



# RESOLUTELY MOVING FORWARD

ANNUAL REPORT  
**2022**

# CORPORATE CULTURE

## 企业文化

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.

### 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、创新环保和追求卓越

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

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

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





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# CORPORATE PROFILE

## 公司介绍

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

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

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

## 我们是谁：

南方包装集团有限公司立足全球最大消费市场之一的中国市场，是一家为众多食品、药品、个人护理品及家庭用品行业提供专业塑料包装产品的科技型企业，我们是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中国沿海地区，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，集团拥有宽广的塑料包装工艺设备与技术，利用强大的研发平台与供应链资源，为众多的领先企业提供塑料包装产品及包装解决方案。

主要采用塑料凹版印刷技术为客户提供服务的塑料软包装业务：

- 印刷
- 复合
- 分条、制袋

主要集中在中空成型技术为客户提供成型工艺服务的塑料硬包装业务：

- 全自动高速轮转中空成型
- 注拉吹一步法中空成型
- 注塑成型、模内贴标
- 挤吹成型
- 注吹成型
- 丝印、移印、激光打码等附加服务

我们的目标市场定位在环保、安全、高洁净的包装需求，集团的竞争优势在于拥有强大的高分子化学、材料科学及塑料成型领域的人才和技术；我们以高度的社会责任推动包装事业的发展，为能成为“知名品牌后的品牌”感到自豪；建设环境友好型企业也是我们企业发展的社会责任目标，在提供精美包装满足人类对美好生活追求的同时，我们坚持在材料、环境、生态、经济可持续发展上与社会同步。

### ● 包装承载的内涵

我们为品牌商提供

—展示产品，吸引消费者，保持状态和风味、传递商品信息

我们为消费者提供

—保护商品、方便携带、产品说明

我们为运输承运商提供

—方便装运，产品的保护不受破坏

我们为终端商户提供

—保护产品、便于储存和搬运、货架期

我们理解包装承载了价值链所有相关方的需要和关切，我们智慧诠释包装的内涵。

## CHAIRMAN'S MESSAGE



“

*With our comprehensive capabilities in the rigid and flexible packaging, coupled with our unique strategical partnerships with our key customers, and our research abilities, we are confident of new growth opportunity which will drive sustainable value growth for all our stakeholders.*

”

## DEAR SHAREHOLDERS,

FY2022 was the most challenging year since the outbreak of Covid-19 in 2019. During the year, the Chinese government imposed the toughest control measures over those areas affected by the pandemic. Our Group's sales, as a result, were largely affected by these measures which lasted more than 6 months over those areas which formed part of our major operation areas. In addition, our Group results were worsened by the significant increase in raw material and energy costs.

The Group's revenue in FY2022 was RMB604 million, a decrease of RMB165million or 21.5% compared to RMB769 million in FY2021. The packaging business recorded an annual sales revenue of RMB597 million (including RMB380 million for rigid packaging and RMB217 million for flexible packaging), a year-on-year decrease of 14.3%. The operating gross profit in 2022 was RMB91 million, a decrease of RMB51 million compared to RMB142 million in FY2021. The property assets of Apex Tower recorded sales revenue of RMB6.11 million during the year, contributing a gross profit of RMB1.31 million. The contribution of the property development revenue to the group's revenue this year is not high. The Group recorded a loss of RMB36.29 million in its annual after-tax profit, and its net assets for the year ended at RMB7.63 per share.

Under such difficult environment, our team adopted a two pronged policies of fortifying our relationship with our existing customers with diversified and new packaging products and services. In addition, we invested a significant part of our resources into the new products area, such as pharmaceutical, cosmetic and personal day care products by working with multinational company in these areas. One of our major advantages over our competitors is our capability of providing rigid and flexible packaging solutions to our customers.

Looking ahead, as all the control measures over Covid-19 have been dismantled, we are full of confidence in the recovery of our market. Our Group after going through the trying time of the last three years has emerged stronger and

more resilient and become even more adaptable in meeting customers' demands. Our initiatives in working closely with our customers in developing new packaging solutions have started to see results and expect to achieve volume production in the second half of this year. We expect this new revenue stream might continue into future years.

In summary, with our comprehensive capabilities in the rigid and flexible packaging, coupled with our unique strategical partnerships with our key customers, and our research abilities, we are confident of new growth opportunity which will drive sustainable value growth for all our stakeholders.

The marketing of Apex Towers will be intensified as the overall market conditions continue to improve.

On behalf of the Group I would like to thank our customers, suppliers, employees and shareholders for their support, investment and confidence in the company. The Board of Directors does not propose a dividend for this financial year in view of the adverse results.

## PAN SHUN MING

*Executive Chairman*

**Southern Packaging Group Limited**



# 2022 主席发言

## 各位亲爱的股东：

2022财年是三年疫情大流行以来最为挑战的一个年度，中国区作为我们的主要服务市场所在，在严格的疫情防控政策下，供应链的中断、原材料及能源价格的剧烈波动、快速消费品市场的极度萎缩，使我们遇到了前所未有的挑战。

我们的营业收入同比明显下降，对本年度营运业绩产生了较大的影响。2022年度集团营业收入为人民币6.04亿元，较2021年度的人民币7.69亿元减少了1.65亿，下降了21.5%，其中包装业务录得年销售收入为5.97亿元（其中硬包装销售收入为3.8亿元、软包装销售收入为2.17亿元），同比下降14.3%；2022年经营毛利为人民币9100万元，较2021年的1.42亿元人民币，下降了5100万元人民币。港金大厦物业资产本年度录得销售收入为611万元，贡献毛利131万元，本年度物业资产销售收入对集团收入的贡献度占比不高。集团年度税后利润录得亏损人民币3629万元，年度末集团净资产为人民币7.63元/股。

面对形势，我们的团队仍奋力前行，坚持稳固目标市场客户，持续研发创新产品，服务多元化的塑料包装市场，食品、药品、日用化妆品的塑料包装需求仍是我们主力服务的细分市场；中国市场仍然是我们的主要服务区域；同时具备软、硬包装综合业务能力仍是我们独特的包装优势所在。本年度，我们适当加大了对日用化妆品市场包装需求的投入，主攻该细分市场的头部跨国企业，合作已正式展开，新项目已经成功在下半年形成新增销售收入，并将形成集团收入新的增长点。

## 市场所在——

大疫已过，我们对市场的恢复充满信心，经过磨炼的南方包装将会更显成熟，价值客户仍与我们在共同前进的道路上。展望来年，我们的主要服务市场\_食品包装的需求将伴随零售、餐饮业的复苏而得以回暖；药品包装市场将会稳中发展；日用化妆品市场随着公司与客户合作开发的系列产品取得了相当大的进展，将是我们的增长所在，集团将着力与国际品牌客户加强研发，发掘潜在包装需求。

## 包装实力所在——

在硬包装和软包装领域的综合能力，我们仍处于比以往任何时候都更强大的市场地位，并在与我们的战略客户建立起更为紧密的协作关系。这些市场地位与我们独特的能力相结合，仍将释放出新的增长机会，并为所有利益相关者推送可持续的价值增长。我们的客户和他们的消费者对可持续的、负责任的包装解决方案的持续需求，仍是一个巨大的增长机会。

## 产业市场——

我们将把握市场回暖的机会、不断开拓市场资源，对产业载体港金大厦(APEX TOWER)的销售、招商工作进行提升，加快营销进度，提高产业项目的经营回报。

我们预计2023财年经营将会得到修复。

感谢商业伙伴、股东们强有力的持续支持！

董事局提议本财务年度不安排分红，让我们同心协力迎战未来。

## 彭顺铭

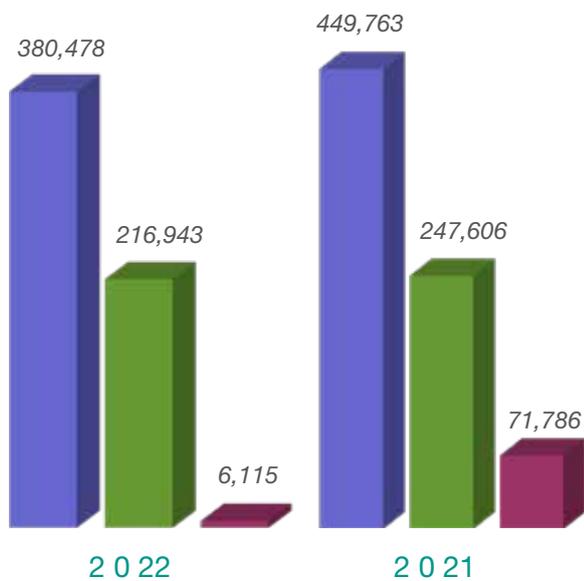
执行主席

南方包装集团有限公司

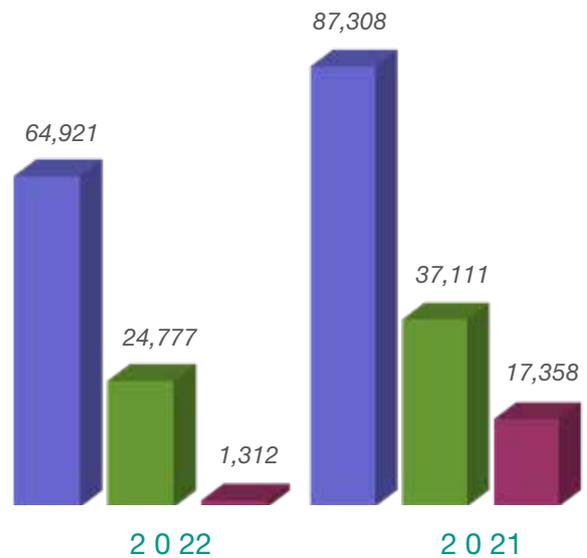


# FINANCIAL HIGHLIGHT AS AT 31 DECEMBER 2022

## REVENUE (RMB)



## GROSS PROFIT (RMB)



## 12 MONTHS ENDED 31 DECEMBER (IN RMB MILLION)

|  | 2022  | 2021  |
|--|-------|-------|
| Revenue  | 604   | 769   |
| Gross Profit   | 91    | 142   |
| Net (Loss)/Profit  | (36)  | 14    |
| Total Assets   | 1,245 | 1,329 |
| Total Liabilities  | 708   | 756   |
| Shareholders' Equity                                       | 537   | 573   |
| Cash and cash equivalents                                  | 67    | 80    |
| (Loss)/Earning per share (cents) after share consolidation | (52)  | 20    |

# OPERATIONS & FINANCIAL REVIEW

## 营运及财务回顾

The sales revenue decreased by 21% to RMB604 million in FY2022. The sales of the Group especially in relation to catering and leisure food were affected by the lockdown in China due to insurgence of Covid-19 cases during FY2022. In addition, the Group's production and delivery plans were affected during the year.

| Revenue<br>By Business Segments | FY2022  |       | FY2021  |       | Change |
|---------------------------------|---------|-------|---------|-------|--------|
|                                 | RMB'000 | %     | RMB'000 | %     |        |
| Rigid packaging                 | 380,478 | 63.0% | 449,763 | 58.5% | -15.4% |
| Flexible packaging              | 216,943 | 36.0% | 247,606 | 32.2% | -12.4% |
| Property                        | 6,115   | 1.0%  | 71,786  | 9.3%  | -91.5% |
| Total                           | 603,536 | 100%  | 769,155 | 100%  | -21.5% |

The gross profit decreased by 35.8% to RMB91 million. The gross profit decreased mainly due to the decrease in sales revenue as explained above. The lower profit margin was attributable to the increase in purchase price of raw materials, labour costs and energy costs.

| Gross Profit<br>By Business Segments | FY2022  |       | FY2021  |       | Change |
|--------------------------------------|---------|-------|---------|-------|--------|
|                                      | RMB'000 | %     | RMB'000 | %     |        |
| Rigid packaging                      | 64,921  | 71.3% | 87,308  | 61.6% | -25.6% |
| Flexible packaging                   | 24,777  | 27.2% | 37,111  | 26.2% | -33.2% |
| Property                             | 1,312   | 1.5%  | 17,358  | 12.2% | -92.4% |
| Total                                | 91,010  | 100%  | 141,777 | 100%  | -35.8% |

In terms of sales revenue by geographical regions, PRC region sales revenue decreased by 25.5% to RMB540 million in FY2022, accounting for 89.5% of Group's total revenue for FY2021.

| Revenue<br>By Geographical Segment | FY2022      |        | FY2021      |        | Change |
|------------------------------------|-------------|--------|-------------|--------|--------|
|                                    | RMB'000     | %      | RMB'000     | %      |        |
| The PRC                            | 540,223,521 | 89.5%  | 724,945,586 | 94.3%  | -25.5% |
| Australia                          | 21,869,766  | 3.6%   | 17,485,300  | 2.3%   | 25.1%  |
| Philippines                        | 10,405,354  | 1.7%   | 3,804,138   | 0.5%   | 173.5% |
| Thailand                           | 12,890,860  | 2.1%   | 8,303,911   | 1.1%   | 55.2%  |
| Other regions                      | 18,146,214  | 3.0%   | 14,615,744  | 1.9%   | 24.2%  |
| Total                              | 603,535,715 | 100.0% | 769,154,679 | 100.0% |        |

