES:

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

6. **Authority to allot and issue shares**

   (i) "That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Act") and the listing rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors to: *Resolution 8*

   (a) issue shares in the capital of the Company whether by way of bonus issue, rights issue or otherwise; and/or

   (b) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and/or

   (c) issue additional Instruments convertible into shares arising from adjustments made to the number of Instruments

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

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

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution) shall not exceed 50 percent of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 percent, of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (a) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

A. new shares arising from the conversion or exercise of any convertible securities or shares options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

B. any subsequent bonus issue or consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(See Explanatory Note 1)

7. **Authority to issue shares at a discount**

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

(See Explanatory Note 2)

8. To transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that subject to approval being obtained at the AGM to be held at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 on Friday, 29 April 2016 at 9.00 a.m.:

1. A tax exempt (one-tier) First and Final Dividend of 1.2 Singapore cents per ordinary share for the financial year ended 31 December 2015 will be paid on 20 May 2016.

2. The Share Transfer Books and Register of Members of the Company will be closed on 11 May 2016 for the purpose of determining the shareholders' entitlement to the dividend. Duly completed and stamped transfers received by the Company's share registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 10 May 2016 will be registered to determine shareholders' entitlements to the dividend. Shareholders (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 10 May 2016 will be entitled to the dividend.

By Order of the Board

Pan Shun Ming
Executive Chairman

14 April 2016

Explanatory Notes:-

1. **Special Business – Item 6 of the Agenda**

   Resolution 8 proposed in item no. 6 above, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments; up to a number not exceeding 50% for Other Shares Issues, of which up to 20% may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share option or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

2. **Special Business – Item 7 of the Agenda**

   Resolution 9 proposed in item no. 7 above, if passed, will empower the Directors of the Company, pursuant to the share issue mandate set out in Resolution 8, to issue shares other than on a pro rata basis to shareholders of the Company, at a discount to the weighted average price of the shares on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), shall not exceeding 10%.

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

Notes:

a) A member of the Company entitled to attend and vote at the AGM 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.

b) 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:

   1) 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;

   2) 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

   3) 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.

c) 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.

d) 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 AGM or any postponement or adjournment thereof.

e) 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.

f) 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.

g) 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 AGM in accordance with section 179 of the Companies Act, Cap. 50 of Singapore.

PERSONAL DATA PRIVACY

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

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SOUTHERN PACKAGING GROUP LIMITED

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

Important:

1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares in the capital of Southern Packaging Group Limited, the Annual Report 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/SRS 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.

ANNUAL GENERAL MEETING PROXY FORM

I/We, ______________________________

of ______________________________

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 Annual General Meeting of the Company (the "Meeting") to be held at Equinox, Private Dining Room 4, Level 69, Swissotel The Stamford, 2 Stamford Road, Singapore 178882 on Friday, 29 April 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**ORDINARY RESOLUTIONS**	**No. of votes for**	**No. of votes against**
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Independent Auditors' Report thereon.		
2.	To approve the payment of a tax exempt (one-tier) First and Final Dividend of 1.2 Singapore cents (S$0.012) per ordinary share for the financial year ended 31 December 2015.		
3.	To approve the payment of Directors' fees of S$123,000 for the financial year ended 31 December 2015.		
4.	To re-elect Mr Pu Jinbo as a Director of the Company.		
5.	To re-elect Mr Chen Xiang Zhi as a Director of the Company.		
6.	To re-elect Mr Pan Zhaojin as a Director of the Company.		
7.	To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	Authority to allot and issue shares.		
9.	Authority to issue shares at a discount.		

** 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 Meeting 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 two proxies, 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 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 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. 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 Meeting if he/she wishes to do so.

11. A Depositor's name must appear on the Depository Register maintained by CDP no less than 48 hours before the time appointed for holding the Meeting in order for him to be entitled to attend and vote at the Meeting.

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

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 as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2016.

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Southern Packaging

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