Southern Packaging Group Limited

DELIVERING SUSTAINABILITY

ANNUAL REPORT 2016

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。

Contents

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年成为新加坡交易所主板市场的上市公司，是一所主营生产食品、药品、个人护理品及家庭用品行业的塑料软包装与硬包装的科技型企业，我们是众多国际知名品牌的包装供应商及包装技术顾问，集团生产基地主要布局在全球最大经济体之一的中国，分别在经济最为活跃的中国南部及东部地区建立了生产基地，拥有宽广的塑料包装工艺设备与技术，为众多的领先企业提供塑料包装产品及包装解决方案。

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供应链资源，为客户提供整体包装解决方案。

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、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 2016

- RMB 42.03 million in net profit after tax.
- Net asset value per share rose to RMB 7.52.
- Listed on the Mainboard of the Singapore Stock Exchange for the 13th year and distributing dividends to shareholders for 13 consecutive years.
- Obtained pharmaceutical packaging production license for Southern Packaging (Jiangsu) Co., Ltd

By successful implementation of the Group's strategy, we achieve our profit target in FY2016. I am very proud of our management team. They are passionate to their work and achieve good result for the Group despite global economy deterioration. An old Chinese saying goes, "Sailing against the current, no progression means backward". When facing challenge, we show our ability to overcome and work towards to the Group's long term goal.

The profit after tax for FY2016 is RMB 42.03million. The Group's earnings-generating ability improves continuously. Despite decrease in sales revenue, the Group still manages to achieve the profit target. The Group's net asset value per share raised 8% to RMB 7.52, from RMB 6.98 last year. The value of the Group improves continuously. This shows the professionalism of our management and their accountability to the Market and Shareholders.

During the year, the performance of the rigid packaging and flexible packaging varies. The total sales revenue has decreased 6% to RMB 651 million mainly due to decrease in demand in flexible packaging segment. The revenue of rigid packaging has increased by RMB 9 million, or 2% to RMB 370 million in FY2016, in comparison to RMB 361 million in FY2015. The revenue of flexible packaging has decreased by RMB 50 million, or 15% to RMB 281 million in FY2016, in comparison to RMB 330 million in FY2015.

As a service provider for packaging solution, Southern Packaging Group has a large potential market. We continuously focus to provide packaging solutions to large food product, pharmaceutical product, and personal care product enterprises. Especially with the new pharmaceutical packaging production license for Southern Packaging (Jiangsu) Co., Ltd, we could foresee sales revenue growth from large pharmaceutical MNC in the region.

In FY2016, we have invested in a new Fuji printing production line to increase the flexible packaging production capacity. Meanwhile, with the development and utilization of the Eastern China production base, the capacity and efficiency of the rigid packaging production have improved to meet the competitive market requirement in the region.

We need to modernise our production technology and methodology as well as our management philosophy to cope with the advent of the new era which are dominated with internet and robot technology.

Chairman's Message

Our customer will increase their investments in research and development for new market products to cope with the challenge of the market. We will utilize our production scale, capital, professional knowledge and R&D capacity to provide packaging solutions for our clients. We will work closely together with them and create a win-win strategy.

When deciding the Group's strategy, we need to consider the balance for the short term financial target and long term development goal of the Group. We choose sustainable development as our business strategy which we believe that it will create value for the shareholders and society.

Recently, the Group adjusted the composition of the board to comply with the corporate governance requirement. Mr Pan Zhao Jin was appointed as deputy chief operating officer and resigned as executive director. The board recruited two new independent directors, Mr Guo Weihai and Mr Tan Jiansheng. Mr Guo is very experienced in international enterprise management and Mr Tan has many years' experience in finance and investment industry in China. We welcome the new members of the board. The board will be continuously responsible for the Group's strategy and the management of the company.

We are confident of the growth of our business and cash generating ability. 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 S$0.012 per ordinary share.

Thank you.

Pan Shun Ming
Executive Chairman
Southern Packaging Group Limited

2016年主席发言

主席发言

2016年全年亮点
- 获得人民币4203万元的税后盈利；
- 公司净资产持续增长，达到7.52元人民币每股；
- 自上市以来持续13年向股东派发现金股利；
- 中国华东生产基地（江苏南方包装有限公司）获得药用包装生产许可。

2016年南方包装集团的团队所展现的优秀执行力让我非常自豪，我们制定的盈利目标得以实现，全赖我们这个优秀团队的全情投入以及对包装专业的专注。在全球经济发展失衡的挑战性营商环境下，我们仍取得如此的成绩，是我们的荣誉，并为我们的长期可持续发展奠定坚实的基础，中国有句古话：“逆水行舟，不进则退。”面对挑战，我们用业绩展示了成功，并朝着我们的长期财务目标迈出坚定的步伐。

2016年度税后净利润录得盈利人民币4203万元， 公司的获利能力持续加强，并消除了销售市场需求下降对公司盈利目标的影响。年度末公司每股净资产上升到人民币7.52元，较去年的每股净资产人民币6.98元，升幅达到8% ，公司的价值得到了持续的提升，这些都反映了我们的专业执行力，以及对市场、股东的负责任精神。

年度内软硬包装的销售有着不同的表现，总营业收入为人民币6.5亿元，较2015年度的6.91亿元下降了4100万元，降幅6%，变化主要是来自客户的软包装需求下降；本年度硬包装销售额达到人民币3.7亿元，较2015年的人民币3.61亿元，增加了900万元，增长2%；本年度软包装年销售额录得人民币2.8亿元，较2015年的人民币3.3亿元减少了5000万元，下降15%。

作为塑料包装方案专业提供商，南方包装集团拥有宽广的市场，我们为品牌提供服务，继续专注于满足大型食品、药品、个人护理品企业的包装需求。特别是中国华东基地（江苏南方包装有限公司）取得了药用包装材料的生产许可，已为该地区的众多跨国药企提供了富有效率的服务，也为公司的业务发展提供了新的增长点。

2016年度我们完成了软包装生产线的增量计划，新购并安装了一组日本富士印刷线；中国华东基地推进顺利，目前厂房及洁净车间建设已具备产能增量的良好基础，同时提升了工厂智能化生产程度，这将更为有效地控制成本和提高生产效率，以达到提高市场竞争力的目标。

我们已经注意到工业4.0的来临，对制造业的运营场景提出了全新的时代要求，智能工厂、智能制造、智能物流的水平将影响着企业的营运效率，智能化理念、智能化技术、智能化设备的引入已是行业趋势，我们关注此发展机遇，寻找突变的着力点。

我们的战略合作客户为应对市场的挑战，正不断加大对新市场、新产品的开发投入，我们将把集团拥有的生产规模、资本和专业知识发挥极致，尤其在研发上投入充足的资源，与客户形成方向一致的发展合力，将我们的智能化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。

关于长远的战略思考，我们既要考虑企业经营目标的实现和提高企业市场地位，又要保持企业在已领先的竞争领域和未来扩张的经营环境中始终保持持续的盈利增长，保证企业在相当长的时间内长盛不衰。可持续发展是我们的战略选择。我们会继续不懈追求为股东创造价值，为社会创造财富。

近期我们根据新加坡交易所的合规性要求，对董事局成员进行了调整，执行董事彭兆津先生调任副营运总裁，不再兼任执行董事；新增两位中国籍独立董事，郭伟海先生和谭建盛先生，郭先生拥有丰富的国际企业经营管理经验，谭先生从事多年金融管理（中国）及投资行业，非常欢迎他们的到来。

我们依然对业务增长和产生现金流的能力充满信心，相信南方包装集团未来一定能与我们全体股东共同成功；同时衷心感谢我们的客户，供应商，股东给予南方包装集团一如既往的信任与支持。

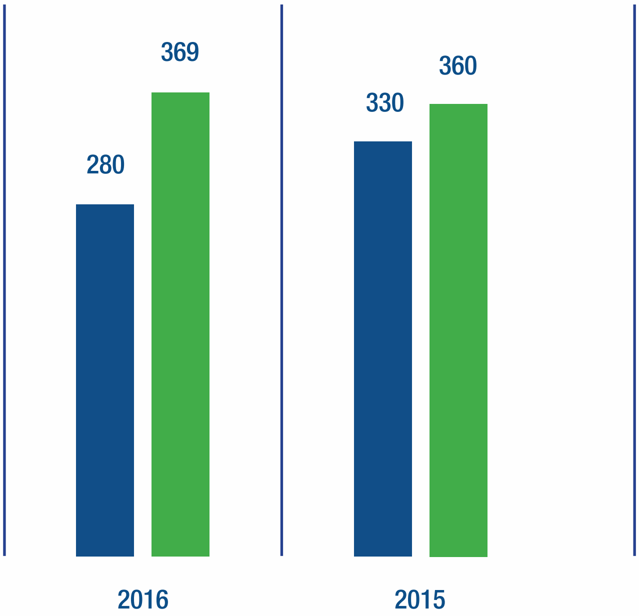
董事局提议股东大会通过2016年度分红政策：每股普通股分派S$0.012的现金红利，该分派红利将以现金形式进行安排。

谢谢！

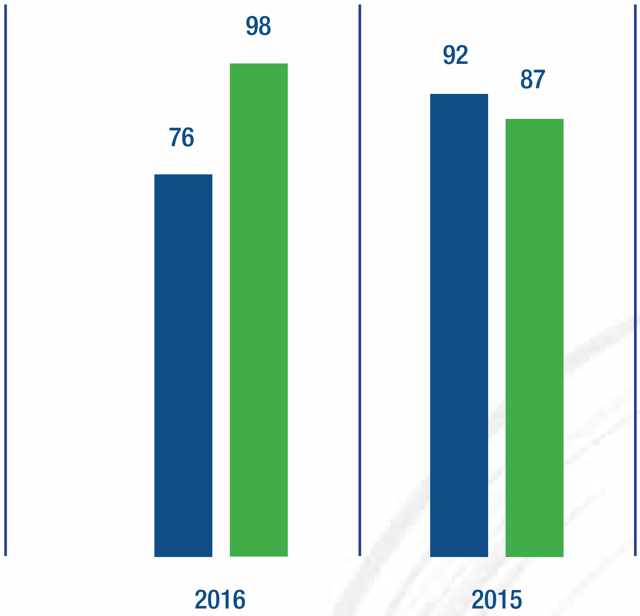
彭顺铭
执行主席
南方包装集团有限公司

Financial Highlight as at 31 December 2016

SEGMENTAL REVENUE
(IN RMB MILLION)



SEGMENTAL GROSS PROFIT
(IN RMB MILLION)



FLEXIBLE PACKAGING

RIGID PACKAGING

12 MONTHS ENDED 31 DECEMBER 2016
(IN RMB MILLION)

	2016	2015
Revenue	650	691
Gross Profit	174	179
Net Profit	41	41
Total Assets	910	855
Total Liabilities	381	364
Shareholders' Equity	529	491
Cash and cash equivalents	115	108
Earning per share (cents) after share consolidation	58	59

Operations & Financial Review

Due to the economic downturn, the Group faces huge challenge to maintain our business. The sales revenue decreased by RMB 40.6 million to RMB 650 million in FY2016.

Revenue By Business Segments	FY2016		FY2015		Change
	RMB`000	%	RMB`000	%	
Rigid packaging	369,762	56.8%	360,863	52.2%	2.5%
Flexible packaging	280,738	43.2%	330,211	47.8%	15%
Total	650,500	100.0%	691,074	100.0%	-5.9%

During the year, the Group's gross profit decreased by RMB 5.1 million to RMB 174 million. The main reason is the decrease in sales revenue in FY2016. The increase in profit margin partially offset the effect of it.

Gross profit By Business Segments	FY2016		FY2015		Change
	RMB`000	%	RMB`000	%	
Rigid packaging	98,271	56.4%	87,186	48.6%	12.7%
Flexible packaging	76,027	43.6%	92,236	51.4%	-17.6%
Total	174,298	100.0%	179,422	100.0%	-2.9%

In terms of sales revenue by geographical regions, PRC region sales revenue decreased by 7.8% to RMB 600 million in FY2016, accounting for 92.3% of Group's total revenue for FY2016. Revenue from other regions increased slightly due to higher market demand and exchange rate fluctuations.