# OPERATIONS & FINANCIAL REVIEW

## 营运及财务回顾

2022年度集团销售收入6.04亿，同比下降21%。销售收入的下降主要是年内疫情再度爆发导致需求下降，同时集团的生产和送货计划也受到了区域封控的影响。

| 销售收入类别 | FY2022  |       | FY2021  |       | 变化     |
|--------|---------|-------|---------|-------|--------|
|        | RMB'000 | %     | RMB'000 | %     |        |
| 硬包装    | 380,478 | 63.0% | 449,763 | 58.5% | -15.4% |
| 软包装    | 216,943 | 36.0% | 247,606 | 32.2% | -12.4% |
| 产业房产   | 6,115   | 1.0%  | 71,786  | 9.3%  | -91.5% |
| 合计     | 603,536 | 100%  | 769,155 | 100%  | -21.5% |

今年，集团的毛利为9,101万，同比下降35.8%。毛利下降的主要原因是销售额的下降。包装毛利率的下降主要是由于年内原材料，人工及能源成本的上升。

| 毛利类别 | FY2022  |       | FY2021  |       | 变化     |
|------|---------|-------|---------|-------|--------|
|      | RMB'000 | %     | RMB'000 | %     |        |
| 硬包装  | 64,921  | 71.3% | 87,308  | 61.6% | -25.6% |
| 软包装  | 24,777  | 27.2% | 37,111  | 26.2% | -33.2% |
| 产业房产 | 1,312   | 1.5%  | 17,358  | 12.2% | -92.4% |
| 合计   | 91,010  | 100%  | 141,777 | 100%  | -35.8% |

从区域销售情况来看，受疫情影响中国区销售收入有所下降，中国区的销售收达人民币5.4亿元，占销售总额的89.5%，仍为集团的主要服务市场所在。

| 销售收入区域 | FY2022      |        | FY2021      |        | 变化     |
|--------|-------------|--------|-------------|--------|--------|
|        | RMB'000     | %      | RMB'000     | %      |        |
| 中国     | 540,223,521 | 89.5%  | 724,945,586 | 94.3%  | -25.5% |
| 澳大利亚   | 21,869,766  | 3.6%   | 17,485,300  | 2.3%   | 25.1%  |
| 菲律宾    | 10,405,354  | 1.7%   | 3,804,138   | 0.5%   | 173.5% |
| 泰国     | 12,890,860  | 2.1%   | 8,303,911   | 1.1%   | 55.2%  |
| 其他     | 18,146,214  | 3.0%   | 14,615,744  | 1.9%   | 24.2%  |
| 合计     | 603,535,715 | 100.0% | 769,154,679 | 100.0% |        |

# BOARD OF DIRECTORS



**PAN SHUN MING**  
Executive Chairman and Chief Executive Officer

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



**CHEN XIANG ZHI**  
Executive Director and Vice Chairman

Mr. Chen, the Executive Director and Vice Chairman, joined our Group on 26 January 2010. He is responsible for assisting the Chairman and CEO for the development of the Group's business strategies and policies. Mr. Chen has more than 20 years of experience in large-scale enterprise management and is very experienced and good at capital operations. He joined Guangzhou Wanglaoji Pharmaceutical Company Limited as the Chairman & General Manager in 1998 and then Guangzhou Pharmaceutical Holdings Limited, a public listed company in China, as Managing Director in 2000. He was appointed as the Managing Director of Guangzhou Baiyunshan Pharmaceutical Co., Ltd, also a listed company in China in 2001. Mr. Chen was then appointed as the Deputy Managing Director of Guangzhou Light Industry & Trade Group Ltd; Chairman of Guangzhou Lonkey Co., Ltd (a listed company in China); Vice Chairman of MeadJohnson Nutrition (China) Co., Ltd, as well as Vice Chairman of Guangzhou Pacific Tinplate Co., Ltd since 2004.



**YEUNG KOON SANG @ DAVID YEUNG**  
Lead Independent Director

Mr. Yeung was appointed as an Independent Director of our Company in September 2004. He is the managing director of Kreston David Yeung PAC, which he founded in 1987. He has over 30 years' experience in public accountancy and had worked previously with Deloitte & Touché, UK and Ernst & Young, Singapore. He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. Mr. Yeung holds a Master of Social Science (Accounting) degree from the University of Birmingham, England. He is also a practising member of the Institute of Singapore Chartered Accountants and a fellow of the Association of Chartered Certified Accountants, United Kingdom.





**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 in private legal practice since 1981, and now practises mostly as an arbitrator, adjudicator, mediator, legal assessor and neutral evaluator. Mr. Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review) and a member of the Singapore Road Safety Council. He 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. In recognition of his voluntary 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*

Dr. Chung was appointed as an Independent Director of our Company in May 2014. He was one of the founders of the NUS Business School Mandarin Alumni and serviced as the President from 2008 to 2012 and was awarded the “Eminent Business Alumni Award” in 2012. He presently serves as the Founding President of the Lee Kuan Yew School of Public Policy Mandarin Alumni. Dr. Chung holds a Bachelor of Arts from Ottawa University, a Master of Business from Curtin University, a Master in Public Administration & Management from National University of Singapore, a Doctor of Business Administration from Victoria University, a Post-Doctoral Professional Studies with Harper Adams University, and a Research Scholar with the School of Economics at Peking University. He was admitted as a Fellow of the Chartered Management Institute, UK., Fellow of the Australian Institute of Management, Victoria, Australia, Dr. Chung is an active community leader. He is appointed as a Licensed Solemniser cum Deputy Registrar of Marriages, a Town Councillor of Jurong-Clementi Town Council and the Co-Chairman of the Tenders and Contracts Committee, and Vice Chairman of Bukit Batok Citizens’ Consultative Committee. He is also the Chairman of the Institutional Review Board, Public Free Clinic Society, Singapore and Honorary President of the Singapore Chung Hwa Medical Institution. He was appointed as a Deputy Chief Representative of MMD Group of Companies in Shanghai representative office and a District Councillor of South West CDC for more than a decade. In recognition of his public service, Dr. Chung was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2004 and the Bintang Bakti Masyarakat (Public Service Star) in 2008 by the President of Singapore. In addition, Dr. Chung was sanctioned admission as Member of the Order of St. John (SBStJ) by Her Majesty The Queen of United Kingdom in 2018.



# KEY MANAGEMENT

## PU JINBO

*Deputy Chief Executive Officer*

Mr. Pu, our Deputy Chief Executive Officer, joined our Group in 1999. Mr. Pu was our Executive Director from April 2004 until August 2019. He is 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 1999, 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

*Chief Financial Officer*

Madam. Mai is our Chief Financial Officer and the co-founder of our Group. Madam Mai founded our Group together with Mr. Pan in the early 1980s. Madam Mai was our Executive Director until August 2019. She is in-charge of our Group's finance department and is responsible in managing financial matters, in particular, overseeing the fund disbursement and administrative matters. Mr. Pan Shun Ming and Madam Mai Shuying are spouses.

## LI YONGHUA

*Chief Operating Officer*

Mr. Li Yonghua, the Chief Operating Officer, joined our Group in 2002. Mr. Li was our Executive Director from February 2011 until August 2019. He is responsible for the operation of the Group and oversees day to day business operations of the Group (sales, marketing, business development and etc). 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 December 2002 as Sales Manager. He was promoted as Assistant to the President in 2004 and then Deputy General Manager in July 2006, mainly responsible for sales and marketing. Mr. Li was then appointed as General Manager of Foshan Southern Packaging in the end of 2007.

## PAN ZHAOJIN

*Vice President (Property Development)*

Mr. Pan Zhaojin joined our Group in 2007 and he was our Executive Director from February 2011 until February 2017. He is our Vice President (Property Development) responsible for overseeing and responsible for the property development activities of the Group's property investment. 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. He was our Deputy Chief Operating Officer from February 2017 until October 2019 responsible for marketing and business development for the Group's packaging business.

## ZHANG JIAN LING

*Chief Investment Officer*

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



**LAO JING WEN**  
*Financial Controller*

Ms. Lao Jing Wen joined the Group in August 2011. She is responsible for overseeing the financial reporting and accounting functions of the Group and subsidiaries of the Group. She is a Certified Practising 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.

**DAI WEI HONG**  
*Vice President (Packaging Development)*

Mr. Dai Wei Hong joined the Group in 2004. He is responsible for sales business and marketing. He was the Sales Manager, General Manager Assistant of Foshan Southern Packaging Co., Ltd, the General Manager of Southern Packaging (Jiangsu) Co., Ltd. Mr Dai has been working in the Group for 15 years, with rich experience in marketing and production operation management, unique insights in business development and marketing development. Mr Dai holds a Bachelor of Science from South China University of Technology. He has the Chief Quality Officer Certificate of Jiangsu Province.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Pan Shun Ming

(Executive Chairman and Chief Executive Officer)

### Chen Xiang Zhi

(Executive Director and Vice Chairman)

### Yeung Koon Sang @ David Yeung

(Lead Independent Director)

### Chung Tang Fong

(Independent Director)

### Chia Chor Leong

(Independent Director)

## AUDIT COMMITTEE

Yeung Koon Sang @ David Yeung (Chairman)

Chung Tang Fong

Chia Chor Leong

## REMUNERATION COMMITTEE

Yeung Koon Sang @ David Yeung (Chairman)

Chung Tang Fong

Chia Chor Leong

## NOMINATING COMMITTEE

Chia Chor Leong (Chairman)

Yeung Koon Sang @ David Yeung

Chung Tang Fong

## COMPANY SECRETARIES

Kong Wei Fung

Cheok Hui Yee

## REGISTERED OFFICE

80 Robinson Road

#02-00

Singapore 068898

Website: [www.southern-packaging.com](http://www.southern-packaging.com)

T: +65 6236 3333

F: +65 6236 4399

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue

#14-07 Keppel Bay Tower

Singapore 098632

T: +65 6536 5355

F: +65 6438 8710

## INDEPENDENT AUDITOR

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

Partner-in-charge: Tei Tong Huat

(Appointed since the financial year ended

31 December 2021)

## PRINCIPAL BANKERS

Agricultural Bank of China

Guangdong Nanhai Rural Commercial Bank Co.,Ltd

(Nanhai Ping Zhou SubBranch)

Bank of China Limited (Nanhai Sub-Branch)

Hang Seng Bank (China) Limited

(Foshan SubBranch)

# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Southern Packaging Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”), is committed to setting and maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and protect and enhance long-term shareholder value.

This report outlines the Company’s corporate governance practices that were in place during financial year ended 31 December 2022 (“**FY2022**”) with specific reference to Principles and Provisions of the Code of Corporate Governance (the “**Code**”) issued by the Monetary Authority of Singapore on 6 August 2018 and amended on 11 January 2023.

The Company is required under Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to describe in this Annual Report its corporate governance practices with reference to both the Principles and Provisions of the Code and how the Company’s practices conform to the Principles of the Code. Compliance with, and observation of, the Principles is mandatory and variations from Provisions are explained appropriately in this Annual Report.

## BOARD MATTERS

### The Board’s Conduct of Affairs

**Principle 1      The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.**

#### Role of the Board

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

The principal functions of the Board apart from its statutory responsibilities are:

- (a) to provide entrepreneurial leadership; approve the strategic objectives, corporate policies and authorisation matrix of the Company; and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) to 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;
- (c) 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;
- (d) to monitor and review management performance;
- (e) to identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;

# CORPORATE GOVERNANCE REPORT

- (f) to set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders and others are understood and met; and
- (g) to promote corporate social responsibilities throughout the Group and include environmental and social factors as part of its strategic formulation.

Directors understand their duties at law (including their roles as executive, non-executive and independent directors), which includes acting in good faith and in the best interests of the Company; exercising due care, skills and diligence; and avoiding conflicts of interest. The Board adopted a set of ethical values and standards which establishes the fundamental principles of professional and ethical conduct expected of the Directors in the performance of their duties.

## **Conflict of Interest**

To address and manage possible conflicts of interest that may arise between Directors' interest and those of the Group, the Company has put in place appropriate procedures which apply in addition to the Directors' obligation to comply with disclosure obligations under the Company's Constitution and Companies Act 1967 ("**Companies Act**"). Each Director is required to promptly disclose any conflicts or potential conflicts of interest, whether direct or indirect, in relation to any transaction or matter discussed and contemplated by the Group. The disclosure is made either during a Directors' meeting or by way of a written notification to the Company Secretary containing details of the interest and the nature of conflict. Where a potential conflict of interest arises, the Director concerned will recuse himself/herself from participating in any discussions, abstains from voting on the matter and refrains from exercising any influence over other members of the Board.

## **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 senior management level, to facilitate operational efficiency.

Matters and transactions that require the Board's approval include, amongst others, the following:

- 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 Group;
- approval of financial results, Annual Reports, sustainability reports and Audited Financial Statements;
- recommendation or declaration of dividend;
- appointment of new director (with recommendation made by the Nominating Committee ("NC")) and the appointment or removal of the Company Secretary;

# CORPORATE GOVERNANCE REPORT

- business practices and risk management of the Group;
- 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.

## **Board induction and training**

There was no new Director appointed in FY2022. All newly appointed Directors would receive a formal letter of appointment setting out the Director's duties, responsibilities and obligations as a Director including pertinent obligations under the Companies Act, the Securities and Future Act 2001 ("**Securities and Futures Act**"), Listing Rules and the Code.