Revenue By Geographical Segment	FY2016		FY2015		Change
	RMB`000	%	RMB`000	%	
PRC	599,791	92.3%	650,548	94.1%	-7.8%
Hong Kong	9,856	1.5%	7,811	1.1%	26.2%
America	13,303	2%	14,002	2%	-5%
Others	27,550	4.2%	18,713	2.8%	47.2%
Total	650,500	100.0%	691,074	100.0%	-5.9%

2016年全球经济环境仍然不景气，公司业务面临巨大挑战。集团销售收入下降RMB4,057万元，至RMB6.50亿元。

销售额	FY2016		FY2015		变化
	RMB`000	%	RMB`000	%	
硬包装	369,762	56.8%	360,863	52.2%	2.5%
软包装	280,738	43.2%	330,211	47.8%	15%
合计	650,500	100.0%	691,074	100.0%	-5.9%

今年，集团的毛利同期下降RMB512万元至RMB1.74亿元。主要因为销售收入下降，而毛利率的上涨部分抵消了销售收入下降的影响。

毛利	FY2016		FY2015		变化
	RMB`000	%	%	%	
硬包装	98,271	56.4%	87,186	48.6%	12.7%
软包装	76,027	43.6%	92,236	51.4%	-17.6%
合计	174,298	100.0%	179,422	100.0%	-2.9%

从区域销售情况来看，中国区的销售收入下降7.8%，其销售额达人民币6亿元，占销售总额的92.3%；其他区域受市场需求及汇率对成本的影响，销售额稍微上涨。

销售额	FY2016		FY2015		变化
	RMB`000	%	RMB`000	%	
中国	599,791	92.3%	650,548	94.1%	-7.8%
香港	9,856	1.5%	7,811	1.1%	26.2%
美国	13,303	2%	14,002	2%	-5%
其他	27,550	4.2%	18,713	2.8%	47.2%
合计	650,500	100.0%	691,074	100.0%	-5.9%

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 Jinbo
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.

Mai Shuying
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 Shuying are spouses.

Li Yonghua
Chief Operating Officer and Executive Director

Mr. Li Yonghua, 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.

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.

Board of Directors

Chia Chor Leong
Independent Director

Mr Chia was appointed as an Independent Director of our Company in October 2014. Mr Chia obtained an LL.B. (Honours) degree from the University of Singapore in 1980 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1981. He has been practising as an advocate and solicitor since 1981, and is presently a director of Citilegal LLC., a law corporation. Mr Chia is a distinguished solicitor, a Fellow of the Singapore Institute of Arbitrators and a member of that Institute's Panel of Arbitrators. He is an accredited adjudicator and an associate mediator with the Singapore Mediation Centre. He is also a commissioner for oaths as well as a notary public. Mr Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review), and presently serves as the Chairman of the External Placement Review Board and as a member of the Independent Review Panel of the Ministry of Home Affairs, Singapore. He is also a member of the Singapore Road Safety Council. In recognition of his public service over the years since 1987, Mr Chia was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2000 and the Bintang Bakti Masyarakat (Public Service Star) in 2007.

Chung Tang Fong
Independent Director

Mr Chung was appointed as an Independent Director of our Company in May 2014. He was 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 Masyarakat (Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (Public Service Star) in 2008.

Board of Directors

Guo Weihai
Independent Director

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

Tan Jiansheng
Independent Director

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

Key Management

Pan Zhaojin
Deputy Chief Operating Officer

Mr. Pan Zhaojin joined our Group in 2007. He is appointed as Deputy Chief Operating Officer in February 2017. He is responsible for marketing and business development for the Group. Mr. Pan holds an IMBA degree from Sun Yat Sen University. He first joined the company as a CEO assistant in 2007 and was promoted as Vice General Manager in 2009, mainly responsible for Human Resource Management and R&D department.

Lao Jing Wen
Financial Controller 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.

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., L td in 1990.

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.

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

The Board, guided by the Singapore Code of Corporate Governance 2012 (the "CG Code 2012") issued by the Monetary Authority of Singapore and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Guide"), remains committed to the principles and guidelines stated therein to achieve high standards of business integrity, ethics and professionalism across all its activities. The Company has generally complied with key principles and guidelines set out in the CG Code 2012 for the financial year ended 31 December 2016 ("FY2016"). Appropriate explanations have been provided in the relevant sections below where there are deviations from the CG Code 2012 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.**

<u>1.1 Role of the Board</u>

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

<u>1.2 The principal functions of the Board apart from its statutory responsibilities are:</u>

a) to provide entrepreneurial leadership; approve the strategic objectives, corporate policies and authorisation matrix of the Company; and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

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

c) to oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals, major funding proposals of the Company;

d) to assume responsibility for corporate governance framework of the Company and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and company's assets;

e) to review management performance;

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

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

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

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

1.3 Delegation by the Board

To facilitate effective management and to support the Board in the execution of its duties, the Board has established Audit, Nominating and Remuneration Committees. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The names of the members, principal roles and responsibilities of respective Board Committees are set out in this Report. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

1.4 Board meetings and attendance

The full Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. To ensure meetings are held regularly with maximum 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. Dates of the Board meetings, Board Committees meetings and annual general meetings are scheduled in advance in consultation with all of the Directors. The Board and Board Committees also approve transactions by way of written resolutions, which are circulated to the Board and Committee members together with all relevant information regarding the proposed resolutions/transactions.

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

The numbers of the Board and respective Board Committees meetings held during the FY2016 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	1	N/A	N/A	N/A
Li Yonghua	4	N/A	N/A	N/A
Pan Zhaojin[1]	4	N/A	N/A	N/A
Yeung Koon Sang @ David Yeung	4	4	1	1
Chung Tang Fong	4	4	1	1
Chia Chor Leong	4	4	1	1
Tan Jiansheng[2]	N/A	N/A	N/A	N/A
Guo Weihai[2]	N/A	N/A	N/A	N/A

N/A: Not Applicable

1 Mr Pan Zhaojin resigned as Executive Director on 27 February 2017.

2 Mr Tan Jiansheng and Mr Guo Weihai were appointed as Independent Directors and members of the Audit, Remuneration and Nominating Committees on 27 February 2017.

1.5 Matters reserved for the Board's decisions

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

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

- the Group's long term objectives and commercial strategy;
- the making of any decision to cease to operate all or any material part of the business of the Group or to venture into new business;
- merger and amalgamation initiatives;
- changes in capital structure;
- acquisition or divestment of any investment and asset by the Company or any of its subsidiaries;
- approval of financial results announcements, Annual Reports and Audited Financial Statements;
- recommendation or declaration of dividend;
- reviewing the performance of the Board annually;
- appointment or removal of director from the Board (with recommendation made by the Nominating Committee) and the appointment or removal of the Company Secretary;
- make changes to the structure and size of the Board, following receipt of recommendation from the Nominating Committee;
- in the case of any conflict of interests which the Board, after being appropriately advised, considers to be material, as to whether such conflict should be authorised and, if so, authorise such conflict upon such terms and conditions as the Board considers appropriate;
- remuneration packages for Executive Directors and key management personnel; and
- any matter required to be considered or approved by the Board as a matter of law or regulation.

<u>1.6 Board induction and training</u>

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

During FY2016, the Company held site visits to the Company's corporate office and its operation site for the Directors, during which they received updates and information in relation to the Group's businesses, production facilities, commercial risks faced by the Group, industry developments, business initiatives, Listing Manual and accounting standards. Updates on the relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts on a timely basis. Where necessary, the Company arranges for presentations by external professionals, consultants and advisers on topics that would have an impact on the relevant regulations, accounting standards, and the implications on responsibilities of the Directors.

The Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors and the SGX-ST, which would be funded by the Company. The Company has registered few upcoming trainings and courses for Directors, including workshops on sustainability reporting organised by Global Compact Network Singapore appointed by SGX-ST for the purpose.

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

The new Directors, Mr Tan Jiansheng and Mr Guo Weihai have received a formal letter from the Company setting out his duties and responsibilities as a director and the Company is in the midst of registering relevant training courses jointly organised by SID and SGX-ST for the new Directors. The training and professional development for new Directors are/will be funded by the Company.

The Company had arranged orientation program for the said new Directors and by invitation of the Board Committees and Directors, the new Directors had attended the meetings held at the Group's corporate office in February 2017, to enable them to familiarise themselves with the Group's business and governance practices. They were also briefed on relevant regulations in relation to the business of the Group, shares dealing policy of the Group, their notification obligations under the Companies Act (Chapter 50) and Securities and Futures Act.

Board Composition and Guidance

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

2.1,2.2 & 3.3 Independent Directors

The Board currently comprises the following members:

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

Mr Pan Zhaojin was the Executive Director of the Company during FY2016 and he resigned his directorship in the Company effective 27 February 2017.

The current Board of Directors comprises ten (10) Directors, five (5) of whom are Independent Directors and Mr Yeung Koon Sang @ David Yeung ("Mr David Yeung") is the Lead Independent Director of the Company. There is a good balance between the Executive and Non-Executive Directors as well as strong independence element on the Board with independent directors making up at least one-third of the Board.

With the change of board members effective 27 February 2017 announced by the Company via SGXNet, the Company has met the requirement under Guideline 2.2 of the CG Code 2012, that at least half of the Board are Independent Directors where: 1) the Chairman of the Board and the CEO is the same person; 2) the Chairman is part of the management team; and 3) the Chairman is not an independent director.

2.3 Review of Directors' independence

The independence of each Director is reviewed annually by the NC. The NC has adopted the CG Code 2012's definitions of an Independent Director in its review. Each independent director is required to submit a confirmation of independence based on the guideline provided in the CG Code 2012.

Mr David Yeung, Mr Chung Tang Fong, Mr Chia Chor Leong, Mr Tan Jiansheng and Mr Guo Weihai have confirmed that they do not have any relationship wth the Company, or its related corporations or its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. All the said Directors had submitted the confirmation of their independence and the NC has reviewed and determined that the said Directors are independent. Taking into account the views of the NC, the Board determined that the said Directors are independent in character and judgment and no relationships or circumstances which are likely to affect, or could appear to affect, the said Directors' judgment.

There is no Director who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Guideline 2.3 of the CG Code 2012 that would otherwise deem him not to be independent. No NC member was involved in the deliberation in respect of his independence.

2.4 Duration of Independent Director's tenure

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

2.5 & 2.6 Board Composition

The NC and the Board examine the present size and composition of the Board and are satisfied that: (i) it is an appropriate size and with its diversified background and experience provides core competencies such as finance, accounting, legal, business management, industry knowledge and strategic planning experience; (ii) it facilitates effective decision making and ensure the balance of power with no individual or group of individuals dominates the Board's decision making process.

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

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

The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of achieving strategic objectives. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to Management. Non-Executive Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels, and had open discussions with Management. Where necessary, the Non-Executive Directors meet or via telephone and electronic devices discuss on the Group's affairs without the presence of Management.

Chairman and Chief Executive Officer

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

3.1 & 3.2 Role of Chairman and the CEO

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

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

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

3.3 Lead Independent Director

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

3.4 Independent Director Meetings in Absence of Other Directors

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

Board Membership

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

4.1 Nominating Committee

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

(i)	Chia Chor Leong	Independent Director	(Chairman)
(ii)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Member)
(iii)	Chung Tang Fong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member) (appointed w.e.f. 27 February 2017)
(v)	Guo Weihai	Independent Director	(Member) (appointed w.e.f. 27 February 2017)

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

(a) reviewing and recommending candidates for appointments to the Board and Board committees (excluding the appointment of existing members of the Board to a Board committee);

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

(c) reviewing and recommending candidates to be nominees on the Boards and Board committees of the listed companies and entities within the Company and its subsidiaries;

(d) re-nomination of directors for re-election of directors in accordance with the Constitution at each annual general meeting and having regard to the director's contribution and performance (including alternate directors, if applicable);

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

(f) deciding whether or not a director of the Company is able to and has been adequately carrying out his duties and responsibilities, including time and effort contributed to the Company, attendance at meetings of the Board and Board Committees, participation at meetings and contributions of constructive, analytical, independent and well-considered views, and taking into consideration the director's number of listed company board representations and other principal commitments;

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

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

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

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

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

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

During FY2016, the NC held one (1) meeting and had on various occasions used resolutions in writing to resolve certain decisions which are then recommended to the Board.

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

The Company has in place policies and procedures for the appointment of new Directors to the Board, including a search and nomination process. The NC reviews the need for appointment of additional director(s) and the composition of the Board, including the mix of expertise, skills and attributes of existing directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes.