The Board recognises the importance of appropriate training for its Directors. The NC will ensure that any newly appointed Director who has no prior experience as a director of an issuer listed on the SGX-ST, to undergo mandatory training as prescribed by the SGX-ST. The Company will arrange an orientation program (including onsite visits, if necessary) to new Directors to enable them to familiarise themselves with the Group's business and governance practices. They will also be briefed of the relevant regulations, shares dealing policy of the Company, their notification obligations under the Companies Act and Securities and Futures Act. The Directors will be given access to the Board resources, including the Company's constitutional and governing documents, board and each Board Committee's terms of reference, annual reports, board meeting papers and other pertinent information for his/her reference.

The Company does not have a formal training program for the Directors. However, the Board encourages Directors to attend trainings and seminars conducted by the Singapore Institute of Directors ("**SID**"). In FY2022, all Directors have attended the Environmental, Social and Governance Essentials (Core) Seminar conducted by the SID. The Company will continue to keep Directors informed of the suitable seminars, conference and training courses and encouraged them to attend at the Company's expenses. By doing so, it will assist them in developing their skills and knowledge, executing their obligations to the Company and effectively discharge their duties as directors. The Audit Committee ("**AC**") and the Board had in the meetings held during FY2022 received briefings and updates from the Company's external auditors, Company Secretary and Management respectively on (a) developments in accounting and governance standards, in particular changes of the Singapore Financial Reporting Standards (International), and accounting standards relevant to the Group; (b) amendments to SGX-ST Listing Manual and the Code; and (c) strategic and business developments of the Group and any changes to commercial risks. The Directors can also request for further explanations, briefings or information on any aspects of the Company's operations and business issues from the Management.

Updates on the relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts on a timely basis. Where necessary, the Company arranges for presentations by external professionals, consultants and advisers on topics that would have an impact on the relevant regulations, accounting standards, and the implications on responsibilities of the Directors.

# CORPORATE GOVERNANCE REPORT

## Delegation by the Board

The Board is supported by three (3) Board Committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board Committees include the AC, NC and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). Each Board Committee is chaired by an Independent Non-Executive Director. These Board Committees function within clearly defined terms of reference setting out the composition, authorities and duties, required quorum, conduct of meetings and accountability, which are reviewed on a regular basis to ensure continued relevance.

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.

The names of the members, principal roles and responsibilities of respective Board Committees are set out in this Annual Report.

## Meetings and attendance

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. To ensure meetings are held regularly with maximum Directors' participation, the Company's Constitution allows Directors 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 Directors. The Board and Board Committees also approve transactions by way of written resolutions, which are circulated to the Board and Board Committee members together with all relevant information regarding the proposed resolutions/transactions.

Details of the Directors' attendance at Board and Board Committee meetings as well as at the AGM held during FY2022 are as follows:

| No. of meetings held               | Board | AC               | NC               | RC               | AGM |
|------------------------------------|-------|------------------|------------------|------------------|-----|
|                                    | 4     | 4                | 1                | 1                | 1   |
| <b>Number of meetings attended</b> |       |                  |                  |                  |     |
| Pan Shun Ming                      | 4     | 4 <sup>(1)</sup> | 1 <sup>(1)</sup> | 1 <sup>(1)</sup> | 1   |
| Chen Xiang Zhi                     | 4     | 4 <sup>(1)</sup> | 1 <sup>(1)</sup> | 1 <sup>(1)</sup> | 1   |
| Yeung Koon Sang @ David Yeung      | 4     | 4                | 1                | 1                | 1   |
| Chung Tang Fong                    | 4     | 4                | 1                | 1                | 1   |
| Chia Chor Leong                    | 3     | 3                | 1                | 1                | 1   |

### Notes:

<sup>(1)</sup> Attended as an invitee.

# CORPORATE GOVERNANCE REPORT

## Access to complete, adequate and timely information

Management ensures that all Directors are furnished on an on-going basis with relevant, complete, adequate and timely information concerning the Company, to enable them to make informed decisions and discharge their duties and responsibilities.

Prior to each meeting, board papers and files are circulated for the respective Board Committee meeting and the Board is provided with relevant background or explanatory information relating to the business of the meeting and information on major operational, financial and corporate issues. 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. The business/projects updates with information on financial, operating and corporate issues, the explanations on the financial information, and the rationale for the key decisions taken by the Management may also be made in the form of presentations by the Management in attendance at the meetings. The Directors are entitled to request additional information as needed to make informed decisions. 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.

## Independent Access to Management, Company Secretary and External Advisers

The Board members have separate and independent access to Management, who will provide additional information as may be needed by the Board to make informed decisions in a timely manner. The Board members also have separate and independent access to the Company Secretaries. The Board, either individually or as a group, is entitled to seek appropriate independent and professional advice, as and when necessary, at the expense of the Company, in furtherance of their duties.

## Company Secretary

The role of the Company Secretaries is clearly defined and includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the Chairman's direction, the Company Secretaries will ensure good information flow within the Board and the Board committees and between Management and Non-Executive Directors and advising the Board on all governance matters. The Company Secretaries and/or her representative are/is present at all meetings of the Board and Board committees to record the proceedings. The appointment and removal of the Company Secretary is a matter for consideration by the Board as a whole.

## Board Composition and Guidance

**Principle 2      The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decision in the best interests of the Company.**

As at the date of this Report, the Board comprises the following members:

1. Pan Shun Ming ("**Mr Pan**") (Executive Chairman and Chief Executive Officer ("**CEO**"))
2. Chen Xiang Zhi ("**Mr Chen**") (Executive Director and Vice Chairman)
3. Yeung Koon Sang @ David Yeung ("**Mr David Yeung**") (Lead Independent Director)
4. Chung Tang Fong ("**Dr Chung**") (Independent Director)
5. Chia Chor Leong ("**Mr Chia**") (Independent Director)

# CORPORATE GOVERNANCE REPORT

The current Board comprises five (5) Directors, three (3) of whom are Independent Directors and Mr David Yeung is the Lead Independent Director of the Company. There is a good balance between the Executive and Non-Executive Directors as well as strong independent element on the Board with Independent Directors making up majority of the Board. The Company complies with Provision 2.2 of the Code which provides that independent directors to make up a majority of the Board where the Chairman of the Board is not independent and Provision 2.3 of the Code which provides that Non-Executive Directors to make up a majority of the Board.

## **Review of Directors' independence**

The Board considers an "independent Director" as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company.

The independence of each Director is reviewed annually by the NC bearing in mind the SGX-ST Listing Manual, the Code as well as other relevant circumstances and facts. The NC is also committed to reassess the independence of each Independent Director as and when warranted.

To facilitate the NC in its review of the independent status of the Directors, each Independent Director will confirm his independence by completing a Confirmation of Independence Form which is drawn up in accordance with the SGX-ST Listing Manual, Provision 2.1 of the Code, and Practice Guidance to the Code, and submitted to the NC for its assessment of the independence of each Director.

The Board, taking into account the views of the NC and the confirmation of independence submitted by Mr David Yeung, Mr Chia and Dr Chung (collectively, "**Independent Directors**"), was of the view that each of them is independent on the following basis:

- (a) The Independent Directors (i) are not or have not been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is determined by the RC.
- (b) None of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received payments to and/or from the Group when aggregated over any financial year in excess of S\$50,000 for any significant payment or material services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organisation which provided or received significant payments or material services to and/or from the Group when aggregated over any financial year in excess of S\$200,000 for services rendered.
- (c) None of the Independent Directors and their immediate family member is directly associated with a substantial shareholder of the Company.

There were no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

Each member of the NC and of the Board recused themselves from deliberations in respect of the assessment of his independence.

Save for Mr David Yeung, who was appointed to the Board on 23 September 2004, none of the Independent Directors has served on the Board beyond nine (9) years from the date of their first appointment. The Company had sought and obtained shareholders' approval for the continued appointment of Mr David Yeung as Independent Directors at its AGM held on 30 April 2021 via a two-tier vote by i) all shareholders and ii) shareholders, excluding the directors, CEO and their associates.

# CORPORATE GOVERNANCE REPORT

Under the new Listing Rule 210(5)(d)(iv), a director will not be independent if he has been a director of the Company for an aggregate period of more than nine (9) years. Such director may continue to be considered independent until the conclusion of the next Annual General Meeting (“AGM”). This takes effect for an issuer’s AGM for the financial year ending on or after 31 December 2023. Mr David Yeung remains as independent director until the conclusion of the AGM of the Company for the financial year ending on 31 December 2023 pursuant to the Transition Practice Note 4 Transitional Arrangements regarding the Tenure Limit for Independent Directors. The Board and the NC noted the new requirement. They had reviewed and confirmed that Mr David Yeung remains objective and independent in Board and Board Committee deliberations. Mr David Yeung have expressed his views succinctly and objectively on issues and provided relevant and invaluable inputs during the Board meetings. He sought clarification and amplification whenever deemed necessary, including through direct access to Management, external auditors and Company Secretary. Mr David Yeung continues to demonstrate the essential characteristics of independence expected by the Board and in-depth knowledge of the Group’s business and his extensive experience enables him to provide guidance to facilitate sound decision-making.

## **Board Size and Composition**

The NC and the Board examine the present size and composition of the Board and Board committees, taking into account, inter alia, the scope and nature of the Group’s business and operations and the benefits of all aspects of diversity, including but not limited to gender, age, and professional experience in order to provide the board access to an appropriate range and balance and mix of skills, knowledge, experience and backgrounds. No appointment to the Board shall be based on race, language or gender, but will be based on the merits on selected candidate, the needs of the Board and the potential contributions that the selected candidate will bring to the Board.

The Company has adopted a formal Board diversity policy, where the size of the Board should be appropriate with no individual or group dominating 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, legal and industry knowledge for the effective functioning of the Board. The Board has taken the following steps to maintain or enhance its balance and diversity (a) annual review by the NC to assess if the existing attributes and core competencies of the Directors are complementary to one another and will enhance the efficacy of the Board; and (b) annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which the Board is lacking. Following the resignation of Madam Mai Shuying as Director in FY2019, there is no female director on the Board. While the NC is aware of the merits of gender diversity to the Board composition, the NC acknowledges that it is only one of the many aspects of diversity. The NC will continue to make its selection of candidates based on objective criteria which it believes is in the best interests of the Company.

To ensure that the composition of the Board remains appropriately diverse, the NC and the Board have set targets to maintain a majority independent director and to ensure overall balance in competencies. Such competencies include accounting, legal, sustainability, relevant industry knowledge and risk management experience. This is reflected in the diversity of backgrounds and competencies of the Board, whose competencies range from accounting, legal, relevant industry knowledge, entrepreneurial and management experience, sustainability, and familiarity with regulatory requirements and risk management. The independence and competencies targets are met. This is beneficial to the Company and its Management as decisions by, and discussions with, the Board are enriched by the broad range of views and perspectives and the breadth of experience of our Directors.

# CORPORATE GOVERNANCE REPORT

The Board, in concurrence with the NC, is satisfied that the present size of five (5) Directors, age between 60-73 and different nationality, (i) is an appropriate size and with its diversified background and experience provides core competencies such as finance, accounting, legal, business management, industry knowledge and strategic planning experience for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Company; and (ii) facilitates effective decision making and ensure the balance of power with no individual or group of individuals dominates the Board's decision-making process.

As part of the Board's progressive renewal process, as well as to meet the requirement under Listing Rule 210(5)(d)(iv), the NC and the Board had discussed and have started the search process for new Independent Directors. A director search will take into account the suitability and potential contribution to the Board of a proposed candidate, diversity aspects (such as female candidates will be included for consideration) under the Board Diversity Policy, qualifications including professional qualifications, skills, knowledge and experience. The Board renewal process will be implemented progressively in 2023 and 2024 to ensure stability and continuity.

The biographies of the Directors are set out in this Annual Report.

## **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. Well equipped with the expertise, experience and knowledge, the 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 required, the Independent Directors discuss issues via meetings, telephone and electronic devices without the presence of Executive Directors and Management. The Lead Independent Director will provide feedback to the Chairman if it is deemed necessary.

## **Chairman and Chief Executive Officer**

**Principle 3**      **There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making**

## **Role of Chairman and the CEO**

The Group's Executive Chairman, Mr Pan, also assumes the role of a CEO. 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, Mr Pan 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; (v) promoting a culture of openness and debate at the Board; (vi) facilitating the effective contribution of all directors; and (vii) 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.

# CORPORATE GOVERNANCE REPORT

While the Company has not adopted Provision 3.1 of the Code requires Chairman and CEO to be separate persons, the Board is of the opinion that the present Group structure and business scope does not warrant a meaningful split of the roles of the Chairman and the CEO. Major decisions or matters disclosed under Principle 1 of this Annual Report are under the purview of the Board and subject to majority approval of the Board. Where there are conflicts or potential conflicts of interest, whether direct or indirect, in relation to any matter or transaction discussed, the Director is required to disclose and abstain from voting on the matter. The Board viewed that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence, which is consistent with the intent of Principle 3 of the Code. There is also a strong independence element with majority of the Board are independent directors and the Board Committees, all comprising Non-Executive Directors, are chaired by independent Non-Executive Directors. No individual or group of individuals dominates the Board's decision-making process.