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

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

The NC has recommended to the Board that Mr Pan, Mr Li Yonghua, Mr David Yeung, Mr Tan Jiansheng and Mr Guo Weihai be nominated for re-election at the forthcoming AGM of the Company. In evaluating each Director's contributions and performance for the purpose of re-nomination, the NC and the Board have considered the said Directors' overall qualification, experience, contributions, performance and other factors such as attendance, preparedness, participation, independence and candour are taken into consideration. The Board recommends the shareholders to approve the re-election of the said Directors. The details of the proposed resolutions are stipulated in the Notice of AGM.

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

4.4 Multiple Board Representations

All Directors declare their board memberships as and when practicable. During FY2016, the NC has ascertained that all Directors, including those who have other listed company board representations and/or principal commitments, have devoted sufficient time and attention to the Group's affairs and have discharged their duties and responsibilities adequately. The NC takes into account the Directors' actual conduct on the Board, in making this determination. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorships a director can hold. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company. The NC is also of the view that its assessment of a Director's ability to devote sufficient time to the discharge of his or her duties should not entail a restriction on the number of other board commitments or their other principal commitments.

4.7 Directors' Key Information

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

Director	Date of Initial Appointment as a Director	Date of Last Re-election/ Re-appointment as a Director	Relationships including immediate family relationships between the directors, the Company and its 10% shareholders	Directorships or Chairmanships in other listed companies	
				Current	Past three years
Pan Shun Ming	30.12.2003	30.4.2015	Spouse to Mai Shuying and Parent to Pan Zhaojin	Nil	Nil
Chen Xiang Zhi	26.1.2010	29.4.2016	Nil	Nil	Nil
Pu Jinbo	16.4.2004	29.4.2016	Nil	Nil	Nil
Mai Shuying	30.12.2003	30.4.2015	Spouse to Pan Shun Ming and Parent to Pan Zhaojin	Nil	Nil
Li Yonghua	1.2.2011	30.4.2014	Nil	Nil	Nil
Pan Zhaojin *(resigned w.e.f. 27 February 2017)*	1.2.2011	29.4.2016	Son to Pan Shun Ming and Mai Shuying	Nil	Nil
Yeung Koon Sang @ David Yeung	23.9.2004	30.4.2015	Nil	• 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	2.5.2014	30.4.2015	Nil	• ACE Achieve Infocom Ltd • Chewathai Ltd	Nil
Chia Chor Leong	10.10.2014	30.4.2015	Nil	• Frencken Group Limited	• Resource Holdings Limited • Mary Chia Holdings Limited
Tan Jiansheng	27.2.2017	N/A	Nil	Nil	Nil
Guo Weihai	27.2.2017	N/A	Nil	Nil	Nil

The Company does not have alternative director.

The Board Committees that respective Director served on (as a member or chairman) during FY2016 are disclosed under Principles 4, 7 and 12 in this Report. Other key information regarding the Directors such as academic, professional qualifications, principal commitments, shareholdings in the Company and its related corporations is disclosed in the “Board of Directors” and “Directors’ Statement” sections in this Annual Report.

Board Performance

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

5.1-5.3 Board and Individual Director Assessments

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

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

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

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

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

Access to Information

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

6.1 & 6.2 Provision of Information to the Board

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

Management provides the Board with information and explanations (briefing, circulation via email or by presentation at meeting) on the half-year and full-year financial results, progress reports of the Group's operations, corporate development, regulatory updates, market and business developments and audit reports. Management is invited to attend Board meetings to provide additional insights into matters being discussed, and to respond to any queries that the Directors may have. Management also seek consultation from the Board regularly whenever necessary and appropriate.

The Board is issued with meeting agenda and board papers timely and prior to Board meetings. This is to give the Directors sufficient time to review and consider the matters being tabled and/or discussed. Any other matters may also be tabled at the Board meeting and discussed without papers being distributed.

6.3 & 6.4 Company Secretary

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

6.5 Independent Professional Advice

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

7.1 & 7.2 Remuneration Committee

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

(i)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Chairman)
(ii)	Chung Tang Fong	Independent Director	(Member)
(iii)	Chia Chor Leong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member) (appointed w.e.f. 27 February 2017)
(v)	Guo Weihai	Independent Director	(Member) (appointed w.e.f. 27 February 2017)

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

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

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

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

(d) review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

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

(f) seek expert advice inside the company and/or outside professional advice on remuneration of all directors and to ensure that existing relationships, if any, between the company and its appointed consultants will not affect the independence and objectivity of the consultants;

(g) determine, review and approve the design of all option plans, stock plans and/or other equity based plans that the Group proposes to implement, to determine each year whether awards will be made under such plans, to review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan and to review, approve and keep under review performance hurdles and/or fulfillment of performance hurdles under such plans;

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

(i) review the remuneration of employees who are related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities; and

(j) No director shall participate in decision on his/her own remuneration.

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

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

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

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

7.3 Remuneration Consultant

The RC may from time to time, where necessary or required, seek expect advice internal or external consultants in framing the remuneration policy and determining the level and mix of remuneration for the Directors and key management personnel, so that the Group remains competitive in this respect. During FY2016, the Company did not engage any external remuneration consultant.

Level and Mix of Remuneration

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

8.1 & 8.3 Remuneration Structure

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel, and determines specific remuneration packages for each executive director. The recommendations of the RC on remuneration of executive directors would be submitted for endorsement by the entire Board. The Company adopts a remuneration policy for staff consisting of a fixed component and a variable component. The fixed component is in the form of a base / fixed salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance.

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

In setting/reviewing the remuneration packages of the Executive Directors and key management personnel, the Company takes into consideration the existing remuneration and employment conditions and makes a comparative study of the packages of executive directors and key management personnel within the industry and benchmarked against comparable companies/industries as well as the individual and the Group's relative performance. No Director is involved in the discussion and in deciding his own remuneration.

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

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

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

The Chairman of each Board Committee is compensated for his additional responsibilities. The RC recommends the payment of such fees in accordance with the contributions and responsibilities of the Non-Executive Directors, which will then be endorsed by the Board and subject to approval by the shareholders of the Company at the AGM. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

8.4 Contractual provisions

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

Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

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

Disclosure on Remuneration

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

9.1 & 9.2 Directors' Remuneration

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

The breakdown (in the percentage terms) of the level and mix of Directors' remuneration for FY2016 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Directors					
S$250,000 to below S$500,000					
Pan Shun Ming	91.2%	6.1%	2.7%	–	100%
Mai Shuying	91.6%	6.1%	2.3%	–	100%
Below S$250,000					
Chen Xiang Zhi	85.8%	14.2%	–	–	100%
Pu Jinbo	79.7%	13.0%	7.3%	–	100%
Li Yonghua	74.8%	24.8%	0.4%	–	100%
Pan Zhaojin	75.3%	14.4%	10.3%	–	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 CG Code 2012 as the Board of Directors believes that it is not in the best interests of the Group's business to fully disclose such information given the highly competitive plastic packaging industry in the People's Republic of China.

9.3 Key Management Personnel's Remuneration

A breakdown of the level and mix of top three key management personnel's remuneration for FY2016 are as follows:

Name	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Key Management Personnel					
Below S$250,000					
Guo Wei	92.0%	8.0%	–	–	100%
Zhang Jianling	83.8%	16.2%	–	–	100%
Lao Jing Wen	86.0%	14.0%	–	–	100%

The Company only have top three key management personnel during FY2016, the annual aggregate remuneration paid to the key management personnel (excluding the director and the CEO) for FY2016 is S$303,785.

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

During FY2016, there is only one employee who has family relationship with a director or CEO, whose remuneration exceeds S$50,000/-, details relating thereto are appended below:

Name	Remuneration Band
Ang Wei Jun (son in law of Mr Pan Shun Ming and Mdm Mai Shuying)	S$150,000 to below S$200,000

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

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

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

The Board had received assurance from the CEO and Financial Controller that the Group's financial records as at 31 December 2016 have been properly maintained and the financial statements for FY2016 give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems are effective.

Based on the work performed by the internal and external auditors, the Group's framework of management control, the review procedures established and maintained by the Company to monitor the key controls and procedures and to ensure their effectiveness, the annual reviews performed by Management, Board committees and the Board, the Board, with the concurrence of the AC, is of the view that for the current size and nature of the Group's operations and business, the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value.

Audit Committee

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

12.1, 12.2 & 12.4 Audit Committee

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

(i)	Yeung Koon Sang @ David Yeung	Lead Independent Director	(Chairman)
(ii)	Chung Tang Fong	Independent Director	(Member)
(iii)	Chia Chor Leong	Independent Director	(Member)
(iv)	Tan Jiansheng	Independent Director	(Member) (appointed w.e.f. 27 February 2017)
(v)	Guo Weihai	Independent Director	(Member) (appointed w.e.f. 27 February 2017)

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

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

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

(c) review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risks areas, significant adjustments resulting from the audit, the going concern statement, compliance with Financial Reporting Standards as well as compliance with the Listing Manual and any other statutory/regulatory requirements;

(d) review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concern, if any, arising from interim and final audits, and any matters which the auditors may wish to discuss in the absence of the management where necessary;

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

(f) commission and review an annual internal control audit until such time the AC is satisfied that the Group's internal controls are sufficiently robust and effective enough to mitigate the Group's internal control weaknesses (if any), and prior to the decommissioning of the annual audit, the Board is required to report to the SGX-ST on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal controls audit;

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

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

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

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

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

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

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

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

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

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

(q) review interested person transactions and any potential conflicts of interests (if any). In particular, the AC will review and assess from time to time whether additional processes are required to be put in place to manage any material conflicts of interest between the Group and the Directors, CEO, Controlling Shareholders and/or their respective Associates and propose, where appropriate, the relevant measures for the management of such conflicts;

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

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

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

(u) propose and establish a "Whistle-blowing policy" and review the procedures by which employees of the Group may, in confidence, report to the chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;

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

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

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

By briefings given by the External Auditors, the AC and Management are always kept abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements. The AC will also attend trainings conducted by professionals or external consultants regarding the new accounting standards as and when such need arises.

No former partner or director of the Company's existing auditing firm is a member of the AC.

The Board is satisfied and in its business judgement viewed that the AC's composition and members are appropriately qualified to discharge their duties and responsibilities. Majority of the AC have many years of experience in accounting and related financial management given their experience as directors and/or senior management in accounting and financial fields as the Board interprets such qualification in its business judgment.

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, such as where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or likely to have a material impact on the Group's operating results and/or financial position. The AC is 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 its meetings, and has been given reasonable resources to enable it to discharge its functions. The AC will meet with the external auditors and internal auditors without presence of Management at least once a year to ascertain if there are any material weaknesses or control deficiencies in the Group's financial and operating systems.

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

12.6 Independence of External Auditors

The aggregate amount of fees paid and/or payable by the Company to the external auditors for FY2016 is RMB440,652, of which audit fees amounted to approximately RMB426,638 and non-audit fees amounted to RMB14,014.

The AC has reviewed the independence of the external auditors including the range and volume and nature of the non-audit services performed by its external auditors 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 for financial year ending 31 December 2017 at the forthcoming AGM.

The external auditors have unrestricted access to the AC.

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

12.7 Whistle-Blowing Policy

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

12.8 AC Activities

In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2016 in the discharge of its functions and duties including the deliberation and review of:

(a) the internal and external audit plans in terms of their scope prior to their commencement;

(b) the unaudited half-yearly and full year financial results of the Group, and announcements prior to submission to the Board for approval and release of the results via SGXNet;

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

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

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

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

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

(i) the performance of the Financial Controller;

(j) the independence and re-appointment of the external auditors of the Company and level of audit and non-audit fees, and their recommendation to the Board for approval;

(k) whistle-blowing policy of the Group and procedures by which employees of the Group and any other parties could report the possible improprieties to the AC Chairman.

Internal Audit

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

13.1-13.5 Internal Audit

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

With the recommendation of the AC and approved by the Board, the Company has outsourced its internal audit function to Da Xin LLP. The internal auditors are expected to meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditors have unrestricted access to all the Company's documents, records, properties and personnel, and reports directly to the AC on audit matters. The AC will also meet with the internal auditors at least once a year without the presence of Management.