## **Lead Independent Director**

In compliance with Provision 3.3 of the Code, as the Chairman is non-independent, the Company has appointed Mr David Yeung as the Lead Independent Director of the Company. As the Lead Independent Director, he serves in a lead capacity to coordinate the activities of the Independent Directors when necessary and appropriate. His responsibilities include carrying out the functions of the Chairman in relation to any matter where it would be inappropriate for the Chairman to serve in such capacity. He will provide feedback of the private discussion between Non-Executive Directors to the Chairman if it is deemed necessary. Mr David Yeung is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman, the CEO or Management are inappropriate or inadequate.

## **Board Membership**

**Principle 4      The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

As at the date of this Report, the NC comprises the following three (3) members, all of whom including the Chairman are Independent Directors:

Mr Chia (Chairman)  
Mr David Yeung (Member)  
Dr Chung (Member)

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

- (a) identifying, reviewing and recommending candidates for appointments to the Board (including alternate director) 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 Company;

# CORPORATE GOVERNANCE REPORT

- (d) re-nomination of directors for re-election at each annual general meeting in accordance with the Constitution 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/her 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) assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the chairman of the Board and each individual Director to the effectiveness of the Board. The result of the performance evaluation will be reviewed by the NC Chairman;
- (h) decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholder's value;
- (i) recommending to the Board on the development of a process for the evaluation of performance of the Board, its Board Committees and Directors; and propose objective performance criteria which address how the Board has enhanced long-term shareholder value;
- (j) reviewing and recommending the training and professional development programmes for the Board;
- (k) recommending to the Board the review of succession plans for Directors, in particular, the Chairman and the CEO;
- (l) 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
- (m) undertaking such other functions and duties as may be delegated the Board or required by the statute or the Listing Rules and by such amendments made thereto from time to time.

During FY2022, 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.

## **Process of Selection, Appointment and Re-appointment of Directors**

The Company has in place procedures for the appointment of new Directors to the Board, including a search and nomination process.

There was no additional director appointed during the year. The NC reviews the need for appointment of additional director(s) and the composition of the Board, including the mix of expertise, skills, knowledge, so as to identify desired competencies to complement and strengthen the Board and increase its diversity.

# CORPORATE GOVERNANCE REPORT

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, diversity 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 background, qualification and experience of each candidate and other factors such as age and gender that would contribute to the Board's collective skills and expertise, 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 fulfil its roles and responsibilities. The Company's Constitution requires 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 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 Dr Chung and Mr Chia be nominated for re-election at the forthcoming AGM of the Company. In evaluating each Director's contributions and performance for the purpose of re-nomination, the NC and the Board has considered the said Directors' overall competencies, commitment, experience, contributions, performance and other factors such as attendance, preparedness, participation, independence and candour are taken into consideration. The Board recommends the shareholders to approve the re-election of the said Directors. The details of the proposed resolutions are stipulated in the Notice of AGM and additional information of the retiring directors as set out in Appendix 7.4.1. to the Listing Manual pursuant to Rule 720(6) of the Listing Manual is enclosed under section titled "Additional Information on Directors Seeking Re-election" in this Annual Report.

## **Independence of Directors**

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually and have affirmed that Mr David Yeung, Mr Chia and Dr Chung are independent and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

## **Multiple Directorship**

All Directors declare their board memberships as and when practicable.

During FY2022, 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 Board and NC take into account the Directors' actual conduct on the Board, in making this determination. As time requirements of each director are subjective, the Board and NC have decided not to fix a maximum limit on the number of directorships a director can hold. The Board and NC consider 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.

# CORPORATE GOVERNANCE REPORT

The listed company directorships and principal commitments of each Director are set out below:

| Director | Position                   | Present directorship in other listed companies | Present principal commitments*   |
|----------|----------------------------|--|--|
| Mr Pan   | Executive Chairman and CEO | Nil  | <p><u>Subsidiaries of Company</u></p> <ul style="list-style-type: none"> <li>● Southern Packaging (Jiangsu) Co., Ltd</li> <li>● Foshan Nanxin Packaging Co., Ltd</li> <li>● Southern (HK) Packaging Co., Ltd</li> <li>● Foshan Southern Packaging Co., Ltd</li> </ul> <p><u>Other corporations</u></p> <ul style="list-style-type: none"> <li>● Foshan Jia Xun Real Estate Co., Ltd</li> <li>● Guangdong Donald Food Co., Ltd</li> <li>● Guangdong Xinghua Health Drinks Co., Ltd</li> <li>● Energetic Holdings Limited</li> <li>● Striving Asset Management Co., Ltd</li> <li>● Foshan Jia Bang Real Estate Co., Ltd</li> <li>● Thrive United Holdings Ltd</li> <li>● Cappella Holding Pte. Ltd</li> <li>● Nanhai 4 Pte. Ltd</li> <li>● NH Assets Pte. Ltd</li> <li>● Shan Shine Asset Management Co., Ltd</li> <li>● Stable Growth Investment Co., Ltd</li> <li>● Foshan Shan Shine Corporate Advisory Co., Ltd</li> <li>● Foshan Ying Feng Real Estate Co, Ltd</li> </ul> |

# CORPORATE GOVERNANCE REPORT

| Director       | Position                                | Present directorship in other listed companies  | Present principal commitments*   |
|----------------|---|---|--|
| Mr Chen        | Executive Director and Vice Chairman    | Nil   | <ul style="list-style-type: none"> <li>• Stable Growth Investment Ltd</li> <li>• Foshan Jia Bang Real Estate Co., Ltd</li> <li>• Thrive United Holdings Ltd</li> <li>• Foshan Shan Shine Corporate Advisory Co., Ltd</li> <li>• Foshan Ying Feng Real Estate Co., Ltd</li> <li>• Foshan Jia Bei Le Property Management Co., Ltd</li> </ul>   |
| Mr David Yeung | Lead Independent Non-Executive Director | <ul style="list-style-type: none"> <li>• Dension Gas Limited</li> <li>• Datapulse Technology Limited</li> </ul> | <ul style="list-style-type: none"> <li>• Kreston David Yeung PAC</li> <li>• Daxin Yeung PAC</li> <li>• Daxin Consulting (S) Pte Ltd</li> <li>• Adex Management Pte. Ltd.</li> <li>• Pierce Holdings Pte. Ltd.</li> <li>• Quanfang TCM &amp; Health Products Pte. Ltd.</li> <li>• Ipetmart Pte. Ltd.</li> </ul>   |
| Dr Chung       | Independent Non-Executive Director      | Nil   | <ul style="list-style-type: none"> <li>• Xi-Hong Enterprise Pte. Ltd.</li> <li>• Registry of Marriages, Singapore</li> <li>• Jurong-Clementi Town Council, Singapore</li> <li>• Japan Association for Overseas Technical Scholarship (AOTS) Alumni Society of Singapore</li> <li>• Singapore Chung Hwa Medical Institution</li> <li>• Bukit Batok Citizen's Consultative Committee</li> <li>• NUS Lee Kuan Yew School of Public Policy Mandarin Alumni</li> <li>• Institutional Review Board, Public Free Clinic Society, Singapore</li> </ul> |
| Mr Chia        | Independent Non-Executive Director      | Frencken Group Limited  | <ul style="list-style-type: none"> <li>• External Placement Review Board</li> <li>• Ministry of Home Affairs, Singapore</li> </ul>   |

\* "Principle Commitments" as defined in the Code include all commitments which involve significant time commitment such as full time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in nonprofit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

# CORPORATE GOVERNANCE REPORT

## Alternate Director

There is no alternate Director appointed to the Board.

## Board Performance

**Principle 5      The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual director.**

## Board, Board Committees and Individual Director Assessments

The Board has established and implemented processes to be carried out by the NC for monitoring and evaluating the performance and effectiveness of the Board as a whole, the Board Committees and contribution of individual directors.

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

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

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

The NC, having reviewed the overall performance of the Board and Board Committees in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, is of the view that the performance of the Board as a whole and Board Committees has been satisfactory. The NC, in assessing the contribution of an individual Director, has considered each Director's level of participation and attendance at Board and Board Committee meetings, his 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.

# CORPORATE GOVERNANCE REPORT

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.

The Board has not engaged any external consultant to conduct an assessment of the effectiveness of the Board and the contribution by each individual Director to the effectiveness of the Board. Where relevant, the NC will consider such an engagement.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 6      The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

As at the date of this Report, the RC comprises the following three (3) members, all of whom including the Chairman of the RC are Independent Non-Executive Directors:-

Mr David Yeung (Chairman)  
Dr Chung (Member)  
Mr Chia (Member)

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

- (a) review and recommend to the Board the framework of remuneration of the key executives of the Company and its subsidiaries, including Executive Directors, CEO and other key management personnel;
- (b) review the on-going appropriateness, attractiveness 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 Directors as well as for the key management personnel (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;

# CORPORATE GOVERNANCE REPORT

- (f) seek expert advice inside the Company and/or outside professional advice on remuneration of Directors and key management personnel, 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 and for the Boards of the Company;
- (i) review the remuneration of employees who are substantial shareholders or immediate family members of a Director, CEO or a substantial shareholder of the Company 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) undertake such other functions and duties as may be delegated by the Board or required by statute or the Listing Rules and by such amendments made thereto from time to time.

The RC's recommendations are made in consultation with the Chairman of the Board and submitted to the entire Board for endorsement. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, other benefits-in-kind and termination payments shall be overseen by the RC.

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.

Save for the contributions to defined contribution plans as disclosed in Note 2.6 to the Financial Statements on pages 66-67 of this Annual Report, and the payment in lieu of notice in the event of termination in their respective employment contracts, there are no other termination, retirement and post-employment benefits granted to the Directors, the CEO or any key management personnel.

# CORPORATE GOVERNANCE REPORT

The RC may from time to time, where necessary or required, seek expert advice from 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. During FY2022, no external remuneration consultant has been engaged.

## Level and Mix of Remuneration

**Principle 7**      **The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.**

### 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 and key management personnel. The recommendations of the RC on remuneration of Executive Directors and key management personnel would be submitted for endorsement by the entire Board. The Company adopts a remuneration policy for Executive Directors and key management personnel consisting of a fixed component and a variable component. The fixed component is in the form of a base/fixed salary and retirement benefits being a certain percentage of the Executive Directors and key management personnel's basic salaries contributed to the retirement benefits schemes such as the Singapore Central Provident Fund and/or pursuant to the relevant regulations of the People's Republic of China government. The variable component is in the form of a variable bonus computed based on the performance of the Group as a whole which is linked to the financial targets set and other aspects of performance, as well as individual performance which are assessed through performance appraisal that sets out various assessment criteria such as level of achievement of targets and responsibilities, leadership ability, initiative, etc, to align with the interests of shareholders and other stakeholders and promotes the long-term success of the Company. Executive Directors are not entitled to Directors' fees.

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 sustainable performance.

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

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.

# CORPORATE GOVERNANCE REPORT

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. However, the Company believes that it should be able to avail itself to remedies against these personnel in the event of such breach of fiduciary duties.

There is currently no long-term incentive scheme for the Directors of the Group and there is currently no unexpired share options.

No Director is involved in deciding his own remuneration, except in providing information and documents if required by the RC to assist in its deliberations. Directors' fees are recommended by the Board for approval at the Company's AGM.

## **Directors' fees**

Independent Directors do not have service agreements. The remuneration of Non-Executive Directors is paid a fixed base fee and an additional fixed fee for serving on any of the Board Committees, taking into account factors such as level of contribution, effort, time spent, and 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.

## **Disclosure on Remuneration**

**Principle 8      The Company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationship between remuneration, performance and value creation.**

## **Directors' and Key Management Personnel' Remuneration**

During FY2022, the RC had reviewed the compensation and remuneration packages of all Directors and key management personnel and believes that the remuneration package commensurate with their respective performance roles and responsibilities, giving due consideration to the financial and commercial health and business needs of the Company. The RC has recommended to the Board and the Board has approved the remuneration of the Directors and the key management personnel.

# CORPORATE GOVERNANCE REPORT

The breakdown (in the percentage terms) of the level and mix of Directors' and CEO's remuneration for FY2022 are as follows:

| Name                                  | Salary % | Bonus % | Fringe Benefits % | Directors' Fees % | Total % |
|---------------------------------------|----------|---------|-------------------|-------------------|---------|
| <b>S\$500,000 to below S\$750,000</b> |          |         |                   |                   |         |
| Pan Shun Ming                         | 98.9     | -       | 1.1               | -                 | 100     |
| <b>Below S\$250,000</b>               |          |         |                   |                   |         |
| Chen Xiang Zhi                        | 92.9     | 6.0     | 1.1               | -                 | 100     |
| David Yeung                           | -        | -       | -                 | 100               | 100     |
| Chung Tang Fong                       | -        | -       | -                 | 100               | 100     |
| Chia Chor Leong                       | -        | -       | -                 | 100               | 100     |

The Board has approved the RC's recommendation for the Directors' fees of S\$123,000/- for FY2022. The fees are subject to the approval of shareholders at the forthcoming AGM. Executive Directors are not entitled to Directors' fees. The aggregate amount of remuneration paid or payable to the Directors are disclosed under Note 37 to the Financial Statements on page 124 of this Annual Report.

A breakdown of the level and mix of top five (5) key management personnel's (who are not Directors or the CEO) remuneration for FY2022 are as follows:

| Name                                  | Salary % | Bonus % | Fringe Benefits % | Total % |
|---------------------------------------|----------|---------|-------------------|---------|
| <b>S\$250,000 to below S\$500,000</b> |          |         |                   |         |
| Mai Shuying                           | 98.6     | -       | 1.4               | 100     |
| <b>Below S\$250,000</b>               |          |         |                   |         |
| Pu Jinbo                              | 88.5     | 5.4     | 6.1               | 100     |
| Li Yonghua                            | 89.9     | 8.9     | 1.2               | 100     |
| Pan Zhaojin                           | 81.2     | 8.0     | 10.8              | 100     |
| Zhang Jianling                        | 90.9     | 8.9     | 0.2               | 100     |

The annual aggregate remuneration paid to the top five (5) key management personnel (excluding the Directors and CEO) for FY2022 is S\$1,138,107.

# CORPORATE GOVERNANCE REPORT

During FY2022, save for Mr Pan, Madam Mai Shuying and Mr Pan Zhaojin (as disclosed below table), (substantial shareholders of the Company), there are no other employees who are substantial shareholders of the Company or are immediate family members of a Director or the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the financial period under review.

| Name          | Remuneration Band              |
|---------------|--------------------------------|
| Pan Shun Ming | S\$500,000 to below S\$600,000 |
| Mai Shuying   | S\$400,000 to below S\$500,000 |
| Pan Zhaojin   | S\$100,000 to below S\$200,000 |

While the Company has not disclosed fully the amount of remuneration of each Director and CEO as required under provision 8.1(a) of the Code, the RC and the Board, after careful consideration, are of the view that such disclosures would not be in the best interests of the Group's business given the highly competitive environment it is operating in, and that the details disclosed in the above remuneration tables and under Note 37 on page 124 of the Financial Statements provide an appropriate balance between detailed disclosure on its remuneration framework and criteria for setting remuneration under Principle 7: Level and Mix of Remuneration. The non-disclosure does not compromise the ability of the Company to meet the code on good corporate governance as the RC (consists of all independent directors) reviews the remuneration package of Executive Directors are remunerated based on the remuneration framework and performance of the Group to ensure that they are fairly remunerated and is strongly linked to the achievement of the corporate and individual performance targets, and remuneration of the Non-Executive Directors is based on the remuneration framework. Except in providing information and documents required by RC to assist in its deliberations, none of the Directors is involved in deliberation and voting in respect of any remuneration, compensation or any form of benefits to be granted to him or someone related to him. The directors' fees as recommended by the Board will be subject to the approval of shareholders at the Company's AGM. The Board believes that, taken as a whole, the disclosure provided herein are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors and CEOs, consistent with the intent of Principle 8 of the Code.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

**Principle 9      The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and shareholders.**

The Board acknowledges that it is responsible for the governance of risk and the overall internal control framework, but recognises that no internal control system will preclude all errors and irregularities.

Currently, the AC with the assistance of internal and external auditors and Management assumes the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC. The Board is of the view that in view of the Group's manageable size, a separate risk committee is not required for the time being.

# CORPORATE GOVERNANCE REPORT

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

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

On an annual basis, the Company engages independent third party as the internal auditors to formulate an internal audit plan and conduct internal audit reviews of the Group's operations, taking into consideration the risk areas identified which is approved by the AC.

The AC will review annually, the adequacy and effectiveness of the IA function. In FY2022, the AC reviewed the report submitted by the internal auditors relating to the audits conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC.

A copy of the report is also issued to the Management for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting identified in the course of the statutory audit, if any, are highlighted by the internal auditors to the AC.

The AC and the Board had received assurance from the CEO and the Chief Financial Officer ("CFO"), to the best of their knowledge, the Group's financial records as at 31 December 2022 have been properly maintained and the financial statements for FY2022 give a true and fair view of the Company's operations and finances.

The AC and the Board had obtained confirmation from the CEO, CFO and Key Management Personnel that the Group's risk management and internal control systems are adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the work performed by the internal and external auditors, the Group's framework of management control, the review procedures established and maintained by the Company to monitor the key controls and procedures and to ensure their effectiveness, the annual reviews performed by Management and the Board committees, the Board, with the concurrence of the AC, is of the view that for the current size and nature of the Group's operations and business, the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is effective and adequate to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value. Pursuant to 1207(10) of the Listing Manual, the Board is of the opinion that there were no material weaknesses identified by the Board and AC in the Group's internal controls.

An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out on pages 116 to 121 of the Annual Report.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

### **Principle 10      The Board has an Audit Committee which discharges its duties objectively.**

As at the date of this Report, the AC comprises the following three (3) members, all of whom, including the Chairman of the AC, are Non-Executive Independent Directors:-

Mr David Yeung (Chairman)  
Dr Chung (Member)  
Mr Chia (Member)

None of the AC members (i) was former partners or Directors of the Company's existing auditing firm or corporation within the previous two years commencing on the date of their ceasing to be a partner or Director of the auditing firm or corporation; and (ii) holds any financial interest in the auditing firm or corporation.

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. The AC members have sufficient accounting and/or related financial management expertise and experience, as the Board interprets such qualification in its business judgement. Notably, Mr David Yeung, the AC Chairman, has extensive and practical accounting and financial management knowledge and had more than 30 years' experience in public accountancy, to be well qualified to chair the AC.

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) review significant financial reporting issues and judgments with the CFO/Financial Controller 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;
- (b) 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, key audit matters, 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;
- (c) review filings with the SGX-ST or other regulatory bodies which contain the Group's financial statements and ensure proper disclosure;
- (d) review the assurance from the CEO and CFO on the financial records and financial statements;
- (e) review annually the adequacy, effectiveness, independence, scope of results of the external audit;
- (f) review annually the aggregate amount of fees paid to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively. Where the external auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;

# CORPORATE GOVERNANCE REPORT

- (g) review the performance of the external auditors and facilitate its selection, appointment, reappointment, and removal. The factors to consider include an assessment of their effectiveness through the level of errors identified, accuracy in handling key accounting audit judgments, and response to queries from the AC;
- (h) make 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;
- (i) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the adequacy of the internal controls, the audit report, accounting system, the management letters and the management's response, and results of audits complied by the internal and external auditors;
- (j) review the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, and the management, and review 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 Management where necessary;
- (k) review and discuss with the external and internal 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) review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management systems and internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- (m) ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience, and has appropriate standing within the Company.
- (n) review the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (o) 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;
- (p) review the co-operation given by the Company's officers to the external auditors and internal auditors;
- (q) meet with the external and internal auditors without the presence of the Management at least once a year;
- (r) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);

# CORPORATE GOVERNANCE REPORT

- (s) review interested person transactions and 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;
- (t) 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;
- (u) review and establish procedures for receipt, retention and treatment of complaints received by the Group, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group, and to ensure that arrangements are in place for independent investigations of such matter and for appropriate follow-up, pursuant to the Company's whistle-blowing policy;
- (v) propose and establish a "Whistle-blowing policy" and review the procedures and arrangement by which employees of the Group may, in confidence, report to 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; and
- (w) to undertake Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time.

In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2022 in the discharge of its functions and duties including the deliberation and review of:

- (a) the internal and external audit plan in terms of their scope prior to their commencement;
- (b) the unaudited condensed interim and full year financial results of the Group, and announcements prior to submission to the Board for approval and release via SGXNet;
- (c) the audited financial statements of the Group and the Company prior to submission to the Board for consideration and approval;
- (d) the assurance received from the CEO and CFO on the financial records and financial statements;
- (e) the internal audit findings report including internal control processes and procedures;
- (f) the independence, adequacy and effectiveness of the Group's internal audit function;
- (g) the adequacy and effectiveness of the Company's risk management system and internal controls, including financial, operational, compliance and information technology controls and reporting the findings to the Board;
- (h) interested person transactions and any potential conflicts of interests;
- (i) the co-operation and assistance given by Management to the Group's external and internal auditors; and
- (j) the independence, effectiveness 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.

# CORPORATE GOVERNANCE REPORT

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.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility, such as where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or likely to have a material impact on the Group's operating results and/or financial position. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC has full access to and co-operation of the Company's Management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

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

## **Independence of External Auditors**

The aggregate amount of fees paid and/or payable by the Group to BDO LLP and overseas affiliates of BDO LLP for FY2022 is RMB1,094,923, of which audit fees amounted to RMB1,041,022 and non-audit fees amounted to RMB53,901.

During the year, the AC has reviewed the scope and results of audit by BDO LLP, adequacy of resources, experience and competence of the engagement partner and key audit team members in handling the audit and their cost effectiveness, as well as their independence and objectivity. The AC has also undertaken a review of the range, volume and nature of the non-audit services performed by its external auditors which is in relation to tax agent and tax compliance services rendered. The AC is satisfied that (i) neither their independence nor their objectivity was put at risk, and that they were able to meet the audit requirements and statutory obligations of the Company; and (ii) the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. BDO LLP has also provided a confirmation of their independence to the AC. Accordingly, the AC is satisfied that the Company has complied with the Rule 712 of the Listing Manual and has recommended to the Board, the nomination of the external auditors, BDO LLP, for re-appointment at the forthcoming AGM.

Other member firm of BDO LLP is auditor of the Company's significant foreign-incorporated subsidiaries, the Company has complied Rule 715 of the Listing Manual.

The external auditors have unrestricted access to the AC.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have impact on the Group's financial statements, with training conducted by professionals or external consultants. In FY2022, the AC was briefed and updated by the external auditors on the changes or amendments to the accounting standards and its corresponding impact on the financial statements, if any.

# CORPORATE GOVERNANCE REPORT

## AC's commentary on Key Audit Matter

In the review of the financial statements for FY2022, the AC has discussed with the Management and the external auditors on significant issues as well as the reasonableness of the key assumptions including significant judgements and key estimates used that impact the financial statements. The most significant matter has also been included in the Independent Auditor's Report to the Members under "Key Audit Matter". Taking into account all instances the views of the external auditors, the AC is assured and concurred with the Management's conclusions and satisfied that this matter has been properly dealt with; and concluded that the Group's accounting treatment and the disclosures in the financial statements were appropriate. The AC has recommended the Board to approve the financial statements.

## Internal Audit

The Company has outsourced the internal audit function to an independent professional firm, Daxin Guangzhou CPA to provide internal audit services, as recommended by Management and approved by the AC. The Internal auditors report directly to the AC and administratively to the Deputy CEO. The AC approves the hiring, removal, evaluation and compensation of the internal auditors and the internal auditors have unfettered access to all the Company's documents, records, properties and personnel. The AC will review on annual basis the independence, adequacy and effectiveness of the internal audit function.

During the FY2022, the internal auditor had conducted reviews on the scopes detailed in the internal audit plan as approved by the AC. Subsequent to the review, the IA will report its findings to the AC and will propose recommendations to enhance the Group's internal controls and to resolve any instances of inadequate internal control processes. The Management is responsible for the implementation of the various recommendations and will report the progress of implementation to the AC. As at the date of this report, the matters and agreed actions highlighted in the IA report had been resolved and implemented.

The external auditors will also highlight to the AC any major control weaknesses on financial reporting identified in the course of the statutory audit, if any.

As part of the Group's continuous efforts to ensure that its risk management systems and internal controls are adequate and effective, the Company is not only working towards strengthening the existing policies by conducting regular reviews to ensure that they remain relevant but is also implementing new ones where necessary to meet challenges brought on by a changing business environment.

The AC approved the re-engagement of Daxin Guangzhou CPA to perform a review of the internal controls of the Group in accordance with the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors, Inc.

Daxin Guangzhou CPA is a consultancy practice specialising in providing independent assurance services for corporations that require cost-effective and immediate solutions for their governance, risk and internal audit needs such as compliance audit, post-implementation reviews, value for money reviews, due diligence secondment and financial investigations. The engagement team assigned comprises 3 members and the partner-in-charge, You Chang Qing, has more than 10 years of relevant and diverse audit experience. The AC has assessed and is satisfied that the internal audit function of the Group is independent and effective, and the internal auditors have adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience. Accordingly, the Company is in compliance with Rule 1207(10C) of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## **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 employees.

The Company is proactive in conducting awareness briefings and ensuring regular communications to employees via email reminders. The Group's Whistle Blowing Policy is available on the Company's intranet and website for easy access by all employees and the public. On quarterly basis, Management will email to all the employees to report any complaints, suspected fraud, corruption, dishonest practices or other similar matters relating to the Group, the Directors or key management personnel. All concerns will be treated with strict confidentiality. The AC and the Board ensure the identify of whistleblower is kept confidential. It is the Company's commitment that if an employee or any person raises a genuine concern, he will not be a risk of losing his job or suffering from reprisal/harassment or detrimental or unfair treatment as a result. The AC oversees the administration of the policy and ensures that all concerns or complaints raised are independently investigated and appropriate actions are carried out.

Whistleblowing complaints or reports can be lodged via email to [sp.feedback@southern-packaging.com](mailto:sp.feedback@southern-packaging.com). Complaints or reports raised will be directed to the AC Chairman.

The employees could report directly to their immediate superior, human resource, top management. All complaints will be promptly and thoroughly investigated in confidence and on a need-to-know basis. The investigation outcome together with a recommendation on the necessary actions to be taken will be reported to the AC, who will decide on the appropriate course of action. All whistleblowing cases (if any) will be consolidated and submitted to the AC for review at every AC meeting.