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

The AC will review the adequacy and effectiveness 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. For FY2016, the AC had reviewed and is satisfied that the internal audit function is effective, adequately resourced and has appropriate standing within the Group to fulfil its mandate.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

14.1 & 14.3 Shareholder Rights

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

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

Any notice of general meeting is issued at least 14 calendar days before the scheduled date of such meeting. All shareholders can vote in person or to appoint up to two (2) proxies during his absence to attend, vote and speak in general meeting in accordance with the Constitution of the Company. Pursuant to Section 181 of the Companies Act (Chapter 50), notwithstanding the Constitution of the Company, the Company allows and will provide necessary measures to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Communication with Shareholders

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

15.2-15.4 Communication with Shareholders

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

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. In addition to the regular dissemination of information on major developments through SGXNet, the Company also responds to enquiries from investors, analysts, fund managers and the press. The Company does not practise selective disclosure and price-sensitive information is publicly released through SGXNet on an immediate basis pursuant to the Listing Manual.

Information is disseminated to shareholders on a timely basis through various means of communication such as:

- announcements and press releases via SGXNet;
- price sensitive information, significant transactions or matters are communicated to shareholders via SGXNet;
- Annual Reports and notice of general meetings issued to all shareholders; and
- the Company's website at www.southern-packaging.com at which shareholders can access to information on the Group.

15.5 Dividend Policy

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

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

- the level of cash and retained earnings;
- actual and projected financial performance;
- projected levels of capital expenditure and expansion plans;

- working capital requirements and general financing needs and conditions; and
- restrictions on payment of dividend imposed to the Company (if any).

The Board has recommended a first and final tax-exempt (one-tier) dividend of S$0.012 per ordinary share for FY2016 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 are the principal forums for dialogue with shareholders.

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

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

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

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

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 Singapore Companies Act and Articles 65 to 75 of the Company's Constitution.

At AGMs, the Directors ensure that separate resolutions are set out on distinct issues for approval by shareholders. Pursuant to Rule 730A of the Listing Manual, all proposed resolutions at the Company's general meetings will be conducted by way of poll in the presence of independent scrutineers. The explanation on polling procedures will be provided to shareholders before the poll voting is conducted. The total number and percentage of valid votes cast for or against each resolution will be announced at the general meeting and also published via SGXNet after the general meeting.

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual on dealings in securities, the Company has adopted a policy prohibiting share dealings in its securities by directors and officers of the Group: (1) during the period commencing one month before the announcement of the Company's half/full year financial statements and ending on the date of the announcement of the relevant financial statements; and (2) any time when in possession of unpublished price-sensitive information relating to the Group. They are prohibited from dealing in the Company's securities on short-term considerations. This has been made known to Directors and officers of the Group. They are also reminded to observe the insider trading laws at all times even when dealing in the Company's securities within permitted trading periods.

MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company and the contracts which have been published via SGXNet, there are no other material contracts or loans entered into by or taken up by the Company or its subsidiaries involving the interest of any Director or controlling shareholder which are still subsisting as at the end of FY2016 or if not then subsisting, entered into since the end of previous financial year.

INTERESTED PERSON TRANSACTIONS ("IPTs")

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

The IPTs of the Group during FY2016 are:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) FY2016	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) FY2016
Guangdong Xing Hua Health Drink Co. Ltd[(1)]	RMB898,356 (S$187,177)	–
Mai Shuying, Pan Shun Ming[(2)]	RMB646,128 (S$134,624)	–
Foshan Unibott Technology Limited[(3)]	RMB1,040,367 (S$216,766)	–
Energetic Holding Limited[(4)]	RMB7,881,700 (S$1,642,192)	–
Foshan Jia Bang Real Estate Co., Ltd[(5)]	RMB19,997,226 (S$4,166,523)	–

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

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

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

(4) Transfer the shares of Foshan Energetic Films Co., Ltd. from Foshan Southern Packaging Co., Ltd.

(5) Acquisition for four office units by Foshan Southern Packaging Co., Ltd.

CORPORATE SOCIAL RESPONSIBILITIES

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

DIRECTORS' STATEMENT

The Directors of Southern Packaging Group Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016 and the statement of changes in equity of the Company for the financial year then ended.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") 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 2016, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

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

2. Directors

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

Pan Shun Ming	
Chen Xiang Zhi	
Pu Jinbo	
Mai Shuying	
Li Yonghua	
Yeung Koon Sang @ David Yeung	
Chung Tang Fong	
Chia Chor Leong	
Guo Weihai	(Appointed on 27 February 2017)
Tan Jiansheng	(Appointed on 27 February 2017)

3. Arrangements to enable Directors to acquire shares or debentures

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

4. Directors' interests in shares or debentures

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

	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	Balance as at 1.1.2016	Balance as at 31.12.2016	Balance as at 1.1.2016	Balance as at 31.12.2016
	Number of ordinary shares			
Company				
Pan Shun Ming (1),(3)	109,538,790	27,384,697	54,956,061	13,739,015
Mai Shuying (1),(3)	54,956,061	13,739,015	109,538,790	27,384,697
Pu Jinbo (2),(3)	731,818	182,954	10,000	2,500
Pan Zhaojin (Resigned on 27 February 2017) (3),(4)	–	–	164,494,851	41,123,712

(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) 2,500 (1.1.2016 : 10,000) shares held through CIMB Securities (Singapore) Pte Ltd.

(3) 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.

(4) Deemed interest in the ordinary shares of the Company held by his parents, Mr Pan Shun Ming and Mdm Mai Shuying.

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 2017 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2016.

5. Share options

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

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

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

6. Audit committee

The Audit Committee of the Company is chaired by Yeung Koon Sang @ David Yeung, and includes Chung Tang Fong, Chia Chor Leong, Guo Weihai and Tan Jiansheng, all Independent and Non-Executive Directors. The Audit Committee has met 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;

(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	**Mai Shuying**
Director	Director

6 April 2017

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern Packaging Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 41 to 91, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	AUDIT RESPONSE
1 Recoverability of receivables	
The Group had net trade receivables amounting to RMB155.5 million which represented 17% of the Group's total assets as at 31 December 2016. Trade receivables of RMB13.1 million were past due as at 31 December 2016, of which RMB3.1 million were impaired. The management exercises significant judgement in identifying trade receivables with objective evidence of impairment and in assessing the ultimate realisation of these receivables. The recoverability of trade receivables was of most significance in our audit as it requires management to exercise judgement by considering any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the financial year, historical payment pattern of each customer and write-off experience. Refer to Notes 3.2(i) and 16 of the accompanying financial statements.	We performed the following audit procedures, amongst others: We evaluated and challenged the management's identification of trade receivables with objective evidence of impairment and estimation of their recoverable amounts. We tested the reliability of the ageing reports of the receivables obtained from the management which was used by the management in their impairment assessment of receivables. We checked to publicly available information for any news on specific customers that provide indication that the long outstanding receivables may be impaired. We corroborated the management's assessment of recoverability of significant amounts outstanding to historical patterns of receipts, in conjunction with checking actual cash received subsequent to the financial year end.

Report on the Audit of the Financial Statements

KEY AUDIT MATTER	AUDIT RESPONSE
2 Fulfilment of terms for land use rights acquisition	
The Group's prepaid lease payments amounted to RMB60.5 million which represented 6.6% of the Group's total assets as at 31 December 2016. Included in the prepaid lease payments as at 31 December 2016 was an amount of RMB16.5 million relating to the land use rights of Nanhai District of Foshan City, Guicheng Street, Sanshan Creative Industry Park, SS-D04 block ("Sanshan land use rights") which was acquired on 10 October 2012 through an agreement with the Guangdong Foshan Municipal Bureau of Land Resources and Rural Planning Bureau (the "Bureau"). The Group is required to comply with certain terms as stipulated in the agreement, such as having to commence and complete the construction of property for industrial purposes on the land by 8 November 2013 and 8 November 2015 respectively, failing which the Bureau has the rights to recover the land use rights and the Group will be required to pay liquidated damages to the Bureau. A supplementary agreement was signed between the Group and the Bureau on 6 December 2016 where the date of commencement was changed to 18 October 2017 and the date of completion was changed to 18 October 2019. Fulfilment of the terms of the agreements for Sanshan land use rights was of most significance in our audit as it requires committed action plans from the management, including the completion of the design for the property and submission of the design for the Bureau's approval, to ensure that the construction can commence by the revised date of commencement of 18 October 2017. Should the Group be unable to comply with the terms, the carrying amount of prepaid lease payments for Sanshan land use rights may be materially affected. Refer to Note 13 of the accompanying financial statements.	We performed the following audit procedures, amongst others: We obtained and read the agreement, supplementary agreement and related correspondences and held discussions with management to obtain an understanding of the terms and conditions agreed between the parties. We discussed with the management to obtain an understanding on their action plans and how management will ensure that the terms of the agreements will be fulfilled, including commencing the construction of the property by 18 October 2017. We assessed the adequacy of the Group's disclosures on this matter, where necessary.

Other Information

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

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

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

Report on the Audit of the Financial Statements

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
6 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RMB	Group 2015 RMB
Revenue	4	650,500,473	691,074,184
Cost of sales		(476,201,622)	(511,651,846)
Gross profit		174,298,851	179,422,338
Other item of income			
Other income	5	7,795,343	8,504,877
Other items of expense			
Distribution expenses		(36,286,239)	(35,896,725)
Administrative expenses		(85,504,642)	(79,376,664)
Finance costs	6	(12,333,049)	(20,457,106)
Profit before income tax	7	47,970,264	52,196,720
Income tax expense	8	(7,043,311)	(10,807,012)
Profit for the financial year, representing profit for the financial year attributable to owners of the parent		40,926,953	41,389,708
Other comprehensive income:			
Item that may be reclassified subsequently to profit:			
Exchange differences on translation of foreign operations		1,108,881	1,141,486
Total comprehensive income for the financial year, representing total comprehensive income attributable to owners of the parent		42,035,834	42,531,194
Earnings per share (RMB cents)			
- Basic and diluted (adjusted based on the total issued shares of 70,319,164 after share consolidation)	9	58.20	58.86

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RMB	2015 RMB	2016 RMB	2015 RMB
ASSETS					
Non-current assets					
Property, plant and equipment	10	462,534,568	415,854,151	–	–
Investment property	11	469,961	1,067,565	–	–
Investments in subsidiaries	12	–	–	449,312,741	415,108,039
Prepaid lease payments	13	59,048,976	63,357,614	–	–
Deferred tax assets	14	2,163,147	1,382,363	–	–
Total non-current assets		524,216,652	481,661,693	449,312,741	415,108,039
Current assets					
Prepaid lease payments	13	1,438,336	1,498,837	–	–
Inventories	15	72,437,361	74,122,315	–	–
Trade receivables	16	155,522,615	156,644,924	–	–
Other receivables and prepayments	17	41,848,007	24,833,011	693,209	64,912
Cash and cash equivalents	18	114,593,106	108,214,295	1,305,318	1,324,415
Total current assets		385,839,425	365,313,382	1,998,527	1,389,327
Asset held for sale	19	–	7,881,700	–	–
		385,839,425	373,195,082	1,998,527	1,389,327
Total assets		910,056,077	854,856,775	451,311,268	416,497,366
LIABILITIES AND EQUITY					
Equity					
Share capital	20	230,592,765	230,592,765	230,592,765	230,592,765
Capital contribution	21	12,638,812	12,638,812	–	–
Statutory reserve	21	55,313,017	48,164,213	–	–
Foreign currency translation account	21	(2,055,776)	(3,164,657)	–	–
Retained earnings		232,622,793	202,903,972	213,088,387	180,354,735
Total equity		529,111,611	491,135,105	443,681,152	410,947,500
Non-current liabilities					
Deferred government subsidies	22	14,276,900	11,294,000	–	–
Deferred tax liabilities	14	2,313,139	2,696,739	–	–
Bank borrowings	23	58,896,500	70,000,000	–	–
Total non-current liabilities		75,486,539	83,990,739	–	–
Current liabilities					
Deferred government subsidies	22	561,035	561,035	–	–
Current income tax payable		5,844,186	6,839,854	–	–
Trade payables	24	103,952,721	106,025,902	–	–
Other payables	25	28,065,347	28,233,506	7,630,116	5,549,866
Bank borrowings	23	167,034,638	138,070,634	–	–
Total current liabilities		305,457,927	279,730,931	7,630,116	5,549,866
Total liabilities		380,944,466	363,721,670	7,630,116	5,549,866
Total liabilities and equity		910,056,077	854,856,775	451,311,268	416,497,366