The Company aims to safeguard the confidentiality of whistleblowers and protect them from any reprisals, victimisation, harassment and/or disciplinary proceedings, in line with its objective to instil transparency and accountability across operations.

The AC is vested with the power and authority to investigate and enforce appropriate action when any such non-compliance matter brought to its attention.

## **Independent meeting with external and internal auditors**

The AC has met the external and internal auditors without presence of the Management at least once a year to review assistance given by the Management to internal and external auditors and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial and operational systems. The internal and external auditors were also invited to be present at AC meetings held during FY2022 to, *inter alia*, answer or clarify any matter on cooperation from management, accounting and auditing of internal control.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

**Principle 11**      **The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

#### Participation of General Meeting

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, express their views/concerns and asking questions regarding the Group's business or performance. Notice of general meetings announced on SGXNet and the Company's website prior to the meeting. The Directors ensures that the shareholders are well informed of the meeting and voting procedures.

Any notice of general meeting consisting of only ordinary resolution is issued at least fourteen (14) calendar days before the scheduled date of such meeting while a notice of general meeting containing special resolution is issued at least 21 calendar days before the scheduled date of the meeting.

At the Company's general meetings, the chairpersons of the AC, NC and RC, majority Directors and Management are normally present and available to address shareholders' questions at general meetings. The external auditors are also invited to attend the AGMs to assist the Directors in addressing shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report. In FY2022, the Company held an AGM via electronic means. The attendance of Directors for the AGM held on 29 April 2022 is disclosed under Principle 1 of this Annual Report.

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.

All shareholders can vote in person or to appoint up to two (2) proxies during his/her 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 1967, notwithstanding the Constitution of the Company, the Company allows and will provide necessary measures to allow corporations which provide nominee or custodial services to appoint more than two (2) proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Each item of special business included in the notice of the AGM is accompanied by an explanation of the effects of the proposed resolution. At AGMs, the Directors ensure that separate resolutions are set out on distinct issues for approval by shareholders and shareholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. 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 an independent scrutineer. 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.

# CORPORATE GOVERNANCE REPORT

After a general meeting, the Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management. Once approved by the Board, these minutes are made available to shareholders upon their written request. The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5 of the Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including the risk of disclosure of sensitive information to the Group's competitors. The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders including those who did not attend the relevant general meeting, have statutory right to be furnished copies of the minutes of general meetings and these minutes would be made available to shareholders upon their written request, in accordance with the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company. In 2022, the Company had published the minutes of the AGM held on 29 April 2022 on SGX website.

In accordance with the requirement of the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**"), the forthcoming AGM will be convened and held by way of electronic means. The Company will be putting in place alternative measures and arrangements for its upcoming AGM in accordance with the provisions of the Order. Shareholders are advised to refer to the Company's alternative arrangement announcements for AGM published on SGXNet and Company's website for more details.

## **Dividend Policy**

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

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

- the level of cash and retained earnings;
- actual and projected financial performance;
- projected levels of capital expenditure and expansion plans;
- working capital requirements and general financing needs and conditions; and
- restrictions on payment of dividend imposed to the Company (if any).

The Board has not declared or recommended a dividend in respect of FY2022 as the Group has sustained losses in FY2022.

# CORPORATE GOVERNANCE REPORT

## Engagement with Shareholders and Stakeholders

**Principle 12**      **The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholder to communicate their views on various matters affecting the Company.**

The Company has put in place an 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 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 Group strives for timeliness and transparency in its disclosures to the shareholders and the public. 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 via SGXNet;
- price sensitive information, significant transactions or matters are communicated to shareholders via SGXNet;
- sustainability reports, Annual Reports and notice of general meetings issued to all shareholders; and
- the Company's website at <http://www.southern-packaging.com/> at which shareholders have access to information on the Group.

The Company solicits feedback from and addresses the concerns of Shareholders (including institutional and retail investors) by email via a dedicated investor relations email: [public@southern-packaging.com](mailto:public@southern-packaging.com) or in writing to the Company's headquarter located in China or registered office in Singapore. The Company also attends to shareholders' queries made via telephone.

For the forthcoming AGM, shareholders may submit their questions relating to the resolutions set out in the notice of the AGM in advance, or live at, the AGM. All substantive and relevant questions related to the resolutions to be tabled for approval at the AGM received in advance of the AGM before the cut-off date will be addressed and published via SGXNet and on the Company's website before the deadline for submission of proxy forms. Any subsequent clarifications sought, or follow-up questions, or substantial and relevant questions received after the cut-off date will be consolidated and addressed at the AGM. The detailed information on the submission of questions has been specified in the notice of AGM and the Company's announcement on alternative arrangements for holding the AGM.

# CORPORATE GOVERNANCE REPORT

**Principle 13      The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.**

The Company understands the importance of stakeholder engagement and has been reporting its engagement activities in its annual sustainability report, in accordance with Global Reporting Initiative (GRI) standard - Core option. Key stakeholders have been identified (customers, employees, investors, suppliers, government and regulators), each with their respective engagement channels and key areas of interests that have been made of the Group's priorities. Stakeholders can communicate or write to the Company via its corporate website at [www.southern-packaging.com](http://www.southern-packaging.com).

Please refer to the section on Stakeholder Engagement in the Company's Sustainability Report 2022 to be published on SGXNet by April 2023 for more information on how the Company manages its stakeholder relationships.

## **DEALING IN SECURITIES**

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

Directors are required to notify the Company of their securities dealings within two (2) business days of such dealings and the Company shall disseminate the notifications received to the market via SGXNet within one (1) business day of receiving such notifications.

## **MATERIAL CONTRACTS**

Save as disclosed in the section entitled "Interested Person Transactions" and the service agreements entered into between the Executive Director, Chief Executive Officer, Controlling Shareholder and the Company, 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 FY2022 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.

# CORPORATE GOVERNANCE REPORT

The IPTs of the Group during FY2022 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) FY2022 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) FY2022 |
|--|---|---|
| Guangdong Xing Hua Health Drink Co. Ltd <sup>(1)</sup> | RMB2,018,712 (S\$415,159)   | -   |
| Mai Shu Ying ,Pan Shun Ming <sup>(2)</sup>             | RMB790,206 (S\$162,510)   | -   |

(1) Rental payment to Guangdong Xing Hua Health Drink Co. Ltd, an associate company of Pan Shun Ming (Executive Chairman, CEO and Substantial Shareholder) and Mai Shu Ying (Substantial Shareholder), for factory occupied by Foshan Southern Packaging Co., Ltd., a wholly-owned subsidiary of the Company.

(2) Rental payment for office occupied by Southern (HK) Packaging Company Limited, a wholly-owned subsidiary of the Company.

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

## SUSTAINABILITY REPORTING

The Group firmly believes that our commitment to embrace the tenets of corporate sustainability as a driving force to creating value for our stakeholders at large. We adopt the principles of sustainability throughout our supply chain and continue to build sustainable practices in every aspect of the Group's business in achieving high levels of integrity and excellence in its activities. We focus our efforts on sustainable economic growth, training and education, employment, environment protection and environmental compliance. The Sustainability Report will be published by 30 April 2023 via SGXNet.

# 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 2022 and the statement of financial position of the Company as at 31 December 2022 and the statement of changes in equity of the Company for the financial year ended 31 December 2022.

## 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 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, 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; 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  
Yeung Koon Sang @ David Yeung  
Chung Tang Fong  
Chia Chor Leong

## 3. **Arrangements to enable Directors to acquire shares or debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

# DIRECTORS' STATEMENT

## 4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 (the "Act"), except as follows:

| Name of director<br>in which interests is held | Shareholdings registered<br>in name of director or nominee |                                      | Shareholdings in which a<br>director is deemed<br>to have an interest |                                      |
|--|--|--------------------------------------|---|--------------------------------------|
|  | Balance as at<br>1 January<br>2022                         | Balance as at<br>31 December<br>2022 | Balance as at<br>1 January<br>2022                                    | Balance as at<br>31 December<br>2022 |
|  | <b>Number of ordinary shares</b>                           |                                      |   |                                      |
| <b>Company</b>                                 |  |                                      |   |                                      |
| Pan Shun Ming                                  | 27,384,697   | 27,384,697                           | 17,925,265  | 17,925,265                           |

By virtue of Section 7 of the Act, Mr Pan Shun Ming is deemed to have interests in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year.

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 2023 in the shares or debentures of the Company or its related corporations have not changed from those disclosed as at 31 December 2022.

## 5. Share options

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

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

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

## 6. Audit Committee

The Audit Committee of the Company is chaired by Yeung Koon Sang @ David Yeung, and includes Chung Tang Fong and Chia Chor Leong, all Independent and Non-Executive Directors. The Audit Committee has met 4 times since the last Annual General Meeting and has carried out its functions in accordance with Section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and internal and external auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

## 6. **Audit Committee** (Continued)

- (b) the Company's and 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 and external auditor's report on those financial statements before their submission to the directors of the Company;
- (d) the half-yearly and annual announcement 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;
- (f) the re-appointment of the external auditor of the Company; and
- (g) the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of SGX-ST and ensures that the transactions were on normal commercial terms and not prejudiced to the interests of the members of the Company.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

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

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**Pan Shun Ming**  
Director

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**Chen Xiang Zhi**  
Director

5 April 2023

# INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Southern Packaging Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 55 to 125, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022;
- 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 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") 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 2022 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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

## Report on the Audit of the Financial Statements (Continued)

### KEY AUDIT MATTER

### AUDIT RESPONSE

#### Impairment of property, plant and equipment and land use rights

As at 31 December 2022, the carrying amount of the Group's property, plant and equipment ("PPE") and land use rights amounted to RMB438,354,795 and RMB37,556,417 respectively.

During the financial year ended 31 December 2022, there were impairment indications on its PPE and land use rights for the loss-making operating facilities. The management carried out an impairment assessment to determine whether an impairment loss should be recognised in the financial statements.

Management determined the recoverable amounts based on value-in-use (discounted cash flow forecasts) calculations by estimating the expected discounted future cash flows to be derived from the cash generating unit to which the non-current assets belong. Any shortfall between the recoverable amount and the carrying amount of the cash generating unit would be recognised as an impairment loss. Based on the assessment result, no impairment loss was recognised during the financial year.

We have determined impairment assessment of property, plant and equipment and land use rights to be a key audit matter as the impairment assessment involved significant management judgements and estimates with regard to the key assumptions used in estimating the discounted future cash flows, such as the revenue growth rates, gross profit margin and discount rate.

Refer to Notes 2.8, 2.12, 2.14, 3.2(i), 11 and 14 of the accompanying financial statements.

We performed the following audit procedures, amongst others:

- Discussed with management and evaluated the reasonableness of the key assumptions made by management in preparing the discounted cash flows approved by Board of Directors, including performing analytical procedures and comparing the revenue growth rates against historical performance and industry outlook, as appropriate;
- Engaged our internal valuation specialists to evaluate reasonableness of the discount rate used;
- Performed sensitivity analysis around the key assumptions, including the revenue growth rates, gross profit margin and discount rate used in the cash flow forecasts; and
- Assessed the adequacy of the disclosure in the financial statements with respect to impairment assessment of PPE and land use rights.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

## Report on the Audit of the Financial Statements (Continued)

### Other Information

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

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

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

### Responsibilities of Management and Directors for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

## Report on the Audit of the Financial Statements (Continued)

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

- 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.

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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Packaging Group Limited