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

Group	Note	Share capital RMB	Capital contribution RMB	Statutory reserve RMB	Foreign currency translation account RMB	Retained earnings RMB	Total equity RMB
Balance as at 1.1.2016		230,592,765	12,638,812	48,164,213	(3,164,657)	202,903,972	491,135,105
Profit for the financial year		–	–	–	–	40,926,953	40,926,953
Other comprehensive income for the financial year							
- Exchange differences on translation of foreign operations		–	–	–	1,108,881	–	1,108,881
Total comprehensive income for the financial year		–	–	–	1,108,881	40,926,953	42,035,834
Distributions to owners of the parent							
Dividends	28	–	–	–	–	(4,059,328)	(4,059,328)
Others							
Transfer to statutory reserve	21	–	–	7,148,804	–	(7,148,804)	–
Balance as at 31.12.2016		230,592,765	12,638,812	55,313,017	(2,055,776)	232,622,793	529,111,611
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	28	–	–	–	–	(2,613,343)	(2,613,343)
Others							
Transfer to statutory reserve	21	–	–	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 2016

Company	Note	Share capital RMB	Retained earnings RMB	Total equity RMB
Balance as at 1.1.2016		230,592,765	180,354,735	410,947,500
Profit for the financial year, representing total comprehensive income for the financial year		–	36,792,980	36,792,980
Distributions to owners of the parent				
Dividends	28	–	(4,059,328)	(4,059,328)
Balance as at 31.12.2016		230,592,765	213,088,387	443,681,152
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	28	–	(2,613,343)	(2,613,343)
Balance as at 31.12.2015		230,592,765	180,354,735	410,947,500

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	RMB	RMB
Cash flows from operating activities		
Profit before income tax	47,970,264	52,196,720
Adjustments for:		
Allowance for impairment of trade receivables	1,298,810	775,414
Amortisation of deferred government subsidy	(561,036)	(527,703)
Amortisation of prepaid lease payments	1,489,032	1,498,010
Bad trade receivables written off	–	10,552
Depreciation of investment property	17,406	22,604
Depreciation of property, plant and equipment	46,630,660	44,497,915
Interest expense	12,333,049	20,457,106
Interest income	(664,022)	(1,102,906)
Loss on disposal of property, plant and equipment	1,601,001	510,115
Gain from expropriated land	(743,069)	–
Unrealised foreign currency exchange loss	369,963	83,412
Write-down of inventories	20,210	1,971,853
Operating cash flows before working capital changes	109,762,268	120,393,092
Working capital changes:		
Inventories	1,664,744	18,123,612
Trade receivables	2,880,448	27,609,249
Other receivables and prepayments	(16,861,332)	(2,498,127)
Trade payables	(14,997,300)	(6,111,306)
Other payables	(437,548)	7,221,119
Cash generated from operations	82,011,280	164,737,639
Income tax paid	(9,203,363)	(5,656,032)
Net cash from operating activities	72,807,917	159,081,607
Cash flows from investing activities		
Payments of prepaid lease	–	(506,830)
Purchase of property, plant and equipment	(89,485,636)	(27,528,097)
Proceeds from disposal of property, plant and equipment	5,779,825	4,057,360
Government subsidies received on purchase of property, plant and equipment	3,543,936	900,000
Compensation for expropriated land	3,623,176	–
Proceeds from disposal of asset held for sale	7,881,700	–
Net cash used in investing activities	(68,656,999)	(23,077,567)
Cash flows from financing activities		
Interest paid	(12,333,049)	(20,457,106)
Interest received	664,022	1,102,906
Proceeds from bank borrowings	177,181,060	167,130,794
Repayment of bank borrowings	(159,923,646)	(323,102,476)
(Increase)/Decrease in pledged fixed deposits	(4,593,535)	15,824,326
Dividends paid	(4,059,328)	(2,613,343)
Net cash used in financing activities	(3,064,476)	(162,114,899)
Net change in cash and cash equivalents	1,086,442	(26,110,859)
Cash and cash equivalents as at the beginning of the financial year	104,905,211	130,382,483
Effect of exchange rate changes on the balance of cash held in foreign currencies	698,834	633,587
Cash and cash equivalents as at the end of the financial year (Note 18)	106,690,487	104,905,211

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 2016 were authorised for issue by the Board of Directors on 6 April 2017.

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, Chapter 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.

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent to IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial year ending 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and IFRS 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed above, as well as other transitional adjustments that may be required or elected under IFRS 1.

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 and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT 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 7 (Amendments)	:	Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	:	Recognition to Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40 (Amendments)	:	Transfers of Investment Property	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	:	Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	:	Leases	1 January 2019
INT FRS 122	:	Foreign Currency Transactions and Advance Consideration	1 January 2018

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 and INT 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.

Amendments to FRS 40 Investment Property

This amendment clarifies that a transfer of a property to, or from, investment property is made when, and only when, there is a change in use. It also clarifies that the following scenarios in FRS 40 are examples of evidence that may support a change in use and not the only possible circumstances in which there is a change in use:

– Commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;

– Commencement of development with a view to sale, for a transfer from investment property to inventories;

– End of owner-occupation, for a transfer from owner-occupied property to investment property; and

– Commencement inception of an operating lease to another party, for a transfer from inventories to investment property.

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.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Classification and measurement

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.

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.

The Group has completed its preliminary assessment of classification and measurement of its financial assets and liabilities and does not expect any changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost.

The financial assets held by the Group include debt instruments which are classified as loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under FRS 109. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

Impairment

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.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Transition

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 and will include additional financial statement disclosures in the financial year when FRS 109 is adopted. 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.

The Group has completed its preliminary assessment and does not expect any significant change to the Group's revenue recognition on adoption of FRS 115. The Group is still in the process of assessing other aspects of FRS 115 including contract modifications and variable consideration for any possible impact.

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

FRS 116 Leases

FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, particularly factory space, office premises and sales offices, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented factory space and office premises on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

INT FRS 122 Foreign Currency Transactions and Advance Consideration

INT FRS 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part of it) on initial recognition, is the earlier of:

(a) The date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability; and

(b) The date that the asset, expense or income (or part of it) is recognised in the financial statements.

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.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

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.

<u>Sale of goods and raw materials</u>

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.

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

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.

2.5 Government subsidies

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

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

2.7 Employee leave entitlements

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

2.8 Leases

The Group as a lessee

Operating leases

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

2. Summary of significant accounting policies (Continued)

2.8 Leases (Continued)

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.

2.9 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, 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.

2. Summary of significant accounting policies (Continued)

2.10 Taxes (Continued)

Deferred tax (Continued)

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

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

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

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

Sales tax

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

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

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

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

2.11 Foreign currency transactions and translation

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

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

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

2. Summary of significant accounting policies (Continued)

2.11 Foreign currency transactions and translation (Continued)

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

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

2.12 Property, plant and equipment

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

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

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

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

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

Construction in progress is carried at cost, less any recognised impairment loss. The costs include all direct costs, 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 Prepaid lease payments

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

2.15 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. Summary of significant accounting policies (Continued)

2.16 Inventories

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

2.17 Financial instruments

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

Effective interest method

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

Financial assets

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

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

Loans and receivables

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

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

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Derecognition of financial liabilities

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

2.18 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.

2.19 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.

2.20 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.

2.21 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

Management is of the opinion that there are no critical judgements, apart from those involving estimations (see below), that have a significant effect on the amounts recognised in the financial statements.

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, advances to suppliers and prepayments for construction in progress) as at 31 December 2016 was RMB160,986,101 (2015: RMB160,617,867) and RMB693,209 (2015: RMB64,912) 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 2016 was RMB72,437,361 (2015: RMB74,122,315).

(iii) 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 amount of the Group's current income tax payable as at 31 December 2016 was RMB5,844,186 (2015: RMB6,839,854). The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2016 were RMB2,163,147 (2015: RMB1,382,363) and RMB2,313,139 (2015: RMB2,696,739) respectively.

4. Revenue

	Group	
	2016	2015
	RMB	RMB
Sale of goods	650,500,473	691,074,184

5. Other income

	Group	
	2016	2015
	RMB	RMB
Amortisation of deferred government subsidy related to assets *	561,036	527,703
Foreign exchange gains, net	963,853	486,716
Gain on expropriated land	743,069	–
Government subsidies related to expenditure *	2,142,824	31,200
Interest income - bank deposits	664,022	1,102,906
Miscellaneous income **	16,411	616,975
Operating lease income - investment property	137,143	195,196
Operating lease income - office premises	323,706	52,159
Sales of raw materials	2,243,279	5,492,022
	7,795,343	8,504,877

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

** Miscellaneous income in the previous financial year consisted of waiver of debts from other payables, insurance compensation and sale of samples.

6. Finance costs

	Group	
	2016	2015
	RMB	RMB
Interest expense on bank borrowings	12,333,049	20,457,106

7. Profit before income tax

The above is arrived at after charging:

	Group	
	2016	2015
	RMB	RMB
Cost of sales		
Cost of inventories recognised as an expense	476,201,622	511,651,846
Included in the above are:		
- Depreciation of property, plant and equipment	42,820,131	40,287,291
- Operating lease expenses – factory space	876,967	898,356
- Write-down of inventories	20,210	1,971,853

7. Profit before income tax (Continued)

	Group 2016 RMB	Group 2015 RMB
Distribution expenses		
Advertisement and promotional expenses	57,428	136,639
Depreciation of property, plant and equipment	77,173	97,496
Entertainment expenses	1,959,029	2,027,998
Employee benefits expense		
- Salaries, bonuses and allowances	6,816,939	6,087,456
- Contributions to defined contribution plans	366,248	318,596
- Staff welfare	56,561	213,210
Operating lease expenses – sales offices	239,850	232,715
Transportation costs	22,366,841	22,482,422
Travelling and accommodation expenses	1,868,085	2,052,079
Upkeep of motor vehicles expenses	652,992	682,054
Administrative expenses		
Allowance for impairment of trade receivables	1,298,810	775,414
Amortisation of prepaid lease payments	1,489,032	1,498,010
Audit fee		
- Auditors of the Company	426,638	409,536
- Other auditors (a member firm of BDO International Limited)	524,000	450,000
- Other auditors	34,709	36,885
Non-audit fee		
- Auditors of the Company	14,014	12,739
- Other auditors (a member firm of BDO International Limited)	32,000	17,000
Bad trade receivables written off	–	10,552
Bank charges	668,493	403,657
Depreciation of investment property	17,406	22,604
Depreciation of property, plant and equipment	3,733,356	4,113,128
Directors' remuneration		
- Directors of the Company [(1)]		
- Directors' fees	591,938	558,149
- Salaries, bonuses and allowances	8,503,615	7,726,922
- Contributions to defined contribution plans	290,759	242,240
Duty and tax	7,172,788	3,081,130
Employee benefits expense [(1)]		
- Salaries, bonuses and allowances	10,269,934	10,857,568
- Contributions to defined contribution plans	1,130,305	1,332,236
- Other related costs	964,202	1,718,920
Loss on disposal of property, plant and equipment	1,601,001	510,115
Office repairs and maintenance expenses	135,589	219,641
Operating lease expenses – office premises	659,204	520,133
R&D expenditure	26,840,426	27,659,730
Telephone and fax charges	1,139,149	795,926
Travelling and accommodation expenses	1,947,323	2,123,197

[(1)] Directors' remuneration and employee benefits expense include key management personnel remuneration as disclosed in Note 33 to the financial statements.

8. Income tax expense

	Group 2016 RMB	Group 2015 RMB
Current income tax		
- current financial year	6,182,123	8,308,098
- underprovision in prior financial years	14,708	132
Withholding tax	2,010,864	475,933
	8,207,695	8,784,163
Deferred tax		
- current financial year	(1,164,384)	2,022,849
	7,043,311	10,807,012

Subsidiaries of the Group which are incorporated in People's Republic of China are subject to China income tax of 25% except for Foshan Southern Packaging Co., Ltd 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 ended 31 December 2016. Southern (HK) Packaging Company Limited, a subsidiary incorporated in Hong Kong is subject to Hong Kong income tax of 16.5%.

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

	Group 2016 RMB	Group 2015 RMB
Profit before income tax	47,970,264	52,196,720
Tax at Singapore statutory income tax rate	8,154,945	8,873,442
Tax effect of expenses that are not deductible in determining taxable profit	2,918,744	1,778,245
Tax effect of income that are not taxable in determining taxable profit	(2,835,267)	(1,022,644)
Deductions on disposal of associate/asset held for sale *	(4,177,630)	–
Effect of different tax rates of overseas operations	956,947	701,904
Underprovision of current income tax in prior financial years	14,708	132
Withholding tax	2,010,864	475,933
Tax expense for the financial year	7,043,311	10,807,012

* Included in this amount was tax deduction amounting to RMB7.77million relating to cumulative losses of RMB51.8million arising from the disposal of associate/asset held for sale in the current financial year, of which the amount of RMB27.84million was offset against current financial year's profits and the amount of RMB23.96million will be available for offset against future taxable profits subject to agreement by the tax authorities and provisions of tax legislations of the People's Republic of China.

9. Earnings per share

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

	Group	
	2016	2015
The calculation of basic and diluted earnings per share is based on:		
Profit for the financial year attributable to owners of the parent (RMB)	40,926,953	41,389,708
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 2015 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 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 1.1.2016	212,616,155	390,724,913	179,499,311	11,939,464	341,363	11,340,759	806,461,965
Additions	20,123,907	7,011,572	27,440,741	2,186,118	–	44,106,722	100,869,060
Disposals	–	(15,740,366)	(5,763,440)	(1,548,472)	–	(35,086)	(23,087,364)
Transfer from investment property	804,360	–	–	–	–	–	804,360
Reclassification	17,861,504	17,590,832	2,100,844	–	–	(37,553,180)	–
Currency translation differences	–	–	6,540	–	23,103	–	29,643
Balance as at 31.12.2016	251,405,926	399,586,951	203,283,996	12,577,110	364,466	17,859,215	885,077,664
Accumulated depreciation							
Balance as at 1.1.2016	22,159,699	237,552,281	121,647,046	8,696,699	341,363	–	390,397,088
Depreciation for the financial year	7,648,950	20,369,292	17,448,383	1,164,035	–	–	46,630,660
Disposals	–	(13,421,600)	(90,684)	(1,436,897)	–	–	(14,949,181)
Transfer from investment property	224,162	–	–	–	–	–	224,162
Currency translation differences	–	–	6,538	–	23,103	–	29,641
Balance as at 31.12.2016	30,032,811	244,499,973	139,011,283	8,423,837	364,466	–	422,332,370
Accumulated impairment loss							
Balance as at 1.1.2016 and 31.12.2016	–	182,482	28,244	–	–	–	210,726
Carrying amount							
Balance as at 31.12.2016	221,373,115	154,904,496	64,244,469	4,153,273	–	17,859,215	462,534,568

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 1.1.2015	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)

	Furniture, fixture and equipment RMB
Company	
Cost	
Balance as at 1.1.2016 and 31.12.2016	28,074
Accumulated depreciation	
Balance as at 1.1.2016 and 31.12.2016	28,074
Carrying amount	
Balance as at 31.12.2016	–
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	–

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

	Group 2016 RMB	Group 2015 RMB
Additions to property, plant and equipment	100,869,060	30,900,725
Trade payables	(11,383,424)	(3,372,628)
Cash payments to acquire property, plant and equipment	89,485,636	27,528,097

The Group has pledged buildings and plant and machinery having carrying amounts of RMB118,627,759 (2015: RMB78,548,212) and RMB23,481,013 (2015: RMB35,867,396) respectively to secure banking facilities granted to the Group (Note 23).

11. Investment property

	Group RMB
Cost	
Balance as at 1.1.2016	1,537,219
Transfer to property, plant and equipment	(804,360)
Balance as at 31.12.2016	732,859
Accumulated depreciation	
Balance as at 1.1.2016	469,654
Depreciation for the financial year	17,406
Transfer to property, plant and equipment	(224,162)
Balance as at 31.12.2016	262,898
Carrying amount	
Balance as at 31.12.2016	469,961
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

The investment property relates to a 308 sqm (2015: 708 sqm) office premise located at No. 9 Foping Four Road, Sixth floor (2015: Sixth and 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 property reliably as the market for comparable properties is inactive and alternative reliable measurements of fair value are not available. Furthermore, the People's Republic of China 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 RMB137,143 (2015: RMB195,196). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to RMB24,302 (2015: RMB53,160).

The Group's investment property has been pledged to secure banking facilities granted to the Group (Note 23).

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

12. Investments in subsidiaries

	Company 2016 RMB	Company 2015 RMB
Unquoted equity contribution/shares, at cost	441,050,108	407,696,551
Deemed investment arising from the issuance of financial guarantees	8,262,633	7,411,488
	449,312,741	415,108,039

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 23).

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Country of incorporation (or registration) and place of business	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %	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	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.

12. Investments in subsidiaries (Continued)

Increase in investments in subsidiaries

During the financial year, the Company injected additional capital in cash as registered and paid-up capital in the following wholly-owned subsidiaries:

	Company	
	2016	2015
	RMB	RMB
Southern Packaging (Jiangsu) Co., Ltd	25,524,874	17,824,333
Foshan Southern Packaging Co., Ltd	7,890,420	–
	33,415,294	17,824,333

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 a 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

As at 31 December 2016, cash and bank balances of RMB103,633,183 (2015: RMB94,056,203) 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. Prepaid lease payments

	Group RMB
Balance as at 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)
Balance as at 31.12.2015	64,856,451
Balance as at 31.12.2015 and 1.1.2016	
Cost	73,205,933
Accumulated amortisation	(8,349,482)
Carrying amount	64,856,451
Financial year ended 31.12.2016	
Carrying amount as at 1.1.2016	64,856,451
Disposal	(2,880,107)
Amortisation for the financial year	(1,489,032)
Balance as at 31.12.2016	60,487,312
Balance as at 31.12.2016	
Cost	70,180,911
Accumulated amortisation	(9,693,599)
Carrying amount	60,487,312

Presented in the consolidated statement of financial position as:

	Group	
	2016 RMB	2015 RMB
Current	1,438,336	1,498,837
Non-current	59,048,976	63,357,614
	60,487,312	64,856,451

Prepaid lease payments are amortised on a straight-line basis over the lease term of 50 years (from 1999 to 2064) as stated in the relevant land use right certificates granted for usage by the Group in the People's Republic of China.

Included in the prepaid lease payments as at 31 December 2016 is an amount of RMB16.50million (2015: 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.

13. Prepaid lease payments (Continued)

According to the agreement, FSP is required to:

- by 8 November 2013, complete the design, submit construction report and related documents and commence official construction of property for industrial purposes; and

- by 8 November 2015, complete all construction of property and submit construction completion verification report and related documents for final acceptance.

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

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

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 2016, FSP received a letter issued by the People's Government of Nanhai District, Foshan City to the District Urban Construction and Water Affairs Bureau (Land) agreeing the extension of the commencement and completion dates of the project and these dates will start to count down once the electricity points (switch station) are made ready for use.

FSP received a reminder letter dated 31 May 2016 from the Foshan City Nanhai District San Shan New City Development Bureau. The letter stated that, in consideration of the completion of the electricity points which is estimated to be completed in June 2016 and to avoid liability for breach of agreement, FSP is to arrange for the completion of the preparatory work required for the commencement of the construction as soon as possible, so as to ensure that the construction can commence on schedule.

A letter dated on 30 November 2016 was received from Foshan City Nanhai District San Shan New City Development Bureau, stating that the electricity points had been completed and put into operation on 18 October 2016.

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

The management is currently working out the action plans to ensure that construction can commence and complete by the revised dates of commencement and completion of 18 October 2017 and 18 October 2019 respectively.

The Group has pledged certain of its land use rights having a carrying amount of RMB42,690,491 (2015: RMB55,710,265) to secure banking facilities granted to the Group (Note 23).

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

14. Deferred tax assets/(liabilities)

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

	Accruals RMB	Provisions RMB	Deferred government subsidies RMB	Undistributed earnings of subsidiaries RMB	Prepaid lease payments RMB	Total RMB
Group						
Balance as at 1.1.2016	–	937,515	2,963,759	(1,000,000)	(4,215,650)	(1,314,376)
Credited to profit or loss	–	328,640	745,725	–	90,019	1,164,384
Balance as at 31.12.2016	–	1,266,155	3,709,484	(1,000,000)	(4,125,631)	(149,992)
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)

Disclosed as:

	RMB
2016	
Deferred tax assets	2,163,147
Deferred tax liabilities	(2,313,139)
	149,992
2015	
Deferred tax assets	1,382,363
Deferred tax liabilities	(2,696,739)
	1,314,376

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 2016, unremitted earnings of certain subsidiaries in the People's Republic of China amounted to RMB67,401,489 (2015: RMB67,852,256) for which the deferred tax liabilities on the withholding tax and other taxation that would be payable on these unremitted earnings 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.

15. Inventories

	Group 2016 RMB	Group 2015 RMB
Raw materials and consumables	35,573,154	37,200,333
Work in progress	6,032,918	6,958,917
Finished goods	30,831,289	29,963,065
	72,437,361	74,122,315

16. Trade receivables

	Group 2016 RMB	Group 2015 RMB
Trade receivables		
- third parties	129,360,742	130,219,433
- an associate	–	115,750
- a related party	88,035	–
	129,448,777	130,335,183
Bills receivables	29,124,611	28,035,353
	158,573,388	158,370,536
Less: Allowance for impairment of trade receivables – third parties	(3,050,773)	(1,725,612)
	155,522,615	156,644,924

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 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. Allowances 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 RMB10,022,656 (2015: RMB13,450,676) 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 2016 RMB	Group 2015 RMB
Not past due and not impaired	145,499,959	143,194,248
Past due but not impaired (i)	10,022,656	13,450,676
Impaired receivables	3,050,773	1,725,612
Less: Allowance for impairment of trade receivables	(3,050,773)	(1,725,612)
	155,522,615	156,644,924

16. Trade receivables (Continued)

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

	Group	
	2016	2015
	RMB	RMB
< 90 days	6,103,373	7,557,212,
91 to 180 days	3,919,283	5,520,685
181 to 365 days	–	372,779
	10,022,656	13,450,676

Movements in the allowance for impairment of trade receivables were as follows:

	Group	
	2016	2015
	RMB	RMB
Balance as at the beginning of the financial year	1,725,612	917,917
Allowance recognised in profit or loss	1,298,810	775,414
Allowance written off against receivables	(4,460)	–
Currency translation differences	30,811	32,281
Balance as at the end of the financial year	3,050,773	1,725,612

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

	Group	
	2016	2015
	RMB	RMB
Denominated in:		
United States dollar	7,694,726	5,146,862

17. Other receivables and prepayments

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Other receivables				
- third parties	5,463,486	3,972,943	14,399	13,763
- subsidiaries	–	–	678,810	51,149
	5,463,486	3,972,943	693,209	64,912
Advances to suppliers	32,512,800	18,559,392	–	–
Prepayments for construction in progress	1,335,764	–	–	–
Prepayments	2,535,957	2,300,676	–	–
Other receivables and prepayments	41,848,007	24,833,011	693,209	64,912
Add: Trade receivables	155,522,615	156,644,924	–	–
Add: Cash and cash equivalents	114,593,106	108,214,295	1,305,318	1,324,415
Less: Prepayments for construction in progress	(1,335,764)	–	–	–
Less: Prepayments	(2,535,957)	(2,300,676)	–	–
Less: Advances to suppliers	(32,512,800)	(18,559,392)	–	–
Loans and receivables	275,579,207	268,832,162	1,998,527	1,389,327

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	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Denominated in:				
Singapore dollar	14,399	13,763	14,399	13,763
Japanese yen	145,402	–	–	–

18. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Cash on hand	14,449	15,927	–	–
Cash at bank	106,676,038	104,889,284	1,305,318	1,324,415
Fixed deposits	7,902,619	3,309,084	–	–
Cash and cash equivalents as shown in the statements of financial position	114,593,106	108,214,295	1,305,318	1,324,415
Less: Fixed deposits pledged	(7,902,619)	(3,309,084)		
Cash and cash equivalents as shown in the consolidated statement of cash flows	106,690,487	104,905,211		

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 0.30% (2015: 0.35%) per annum.