## Report on the Audit of the Financial Statements (Continued)

### 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 Tei Tong Huat.

#### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
5 April 2023

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

|   | Note | Group         |               |
|---|------|---------------|---------------|
|   |      | 2022<br>RMB   | 2021<br>RMB   |
| Revenue   | 5    | 603,535,715   | 769,154,679   |
| Cost of sales   |      | (512,525,355) | (627,377,448) |
| Gross profit  |      | 91,010,360    | 141,777,231   |
| <i>Other item of income</i>   |      |               |               |
| Other income  | 6    | 7,559,630     | 10,728,785    |
| <i>Other items of expense</i>   |      |               |               |
| Distribution expenses   |      | (43,774,835)  | (48,617,073)  |
| Administrative expenses   |      | (81,010,975)  | (76,217,461)  |
| Finance costs   | 7    | (19,931,461)  | (15,200,343)  |
| (Loss)/Profit before income tax   | 8    | (46,147,281)  | 12,471,139    |
| Income tax credits  | 9    | 9,858,821     | 1,557,865     |
| (Loss)/Profit for the financial year, representing (loss)/profit for the financial year attributable to owners of the parent              |      | (36,288,460)  | 14,029,004    |
| <b>Other comprehensive income:</b>  |      |               |               |
| <i>Item that may be reclassified subsequently to profit:</i>  |      |               |               |
| Exchange differences on translation of foreign operations   |      | 929,744       | (346,048)     |
| Other comprehensive income/(expense) for the financial year, net of tax   |      | 929,744       | (346,048)     |
| Total comprehensive (expense)/income for the financial year, representing total comprehensive income attributable to owners of the parent |      | (35,358,716)  | 13,682,956    |
| (Loss)/Earnings per share   |      |               |               |
| - Basic and diluted (RMB cents)   | 10   | (51.61)       | 19.95         |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

|                                      | Note | Group                |                      | Company            |                    |
|--------------------------------------|------|----------------------|----------------------|--------------------|--------------------|
|                                      |      | 2022<br>RMB          | 2021<br>RMB          | 2022<br>RMB        | 2021<br>RMB        |
| <b>ASSETS</b>                        |      |                      |                      |                    |                    |
| <b>Non-current assets</b>            |      |                      |                      |                    |                    |
| Property, plant and equipment        | 11   | 438,354,795          | 434,339,140          | -                  | -                  |
| Investment properties                | 12   | 94,017,064           | 96,297,244           | -                  | -                  |
| Investments in subsidiaries          | 13   | -                    | -                    | 465,932,925        | 465,932,925        |
| Land use rights                      | 14   | 37,556,417           | 38,634,697           | -                  | -                  |
| Right-of-use assets                  | 15   | 2,627,089            | 2,729,844            | -                  | -                  |
| Deferred tax assets                  | 16   | 16,207,733           | 6,276,069            | -                  | -                  |
| <b>Total non-current assets</b>      |      | <b>588,763,098</b>   | <b>578,276,994</b>   | <b>465,932,925</b> | <b>465,932,925</b> |
| <b>Current assets</b>                |      |                      |                      |                    |                    |
| Property under development           | 17   | -                    | -                    | -                  | -                  |
| Inventories                          | 18   | 397,875,310          | 398,558,649          | -                  | -                  |
| Trade receivables                    | 19   | 142,738,689          | 222,614,674          | -                  | -                  |
| Other receivables and prepayments    | 20   | 45,660,352           | 42,785,750           | 1,306,022          | 1,391,957          |
| Cash and bank balances               | 21   | 67,244,843           | 80,463,836           | 441,424            | 1,148,603          |
| Fixed deposits                       | 22   | 2,661,000            | 6,165,198            | -                  | -                  |
| <b>Total current assets</b>          |      | <b>656,180,194</b>   | <b>750,588,107</b>   | <b>1,747,446</b>   | <b>2,540,560</b>   |
| <b>Total assets</b>                  |      | <b>1,244,943,292</b> | <b>1,328,865,101</b> | <b>467,680,371</b> | <b>468,473,485</b> |
| <b>LIABILITIES AND EQUITY</b>        |      |                      |                      |                    |                    |
| <b>Equity</b>                        |      |                      |                      |                    |                    |
| Share capital                        | 23   | 230,592,765          | 230,592,765          | 230,592,765        | 230,592,765        |
| Capital contribution                 | 24   | 12,638,812           | 12,638,812           | -                  | -                  |
| Statutory reserve                    | 24   | 58,546,029           | 58,546,029           | -                  | -                  |
| Foreign currency translation account | 24   | (1,149,783)          | (2,079,527)          | -                  | -                  |
| Retained earnings                    |      | 235,894,132          | 273,710,553          | 191,717,772        | 205,227,856        |
| <b>Total equity</b>                  |      | <b>536,521,955</b>   | <b>573,408,632</b>   | <b>422,310,537</b> | <b>435,820,621</b> |

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

# STATEMENTS OF FINANCIAL POSITION

For the financial year ended 31 December 2022

|                                      | Note | Group                |                      | Company            |                    |
|--------------------------------------|------|----------------------|----------------------|--------------------|--------------------|
|                                      |      | 2022<br>RMB          | 2021<br>RMB          | 2022<br>RMB        | 2021<br>RMB        |
| <b>Non-current liabilities</b>       |      |                      |                      |                    |                    |
| Deferred government subsidies        | 25   | 9,434,455            | 10,573,414           | -                  | -                  |
| Deferred tax liabilities             | 16   | 1,000,000            | 1,000,000            | -                  | -                  |
| Borrowings                           | 27   | 63,332,351           | 65,173,645           | -                  | -                  |
| <b>Total non-current liabilities</b> |      | <b>73,766,806</b>    | <b>76,747,059</b>    | <b>-</b>           | <b>-</b>           |
| <b>Current liabilities</b>           |      |                      |                      |                    |                    |
| Deferred government subsidies        | 25   | 1,138,959            | 1,138,959            | -                  | -                  |
| Lease liabilities                    | 26   | 2,621,248            | 2,748,565            | -                  | -                  |
| Current income tax payable           |      | 4,497,870            | 5,159,710            | -                  | -                  |
| Trade payables                       | 28   | 273,136,241          | 306,805,643          | -                  | -                  |
| Other payables                       | 29   | 34,395,944           | 45,240,146           | 45,369,834         | 32,652,864         |
| Borrowings                           | 27   | 318,864,269          | 317,616,387          | -                  | -                  |
| <b>Total current liabilities</b>     |      | <b>634,654,531</b>   | <b>678,709,410</b>   | <b>45,369,834</b>  | <b>32,652,864</b>  |
| <b>Total liabilities</b>             |      | <b>708,421,337</b>   | <b>755,456,469</b>   | <b>45,369,834</b>  | <b>32,652,864</b>  |
| <b>Total liabilities and equity</b>  |      | <b>1,244,943,292</b> | <b>1,328,865,101</b> | <b>467,680,371</b> | <b>468,473,485</b> |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

|   | Note | Share capital<br>RMB | Capital contribution<br>RMB | Statutory reserve<br>RMB | Foreign currency translation account<br>RMB | Retained earnings<br>RMB | Total equity<br>RMB |
|---|------|----------------------|-----------------------------|--------------------------|---|--------------------------|---------------------|
| <b>Group</b>  |      |                      |                             |                          |   |                          |                     |
| Balance as at 1 January 2022                                |      | 230,592,765          | 12,638,812                  | 58,546,029               | (2,079,527)                                 | 273,710,553              | 573,408,632         |
| Loss for the financial year                                 |      | -                    | -                           | -                        | -   | (36,288,460)             | (36,288,460)        |
| Other comprehensive expense for the financial year          |      |                      |                             |                          |   |                          |                     |
| - Exchange differences on translation of foreign operations |      | -                    | -                           | -                        | 929,744                                     | -                        | 929,744             |
| Total comprehensive income for the financial year           |      | -                    | -                           | -                        | 929,744                                     | (36,288,460)             | (35,358,716)        |
| <i>Distributions to owners of the parent</i>                |      |                      |                             |                          |   |                          |                     |
| Dividends   | 32   | -                    | -                           | -                        | -   | (1,527,961)              | (1,527,961)         |
| Balance as at 31 December 2022                              |      | 230,592,765          | 12,638,812                  | 58,546,029               | (1,149,783)                                 | 235,894,132              | 536,521,955         |
| Balance as at 1 January 2021                                |      | 230,592,765          | 12,638,812                  | 58,066,917               | (1,733,479)                                 | 261,009,770              | 560,574,785         |
| Profit for the financial year                               |      | -                    | -                           | -                        | -   | 14,029,004               | 14,029,004          |
| Other comprehensive income for the financial year           |      |                      |                             |                          |   |                          |                     |
| - Exchange differences on translation of foreign operations |      | -                    | -                           | -                        | (346,048)                                   | -                        | (346,048)           |
| Total comprehensive income for the financial year           |      | -                    | -                           | -                        | (346,048)                                   | 14,029,004               | 13,682,956          |
| <i>Distributions to owners of the parent</i>                |      |                      |                             |                          |   |                          |                     |
| Dividends   | 32   | -                    | -                           | -                        | -   | (849,109)                | (849,109)           |
| <i>Others</i>   |      |                      |                             |                          |   |                          |                     |
| Transfer to statutory reserve                               | 24   | -                    | -                           | 479,112                  | -   | (479,112)                | -                   |
| Balance as at 31 December 2021                              |      | 230,592,765          | 12,638,812                  | 58,546,029               | (2,079,527)                                 | 273,710,553              | 573,408,632         |

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

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

|  | Note | Share<br>capital<br>RMB | Retained<br>earnings<br>RMB | Total<br>equity<br>RMB |
|--|------|-------------------------|-----------------------------|------------------------|
| <b>Company</b>   |      |                         |                             |                        |
| Balance as at 1 January 2022   |      | 230,592,765             | 205,227,856                 | 435,820,621            |
| Loss for the financial year, representing total comprehensive expense for the financial year |      | -                       | (11,982,123)                | (11,982,123)           |
| <i>Distributions to owners of the parent</i>   |      |                         |                             |                        |
| Dividends  | 32   | -                       | (1,527,961)                 | (1,527,961)            |
| Balance as at 31 December 2022   |      | <u>230,592,765</u>      | <u>191,717,772</u>          | <u>422,310,537</u>     |
| Balance as at 1 January 2021   |      | 230,592,765             | 213,211,373                 | 443,804,138            |
| Loss for the financial year, representing total comprehensive expense for the financial year |      | -                       | (7,134,408)                 | (7,134,408)            |
| <i>Distributions to owners of the parent</i>   |      |                         |                             |                        |
| Dividends  | 32   | -                       | (849,109)                   | (849,109)              |
| Balance as at 31 December 2021   |      | <u>230,592,765</u>      | <u>205,227,856</u>          | <u>435,820,621</u>     |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

|   |      | Group        |               |
|---|------|--------------|---------------|
|   | Note | 2022<br>RMB  | 2021<br>RMB   |
| <b>Operating activities</b>   |      |              |               |
| (Loss)/Profit before income tax   |      | (46,147,281) | 12,471,139    |
| Adjustments for:  |      |              |               |
| Allowance made for/(Reversal of) loss allowance for trade receivables               | 19   | 318,895      | (175,591)     |
| Amortisation of deferred government subsidies                                       | 25   | (1,138,959)  | (1,138,959)   |
| Amortisation of land use rights   | 14   | 1,078,280    | 1,078,280     |
| Amortisation of right-of-use assets   | 15   | 2,384,972    | 2,944,638     |
| Depreciation of investment properties   | 12   | 2,295,913    | 17,404        |
| Depreciation of property, plant and equipment                                       | 11   | 54,156,055   | 55,266,285    |
| Interest expense  | 7    | 19,931,461   | 15,200,343    |
| Interest income   | 6    | (426,073)    | (508,209)     |
| Loss on disposal of property, plant and equipment                                   |      | 485,739      | 427,758       |
| Loss on lease modifications   |      | -            | 25,501        |
| Property, plant and equipment written off   |      | 278,017      | 20,957        |
| Gain on derecognition of lease  | 6    | (6,750)      | -             |
| Allowance made for/(Reversal of) allowance for slow-moving and obsolete inventories | 18   | 111,313      | (495,431)     |
| Unrealised foreign currency exchange loss/(gain)                                    |      | 1,181,939    | (276,282)     |
| Operating cash flows before working capital changes                                 |      | 34,503,521   | 84,857,833    |
| Working capital changes:  |      |              |               |
| Property under development  |      | -            | (218,968,785) |
| Inventories   |      | 576,174      | 41,841,022    |
| Trade receivables   |      | 92,581,861   | (85,538,786)  |
| Other receivables and prepayments   |      | 881,167      | 6,797,470     |
| Trade payables  |      | (45,745,999) | 205,667,859   |
| Other payables  |      | (11,054,992) | 10,920,615    |
| Cash generated from operations  |      | 71,741,732   | 45,577,228    |
| Income tax (paid)/refunded  |      | (771,420)    | 1,395,289     |
| Net cash generated from operating activities  |      | 70,970,312   | 46,972,517    |
| <b>Investing activities</b>   |      |              |               |
| Purchase of property, plant and equipment   | 11   | (59,273,555) | (25,355,143)  |
| Proceeds from disposal of property, plant and equipment                             |      | 322,496      | 732,769       |
| Interest received   | 6    | 426,073      | 508,209       |
| Net cash used in investing activities   |      | (58,524,986) | (24,114,165)  |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

|   | Note | Group         |               |
|---|------|---------------|---------------|
|   |      | 2022<br>RMB   | 2021<br>RMB   |
| <b>Financing activities</b>   |      |               |               |
| Interest paid   | 7    | (19,931,461)  | (15,200,343)  |
| Proceeds from borrowings  | A    | 437,136,809   | 280,186,311   |
| Repayment of borrowings   | A    | (444,531,416) | (264,260,836) |
| Repayment of lease liabilities  | 26   | (2,372,383)   | (2,977,172)   |
| Decrease/(Increase) in fixed deposits pledged                                     |      | 3,994,198     | (4,925,863)   |
| Dividends paid  |      | (1,527,961)   | (849,109)     |
| Net cash used in financing activities   |      | (27,232,214)  | (8,027,012)   |
| Net change in cash and cash equivalents   |      | (14,786,888)  | 14,831,340    |
| Cash and cash equivalents as at the beginning of the financial year               |      | 80,463,836    | 66,018,840    |
| Effect of exchange rate changes on the balance of cash held in foreign currencies |      | 2,057,895     | (386,344)     |
| Cash and cash equivalents as at the end of the financial year                     | 21   | 67,734,843    | 80,463,836    |

**Note A: Reconciliations of liabilities arising from financing activities are as follows:**

|                      | 1 January<br>RMB | Net<br>cash flows<br>RMB | Non-cash<br>changes                       | 31 December<br>RMB |
|----------------------|------------------|--------------------------|---|--------------------|
|                      |                  |                          | Foreign<br>exchange<br>differences<br>RMB |                    |
| <b>2022</b>          |                  |                          |   |                    |
| Borrowings (Note 27) | 382,790,032      | (7,394,607)              | 6,801,195                                 | 382,196,620        |
| <b>2021</b>          |                  |                          |   |                    |
| Borrowings (Note 27) | 367,287,514      | 15,925,475               | (422,957)                                 | 382,790,032        |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying 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, the 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 13 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and International Financial Reporting Standards (“IFRSs”) and are prepared under the historical cost convention, except as disclosed in the policies below.