The Group has pledged fixed deposits of RMB7,902,619 (2015: RMB3,309,084) to secure short-term bank borrowings. The pledged fixed deposits earn interest of 1.35% (2015: 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	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Euro	61,883	60,088	–	–
United States dollar	12,321,324	8,999,847	82,792	77,461
Hong Kong dollar	138,140	93,177	75,280	34,308
Singapore dollar	1,147,246	1,212,646	1,147,246	1,212,646
Japanese yen	2	–	–	–

19. Asset held for sale

In December 2014, the management intended to dispose of the investment in associate. 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 financial year ended 31 December 2015, 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.

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.

19. Asset held for sale (Continued)

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.

On 22 March 2016, Foshan Southern Packaging Co. Ltd. entered into a conditional sale and purchase agreement with Energetic Holdings Limited ("EHL"), 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. EHL holds 56.55% in the associate prior to entering into this agreement. An extraordinary general meeting was held on 29 April 2016 with the shareholders giving approval on the disposal to EHL.

The transaction was completed on 1 July 2016 and Foshan Energetic Film Co., Ltd ceased to be an associate of the Group.

20. Share capital

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		RMB	RMB
Issued and paid up				
Balance as at the beginning of the financial year	281,276,826	281,276,826	230,592,765	230,592,765
Share consolidation	(210,957,662)	–	–	–
Balance as at the end of the financial year	70,319,164	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.

21. Reserves

	Group	
	2016	2015
	RMB	RMB
Capital contribution	12,638,812	12,638,812
Statutory reserve	55,313,017	48,164,213
Foreign currency translation account	(2,055,776)	(3,164,657)
	65,896,053	57,638,368

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.

21. Reserves (Continued)

Capital contribution (Continued)

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

Statutory reserve

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

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.

22. Deferred government subsidies

	Group	
	2016	2015
	RMB	RMB
Balance as at the beginning of the financial year	11,855,035	11,482,738
Additions	3,543,936	900,000
Recognised as income during the financial year (Note 5)	(561,036)	(527,703)
Balance as at the end of the financial year	14,837,935	11,855,035
Portion classified as current liabilities	(561,035)	(561,035)
Portion classified as non-current liabilities	14,276,900	11,294,000

The Group received subsidies from the People's Republic of China government for the purchase of land use rights and plant and machinery. The subsidies are recognised over the duration of the useful lives of the land use rights and plant and machinery. The carrying amounts of the subsidies as at 31 December 2016 for the purchase of land use rights and plant and machinery were RMB6,185,348 (2015: RMB6,325,582) and RMB8,652,587 (2015: RMB5,529,453) respectively.

23. Bank borrowings

	Group	
	2016	2015
	RMB	RMB
Bank borrowings		
- Bank A	41,000,000	45,000,000
- Bank B	114,395,000	138,552,600
- Bank C	15,000,000	–
- Bank D	16,584,425	–
- Bank E	6,066,713	4,518,034
- Bank F	3,000,000	–
- Bank G	20,000,000	20,000,000
- Bank H	9,885,000	–
	225,931,138	208,070,634
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(167,034,638)	(138,070,634)
Amounts due for settlement after 12 months	58,896,500	70,000,000

The bank borrowings have average effective interest rates ranging from 2.20% to 7.36% (2015: 2.50% to 7.36%) per annum with maturity dates ranging from 21 January 2017 to 29 November 2019 (2015: 27 February 2016 to 14 July 2019).

Bank borrowings of RMB129.9 million (2015: RMB75 million) are arranged at fixed interest rates ranging from 2.20% to 5.66% (2015: 5.29% to 6.16%) per annum and expose the Group to fair value interest rate risk. Other borrowings of RMB96 million (2015: RMB133.07 million) are arranged at floating rates based on prevailing interbank rate in the People's Republic of China, thus exposing the Group to cash flow interest rate risk.

The Group has borrowings from the various banks:

a) Borrowings obtained from Bank A amounting to RMB41 million (2015: RMB45 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 RMB114.4 million (2015: RMB138.6 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 RMB15 million (2015: Nil) are supported by a corporate guarantee by the Company.

d) Borrowings obtained from Bank D amounting to RMB16.6 million (2015: Nil) 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 RMB6.1 million (2015: RMB4.5 million) are supported by a corporate guarantee by the Company.

f) Borrowings obtained from Bank F amounting to approximately RMB3 million (2015: Nil) 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 (2015: RMB20 million) are secured by a charge over certain of the Group's prepaid lease payments.

h) Borrowings obtained from Bank H amounting to approximately RMB9.9 million (2015: Nil) 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.

23. Bank borrowings (Continued)

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

	Group	
	2016	2015
	RMB	RMB
Denominated in:		
United States dollar	6,066,713	4,518,034
Japanese yen	4,090,326	–

24. Trade payables

	Group	
	2016	2015
	RMB	RMB
Third parties	103,952,721	106,025,902

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

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

	Group	
	2016	2015
	RMB	RMB
Denominated in:		
Euro	132,773	128,928
Japanese yen	–	2,350,890
United States dollar	4,822,395	7,409,803

25. Other payables

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Other payables				
- third parties	3,432,297	6,562,765	–	–
- a related party	2,332,575	2,332,575	–	–
- subsidiaries	–	–	3,196,879	789,520
	5,764,872	8,895,340	3,196,879	789,520
Financial guarantee contracts	–	–	1,789,110	2,587,549
Accrued expenses	17,384,800	16,509,853	2,644,127	2,172,797
Customers advances	4,915,675	2,828,313	–	–
Other payables	28,065,347	28,233,506	7,630,116	5,549,866
Add: Trade payables	103,952,721	106,025,902	–	–
Add: Bank borrowings	225,931,138	208,070,634	–	–
Less: Customers advances	(4,915,675)	(2,828,313)	–	–
Other financial liabilities at amortised cost	353,033,531	339,501,729	7,630,116	5,549,866

25. Other payables (Continued)

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 RMB177.0 million (2015: RMB160.6 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.

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	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Denominated in:				
Hong Kong dollar	–	–	2,817,229	344,933
United States dollar	–	–	–	64,936
Singapore dollar	4,433,236	4,760,347	4,433,236	4,760,347

26. Operating lease commitments

The Group as lessee

	Group	
	2016 RMB	2015 RMB
Minimum lease payments under operating leases recognised as expense during the financial year	1,881,971	1,651,204

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

	Group	
	2016 RMB	2015 RMB
Not later than one year	2,505,563	772,093
Later than one year and not later than five years	–	443,631
	2,505,563	1,215,724

Leases are negotiated and rentals are fixed for an average term of 1 to 2 years (2015: 1 to 5 years).

26. Operating lease commitments (Continued)

The Group as lessor

The Group rents out its investment property and office premises in the People's Republic of China under operating leases. Property rental income earned during the financial year was RMB460,849 (2015: RMB247,355). Leases are negotiated and rentals are fixed for an average term of 1 to 3 years (2015: 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	
	2016	2015
	RMB	RMB
Not later than one year	254,286	271,500
Later than one year and not later than five years	125,714	280,000
	380,000	551,500

27. Capital commitments

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

	Group	
	2016	2015
	RMB	RMB
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of property, plant and equipment	8,953,701	1,795,666

28. Dividends

	Company	
	2016	2015
	RMB	RMB
Final tax-exempt dividends of S$0.012 per ordinary share in respect of the financial year ended 31 December 2015	4,059,328	–
Final tax-exempt dividends of S$0.002 per ordinary share in respect of the financial year ended 31 December 2014	–	2,613,343
	4,059,328	2,613,343

The Board of Directors propose a final tax-exempt dividend of S$0.012 per ordinary share, totalling approximately S$843,830 (equivalent to approximately RMB3,824,997) in respect of the financial year ended 31 December 2016. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

29. 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.

Segment assets

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

Segment liabilities

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

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

29. Segment information (Continued)

Segment revenue, results and assets

	Rigid packaging		Flexible packaging		Consolidated	
	2016	2015	2016	2015	2016	2015
	RMB	RMB	RMB	RMB	RMB	RMB
Group						
Revenue						
External sales	369,761,865	360,862,952	280,738,608	330,211,232	650,500,473	691,074,184
Results						
Segment gross profits	98,271,718	87,185,815	76,027,133	92,236,523	174,298,851	179,422,338
Allocated expense	(64,696,551)	(59,350,598)	(44,968,878)	(45,676,801)	(109,665,429)	(105,027,399)
Allocated income	3,701,985	2,747,728	2,947,419	2,611,469	6,649,404	5,359,197
Segment result	37,277,152	30,582,945	34,005,674	49,171,191	71,282,826	79,754,136
Unallocated expenses					(12,125,452)	(10,245,989)
Unallocated income					481,917	2,042,773
Interest income					664,022	1,102,906
Interest expense					(12,333,049)	(20,457,106)
Profit before income tax					47,970,264	52,196,720
Income tax expense					(7,043,311)	(10,807,012)
Profit for the financial year attributable to owners of the parent					40,926,953	41,389,708
Assets						
Segment assets	527,594,567	471,254,091	204,533,612	200,186,548	732,128,179	671,440,639
Asset held for sale					–	7,881,700
Unallocated corporate assets					177,927,898	175,534,436
Consolidated total assets					910,056,077	854,856,775
Liabilities						
Segment liabilities	69,659,393	67,003,520	57,211,646	62,715,403	126,871,039	129,718,923
Unallocated corporate liabilities					254,073,427	234,002,747
Consolidated total liabilities					380,944,466	363,721,670

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Rigid packaging	62,906,405	18,660,330	28,312,328	24,930,037
Flexible packaging	37,962,655	12,240,395	18,318,332	19,567,877
Unallocated segments	–	506,830	1,506,438	1,520,615
	100,869,060	31,407,555	48,137,098	46,018,529

Revenue from major products and services

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

29. Segment information (Continued)

Geographical information

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

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

	Revenue		Non-current assets	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
People's Republic of China	599,790,832	650,548,129	522,053,505	480,279,330
Netherlands	5,219,386	1,979,456	–	–
Hong Kong	9,856,168	7,811,213	–	–
America	13,303,062	14,002,196	–	–
Others	22,331,025	16,733,190	–	–
	650,500,473	691,074,184	522,053,505	480,279,330

Information about major customers

Included in revenue arising from rigid packaging and flexible packaging are revenues of RMB130,178,524 (2015: RMB80,267,187) and RMB12,995,129 (2015: RMB31,270,387) respectively which arose from sales to the Group's largest customer.

30. 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 19% (2015: 23%) of the Group's trade receivable from third parties were due from 3 (2015: 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 16 and 17.

30. Financial instruments and financial risks (Continued)

(ii) Market risks

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

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

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

Foreign exchange risk

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

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	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Euro	61,883	60,088	132,773	128,928	–	–	–	–
US$	20,016,050	14,146,709	10,889,108	11,927,837	82,792	77,461	–	64,936
JPY	145,404	–	4,090,326	2,350,890	–	–	–	–
HK$	138,140	93,177	2,817,229	344,933	75,280	34,308	2,817,229	344,933
S$	1,161,645	1,226,409	4,433,236	4,760,347	1,161,645	1,226,409	4,433,236	4,760,347

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

Foreign currency sensitivity

The following table details the sensitivity to a 7% (2015: 10%) increase in Euro, US$, JPY, HK$ and S$ against RMB. 7% (2015: 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 7% (2015: 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.

30. **Financial instruments and financial risks (Continued)**

(ii) **Market risks (Continued)**

Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

If the relevant foreign currency strengthens by 7% (2015: 10%) against RMB, profit before income tax will increase/(decrease) by:

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Euro impact	(4,962)	(6,884)	–	–
US$ impact	638,886	221,887	5,795	1,253
JPY impact	(276,145)	(235,089)	–	–
HK$ impact	(187,536)	(25,176)	(191,936)	(31,063)
S$ impact	(229,011)	(353,394)	(229,011)	(353,394)

If the relevant foreign currency weakens by 7% (2015: 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 and fixed and variable interest rates.

The interest rates and terms of repayment of the Group's interest-bearing financial instruments are disclosed in Notes 18 and 23.

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 (2015: 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 (2015: 100 basis points) with all other variables held constant, the Group's profit/loss before income tax for the financial year ended 31 December 2016 would have been higher/lower by approximately RMB841,154 (2015: higher/lower by approximately RMB1,391,954) 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 affected by changes in interest rates as the Company does not have interest-bearing financial assets and liabilities.

30. Financial instruments and financial risks (Continued)

(iii) Liquidity risk

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

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

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Total
	%	RMB	RMB	RMB
Group				
2016				
Trade payables	–	103,952,721	–	103,952,721
Other payables *	–	23,149,672	–	23,149,672
Bank borrowings, fixed interest rate	4.8	124,103,350	9,879,712	133,983,062
Bank borrowings, variable interest rate	5.2	51,460,373	57,841,220	109,301,593
		302,666,116	67,720,932	370,387,048
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
Company				
2016				
Other payables	–	7,630,116	–	7,630,116
Financial guarantee contracts	1.5	128,454,565	51,927,083	180,381,648
		136,084,681	51,927,083	188,011,764
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

* Excluding customers advances.

The maximum amount that the Company could be forced to settle under the financial guarantee contract is stated in Note 25, 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 (2015: 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.

31. 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. For the fixed rate non-current bank borrowings, the management estimates that the carrying amount approximate its fair value as the interest rate of the bank borrowings approximate the market lending rate for similar types of loan at the end of the reporting period. The carrying amount of current bank borrowings is a reasonable approximation of its fair value due to its relatively short-term nature.

32. 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.

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Trade and other payables	132,018,068	134,259,408	7,630,116	5,549,866
Bank borrowings	225,931,138	208,070,634	–	–
Less: Cash and cash equivalents	(114,593,106)	(108,214,295)	(1,305,318)	(1,324,415)
Net debt	243,356,100	234,115,747	6,324,798	4,225,451
Equity attributable to owners of the parent	529,111,611	491,135,105	443,681,152	410,947,500
Total capital	772,467,711	725,250,852	450,005,950	415,172,951
Gearing ratio	32%	32%	1%	1%

Subsidiaries of the Group established in the People's Republic of China are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the People's Republic of China and Note 21.

In addition to the above, the Group and the Company are in compliance with all externally imposed capital requirements relating to financial covenants on its borrowings for the financial years ended 31 December 2016 and 2015.

33. 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	
	2016	2015
	RMB	RMB
With certain Directors of the Company		
Rental expense	646,128	518,195
With companies in which certain Directors have control		
Short term loan granted *	–	10,173,151
Rental expense	898,356	898,356
Sale of goods	(1,140,367)	(698,744)
Disposal of asset held for sale	(7,881,700)	–
Acquisition of office units	19,997,226	–
With an associate		
Sale of goods	–	(120,415)

* 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 23) are supported by individual guarantees given by the Directors. No charge has been made for these guarantees.

Compensation of Directors and key management personnel

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

	Group		Company	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Short-term benefits	10,557,514	9,697,948	6,979,756	5,443,363
Post-employment benefits	290,759	255,868	276,738	199,563
	10,848,273	9,953,816	7,256,494	5,642,926

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 14 MARCH 2017

Class of Shares	:	Ordinary Shares
Treasury Shares	:	Nil
Voting Rights	:	One Vote per Ordinary Share
No. of Holders	:	516 holders

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	18	3.49	446	0.00
100 - 1,000	105	20.35	49,386	0.07
1,001 - 10,000	257	49.81	953,993	1.36
10,001 - 1,000,000	130	25.19	7,594,326	10.80
1,000,001 and above	6	1.16	61,721,013	87.77
TOTAL	**516**	**100.00**	**70,319,164**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	PAN SHUN MING	27,384,697	38.94
2	MAI SHUYING	13,739,015	19.54
3	JEN SHEK CHUEN	8,861,551	12.60
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	638,102	0.91
9	MAYBANK KIM ENG SECURITIES PTE LTD	390,850	0.56
10	LIM TCHEN NAN	387,500	0.55
11	HUANG BAOJIA	373,563	0.53
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	363,409	0.52
13	TAN SIEW KENG CHRISTINA	279,000	0.40
14	PU JINBO	182,954	0.26
15	HSU SHU HAO	168,000	0.24
16	ZHANG JIANLING	156,818	0.22
17	DONALD QUEK JEE KWEE	150,000	0.21
18	JENNIFER LEUNG MAN CHU	146,250	0.21
19	CIMB SECURITIES (SINGAPORE) PTE LTD	103,690	0.15
20	TTH DEVELOPMENT PTE LTD	100,000	0.14
	TOTAL	**65,977,149**	**93.82**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2017

	DIRECT INTEREST		DEEMED 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	8,861,551	12.60	–	–
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

Notes :-

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

To the best knowledge of the Company and based on the Shareholders' Information provided to the Company as at 14 March 2017, approximately 14.42% of the issued and paid-up ordinary shares of the Company are held in the hands of the public as defined in the Listing Manual. Therefore, the Company has complied with Rule 723 of the Listing Manual.

The definition of "public" in the listing manual is reproduced as follows:-

A person other than

(a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the issuer and its subsidiary company; and
(b) associates of the persons in paragraph (a)

"Associate" means:

(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

"Immediate family members" means

in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent

"Controlling shareholder" means a person who:

(a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or

(b) in fact exercises control over a company

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company ("**AGM**") will be held at Raffles City Convention Centre, level 4, Enterprise room, 2 Stamford Road, Singapore 178882 on Friday, 28 April 2017 at 9.30 a.m. to transact the following businesses:-

AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement together with the Auditors' Report. *Resolution 1*

2. To approve the payment of a first and final tax exempt (one-tier) dividend of 1.2 Singapore cents (S$0.012) per ordinary share for the financial year ended 31 December 2016. *Resolution 2*

3. To approve the payment of Directors' fees of S$123,000 for the financial year ended 31 December 2016. (2015: S$123,000) *Resolution 3*

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

   a) Mr Pan Shun Ming (See Explanatory Note 1) *Resolution 4*

   b) Mr Li Yonghua *Resolution 5*

   c) Mr Yeung Koon Sang @ David Yeung (See Explanatory Note 2) *Resolution 6*

5. To re-elect the following Directors who are retiring by rotation pursuant to Article 97 of the Company's Constitution:

   a) Mr Tan Jiansheng (See Explanatory Note 3) *Resolution 7*

   b) Mr Guo Weihai (See Explanatory Note 4) *Resolution 8*

6. To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors to fix their remuneration. *Resolution 9*

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, which will be proposed as Ordinary Resolutions:-

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

   I. "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to: *Resolution 10*

      (i) allot and issue shares of the Company ("**shares**") whether by way of rights, bonus, or otherwise; and/or

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

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

   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 Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares, 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 (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20% of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-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 sub-paragraph (a) above, the percentage of issued shares shall be based on the total number of issued shares, excluding treasury shares, at the time this Resolution is passed, after adjusting for:

(i) 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

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

(c) 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

(d) (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 5)

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

"That subject to and pursuant to the share issue mandate in the Resolution 10 above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a 10% discount for new shares to the weighted average price per share determined in accordance with the requirements of the Listing Manual of the SGX-ST". *Resolution 11*

(See Explanatory Note 6)

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

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that subject to approval being obtained at the Annual General Meeting to be held on Friday, 28 April 2017 at 9.30 a.m.:

1. A first and final tax exempt (one-tier) dividend of 1.2 Singapore cents per ordinary share for the financial year ended 31 December 2016 (the "**Dividend**") will be paid on 19 May 2017.

2. The Share Transfer Books and Register of Members of the Company will be closed on 10 May 2017 for the purpose of determining 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, #32-01, Singapore Land Tower, Singapore 04862 up to 5.00 p.m. on 9 May 2017 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 ordinary shares in the Company as at 5.00 p.m. on 9 May 2017 will be entitled to the Dividend.

By Order of the Board

Pan Shun Ming
Executive Chairman and CEO

13 April 2017

Explanatory Notes:-

1. Resolution 4

Mr Pan Shun Ming will, upon re-election as a Director of the Company, remain as the Chairman of the Board. Mr Pan is the substantial shareholder of the Company and he has familial relationship with the Executive Director, Mai Shuying (spouse) and the Deputy Chief Operating Officer, Pan Zhaojin (son).

2. Resolution 6

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

3. Resolution 7

Mr Tan Jiansheng will, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees. The Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

4. Resolution 8

Mr Guo Weihai will, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees. The Board considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

5. Resolution 10

The Ordinary Resolution proposed in item 7 above is to authorise the Directors of the Company from the date of the Annual General Meeting until the next Annual General Meeting to issue shares and/or make or grant instruments that might require shares to be issued, and to issue shares in pursuance of such instruments; up to a limit of 50% of the total number of issued shares of the Company, excluding treasury shares, with a sub-limit of 20% for issues other than on a pro rata basis, calculated as described in the Resolution.

6. Resolution 11

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

In exercising the authority conferred by Resolution 11, 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 Listing Manual of the SGX-ST presently provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day).

Notes:

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

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

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Act.

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

3. If the member is a corporation, the instrument appointing the proxy/proxies must be under common seal or under the hand of its attorney duly authorised or its authorised officer or in such a manner as appropriate under applicable laws.

4. A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 48 hours before the time appointed for holding the meeting in order for the Depositor to be entitled to attend and vote at the AGM.

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

PERSONAL DATA PRIVACY

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

SOUTHERN PACKAGING GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200313312N)

Important :

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

PROXY FORM

I/We, ____ (name)

of ____ (address)

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

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

and/or (strike as appropriate)

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

or failing him/them, the Chairman of the Annual General Meeting of the Company (the "**Meeting**"), as my/our proxy/proxies to attend, speak and to vote for me/us on my/our behalf at the Meeting to be held at Raffles City Convention Centre, level 4, Enterprise room, 2 Stamford Road, Singapore 178882 on Friday, 28 April 2017 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for/against the resolutions proposed at the Meeting as indicated hereunder. In the absence of specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the Meeting.

	ORDINARY BUSINESS	No. of Votes For*	No. of Votes Against*
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement together with the Auditors' Report.		
Resolution 2	To approve the payment of a first and final tax exempt (one-tier) dividend of 1.2 Singapore cents (S$0.012) per ordinary share for the financial year ended 31 December 2016.		
Resolution 3	To approve the payment of Directors' fees of S$123,000 for the financial year ended 31 December 2016.		
Resolution 4	Re-election of Mr Pan Shun Ming as a Director of the Company.		
Resolution 5	Re-election of Mr Li Yonghua as a Director of the Company.		
Resolution 6	Re-election of Mr Yeung Koon Sang @ David Yeung as a Director of the Company.		
Resolution 7	Re-election of Mr Tan Jiansheng as a Director of the Company.		
Resolution 8	Re-election of Mr Guo Weihai as a Director of the Company.		
Resolution 9	To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
Resolution 10	Authority to allot and issue shares.		
Resolution 11	Authority to issue shares at a discount.		

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

Dated this ________ day of ____________________ 2017

Total Number of Shares held (Note 1)

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES TO PROXY FORM:

IMPORTANT

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all the Shares held by you.

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

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

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

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

4. An investor who buy 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 SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney duly authorised or its authorised officer or in such a manner as appropriate under applicable laws.

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

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 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 13 April 2017.

Corporate Information

BOARD OF DIRECTORS

Pan Shun Ming (Executive Chairman & CEO)
Chen Xiang Zhi (Vice Chairman & Executive Director)
Pu Jinbo (Deputy CEO & Executive Director)
Mai Shuying (Executive Director)
Li Yonghua (Chief Operating Officer & Executive Director)
Yeung Koon Sang @ David Yeung (Lead Independent Director)
Chung Tang Fong (Independent Director)
Chia Chor Leong (Independent Director)
Guo Weihai (Independent Director)
Tan Jiansheng (Independent Director)

AUDIT COMMITTEE

Yeung Koon Sang @ David Yeung (Chairman)
Chung Tang Fong
Chia Chor Leong
Guo Weihai
Tan Jiansheng

REMUNERATION COMMITTEE

Yeung Koon Sang @ David Yeung (Chairman)
Chung Tang Fong
Chia Chor Leong
Guo Weihai
Tan Jiansheng

NOMINATING COMMITTEE

Chia Chor Leong (Chairman)
Yeung Koon Sang @ David Yeung
Chung Tang Fong
Guo Weihai
Tan Jiansheng

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
600 North Bridge Road
23-01 Parkview Square
Singapore 188778
Partner-in-charge: William Ng Wee Liang
(Appointed since the financial year ended 31 December 2012)

PRINCIPAL BANKERS

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

Southern Packaging Group Limited

Co. Reg. No.: 200313312N
80 Robinson Road, #02-00
Singapore 068898
Tel: (65) 67350968
Fax: (65) 67376108

www.southern-packaging.com