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

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

#### Changes in accounting policies

##### *New standards, amendments and interpretations effective from 1 January 2022*

The standards, amendments to standards, and interpretations, that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

#### Changes in accounting policies (Continued)

#### *New standards, amendments and interpretations issued but not yet effective*

At the date of authorisation of these financial statements, the following standards were issued but not yet effective, and have not been adopted early in these financial statements:

|   |   | <b>Effective date<br/>(annual periods<br/>beginning on or<br/>after)</b> |
|---|---|--|
| SFRS(I) 10 and SFRS(I) 1-28<br>(Amendments)     | : Sale or Contribution of Assets<br>between an Investor and its<br>Associate or Joint Venture | To be determined   |
| SFRS(I) 17                                      | : Insurance contracts   | 1 January 2023   |
| SFRS(I) 1-1 and SFRS(I)<br>Practice Statement 2 | : Disclosure of Accounting Policies   | 1 January 2023   |
| SFRS(I) 1-8 (Amendments)                        | : Definition of Accounting Estimates  | 1 January 2023   |
| SFRS(I) 1-12 (Amendments)                       | : Deferred Tax related to Assets and<br>Liabilities arising from a Single<br>Transaction      | 1 January 2023   |
| SFRS(I) 17 (Amendments)                         | : Initial Application of SFRS(I) 17 and<br>SFRS(I) 9 – Comparative Information                | 1 January 2023   |
| SFRS(I) 1-1 (Amendments)                        | : Amendments to SFRS(I) 1-1:<br>Classification of Liabilities as Current<br>or Non-current    | 1 January 2024*  |
| SFRS(I) 16 (Amendments)                         | : Amendments to SFRS(I) 16: Lease<br>Liability in a Sale and Leaseback                        | 1 January 2024   |
| Various   | : Amendments to SFRS(I) 1-1: Non-<br>current Liabilities with Covenants                       | 1 January 2024   |

\* The mandatory effective date of this Amendment had been revised from 1 January 2022 to 1 January 2023 in July 2020 via Amendment to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current—Deferral of Effective Date and further revised to 1 January 2024 in December 2022 via Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants.

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

Management anticipates that the adoption of the above SFRS(I)s, where relevant, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with 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 the Group obtains control over the investee and cease from consolidation when control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

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 the Group.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary. 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any accumulated 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 transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.3 Business combinations (Continued)

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

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

If, after reassessment, 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.

### 2.4 Revenue recognition

#### Sale of goods

The Group manufactures and sells rigid and flexible packaging products to corporate customers. Revenue from sale of goods is recognised when a performance obligation is satisfied by transferring control of promised goods to the customers (i.e. goods are accepted by customers). For overseas sales, performance obligations are satisfied when the control of goods (based on shipping terms) are transferred to the customers.

Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised goods or services to customers, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices, except for certain contracts that are subject to insignificant volume discounts. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the normal credit terms of 7 to 120 days.

In certain situations where customers contribute moulds and tooling to facilitate the Group's fulfilment of the performance obligation, the Group assessed that it does not have control over the moulds and tooling. Accordingly, the Group does not account for such contribution as non-cash consideration received from customers.

A contract liability is the obligation to transfer goods to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. In certain circumstances, the Group receives advance payments from customers and the consideration received as at the end of each reporting period would be utilised within 12 months. The amount of contract liabilities is included in "Other payables".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.4 Revenue recognition (Continued)

#### Sale of completed development properties

The Group recognises sales at a point in time for the sale of completed development properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the assets sold.

#### Interest income

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

#### Rental income

Rental income from investment property and property, plant and equipment are recognised on a straight-line basis over the term of the relevant leases.

#### Service income

Service income is mainly related to moulds and tooling sourcing service which are distinct from the sale of goods to customers. The Group is acting as an agent for customers, hence, income, after deducting the related expenses, is recognised at point in time upon acceptance by the customers.

### 2.5 Government subsidies

Government subsidies are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.6 Retirement benefit costs (Continued)

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

#### *Group as lessor*

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.8 Leases (Continued)

*Group as lessee (Continued)*

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

#### Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group's right-of-use assets comprise land use rights acquired for own use and property relating to lease of warehouse spaces, office and residential premises and machinery with its corresponding lease liabilities are separately presented from other assets and other liabilities in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.8 Leases (Continued)

*Group as lessee (Continued)*

#### Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated amortisation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are amortised over the useful life of the underlying asset.

The estimated useful life of right-of-use assets are as follows:

|                      | <b>Years</b> |
|----------------------|--------------|
| Land use rights      | 40 to 50     |
| Warehouse spaces     | 2 to 3       |
| Office premises      | 2 to 3       |
| Residential premises | 2            |
| Machinery            | 1 to 2       |

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.14 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.8 Leases (Continued)

*Group as lessee (Continued)*

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

### 2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that are necessarily to 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 in profit or loss in the period in which they are incurred using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.10 Taxes

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

#### Current income tax

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

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

#### Deferred tax

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.10 Taxes (Continued)

#### Deferred tax (Continued)

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

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

#### Sales tax

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

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

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

### 2.11 Foreign currency transactions and translation

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.11 Foreign currency transactions and translation (Continued)

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

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

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

### 2.12 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.

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. All other repair and maintenance expenses are recognised in profit or loss when 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.12 Property, plant and equipment (Continued)

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

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

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

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

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

### 2.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable capital expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties 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% to 2.5% per annum.

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

### 2.14 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.14 Impairment of non-financial assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

### 2.15 Property under development

Property under development which is held for future sale in the ordinary course of business, investment property or property, plant and equipment are included in current assets and comprise land use right and aggregate cost of development (including interest capitalised). Property under development is stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

### 2.16 Inventories

#### Properties held for sale

The cost of properties held for sale is stated at the lower of cost and net realisable value. Cost includes cost associated with the acquisition of land, all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects, direct building costs and other costs of bringing the development properties to their present location and condition.

#### Finished goods, raw materials and consumable stores

Finished goods, raw materials and consumable stores 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. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying values of those inventories to the lower of cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 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.

#### Financial assets

The Group classifies its financial assets under amortised cost. This depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for financial assets recognised under amortised cost is as follows:

#### Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the provision matrix to determine the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Group considers a financial asset as default if the counterparty fails to make contractual payment within 120 days when they fall due.

Impairment provisions for other receivables is recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.17 Financial instruments (Continued)

#### **Financial assets** (Continued)

##### Amortised cost (Continued)

The Group's financial assets measured at amortised cost comprise trade receivables, other receivables and prepayments (excluding advances to suppliers, value added tax and prepayments), cash and bank balances as well as fixed deposits in the statements of financial position.

##### Derecognition of financial assets

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

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

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

#### **Equity instruments**

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

#### **Financial liabilities**

The Group classifies its financial liabilities as subsequently measured at amortised cost.

##### Trade and other payables

Trade and other payables (excluding contract liabilities and other taxes) 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.17 Financial instruments (Continued)

#### **Financial liabilities and equity instruments** (Continued)

#### **Financial liabilities** (Continued)

##### Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

##### 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 Cash and cash equivalents

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

### 2.19 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 2.19 Contingencies (Continued)

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

### 2.20 Dividends

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

### 2.21 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.

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

Management is of the opinion that there are no critical judgements made in applying the accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 3.2 Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (its cash generating unit or CGU). The recoverable amount of property, plant and equipment and land use rights is determined based on value-in-use, by discounting the expected future cash flows for each CGU.

The recoverable amount is sensitive to discount rate used for the discounted cash flow model, gross profit margin as well as the revenue growth rates used. The management carried out an impairment review of property, plant and equipment and land use rights and there was no impairment loss (2021: RMBNil) charged to the consolidated statement of comprehensive income. The carrying amount of the Group's property, plant and equipment, and land use rights as at 31 December 2022 were RMB438,354,795 (2021: RMB434,339,140) (Note 11) and RMB37,556,417 (2021: RMB38,634,697) (Note 14) respectively.

(ii) Loss allowance for trade receivables

Management determines expected credit loss for trade receivables by considering historical loss pattern of various customers in different geographical areas and adjusted with forward-looking information by considering the available market data on the customers' country credit rating and industry growth for non-credit impaired trade receivables, which are the key estimate in measuring expected credit loss. Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. The net carrying amount of the Group's trade receivables as at 31 December 2022 was RMB142,738,689 (2021: RMB222,614,674) (Note 19).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

### 3.2 Key sources of estimation uncertainty (Continued)

#### (iii) Allowance for slow-moving and obsolete inventories

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 inventories. 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 2022 was RMB397,875,310 (2021: RMB398,558,649) (Note 18).

#### (iv) Recognition of deferred tax assets and liabilities

The Group recognises deferred tax assets for unutilised tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which these tax benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

Deferred tax liabilities are recognised based on their best estimates of the likely taxes due. This includes the determination of estimated unremitted earnings for dividend distribution on which deferred tax liability is to be provided for. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2022 were RMB16,207,733 (2021: RMB6,276,069) and RMB1,000,000 (2021: RMB1,000,000) (Note 16) respectively.

## 4. Going concern basis

The Company incurred a net loss of RMB11,982,123 (2021: RMB7,134,408) during the financial year ended 31 December 2022 and as of that date, the Company's current liabilities exceeded its current assets by RMB43,622,388 (2021: RMB30,112,304). Management is of the view of the Company has the ability to continue as a going concern on the basis that the Company has a net assets of RMB422,310,537 (2021: RMB435,820,621) and has also obtained written undertakings from subsidiaries to provide continuing financial support to the Company to enable it to pay its debts as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 5. Revenue

### Disaggregation of revenue

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

| Segments                                   | Rigid packaging |             | Flexible packaging |             | Property development |            | Total       |             |
|--|-----------------|-------------|--------------------|-------------|----------------------|------------|-------------|-------------|
|  | 2022            | 2021        | 2022               | 2021        | 2022                 | 2021       | 2022        | 2021        |
|  | RMB             | RMB         | RMB                | RMB         | RMB                  | RMB        | RMB         | RMB         |
| <u>Primary geographical markets</u>        |                 |             |                    |             |                      |            |             |             |
| The People's Republic of China ("The PRC") | 336,685,910     | 412,709,123 | 197,422,782        | 240,450,866 | 6,114,829            | 71,785,597 | 540,223,521 | 724,945,586 |
| Australia                                  | 21,869,766      | 17,485,300  | -                  | -           | -                    | -          | 21,869,766  | 17,485,300  |
| Philippines                                | 10,405,354      | 3,804,138   | -                  | -           | -                    | -          | 10,405,354  | 3,804,138   |
| Thailand                                   | 1,073,196       | 4,850,224   | 11,817,664         | 3,453,687   | -                    | -          | 12,890,860  | 8,303,911   |
| Other regions                              | 10,444,051      | 10,913,894  | 7,702,163          | 3,701,850   | -                    | -          | 18,146,214  | 14,615,744  |
|  | 380,478,277     | 449,762,679 | 216,942,609        | 247,606,403 | 6,114,829            | 71,785,597 | 603,535,715 | 769,154,679 |

The Group has derived the revenue from the transfer of goods at point in time.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 6. Other income

|  | Group       |             |
|--|-------------|-------------|
|  | 2022<br>RMB | 2021<br>RMB |
| Amortisation of deferred government subsidies related to assets* | 1,138,959   | 1,138,959   |
| Foreign exchange gain, net                                       | -           | 969,074     |
| Gain on derecognition of lease                                   | 6,750       | -           |
| Government subsidies related to expenditure                      | 1,815,519   | 4,162,162   |
| Income from sales of raw materials                               | -           | 371,491     |
| Interest income - bank deposits                                  | 426,073     | 508,209     |
| Miscellaneous income**   | 1,319,717   | 657,425     |
| Rental income - Investment properties                            | 303,318     | 242,064     |
| Rental income - Office premises                                  | 828,209     | 483,988     |
| Service income   | 1,721,085   | 2,195,413   |
|  | 7,559,630   | 10,728,785  |

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

\*\* Miscellaneous income consisted of sale of samples and packing materials.

## 7. Finance costs

|  | Group       |             |
|--|-------------|-------------|
|  | 2022<br>RMB | 2021<br>RMB |
| Interest expenses:                               |             |             |
| - borrowings                                     | 19,831,329  | 20,663,362  |
| - lease liabilities (Note 26)                    | 100,132     | 107,827     |
|  | 19,931,461  | 20,771,189  |
| Amount capitalised in property under development | -           | (5,570,846) |
|  | 19,931,461  | 15,200,343  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 8. (Loss)/Profit before income tax

The above is arrived at after charging:

|   | Group       |             |
|---|-------------|-------------|
|   | 2022        | 2021        |
|   | RMB         | RMB         |
| <u>Cost of sales</u>  |             |             |
| Cost of inventories recognised as an expense                                    | 512,525,355 | 627,377,448 |
| Included in the above are:  |             |             |
| Amortisation of right-of-use assets   | 1,548,567   | 1,516,237   |
| Depreciation of property, plant and equipment                                   | 48,641,090  | 48,306,412  |
| Direct labour costs   |             |             |
| - direct wages  | 61,425,032  | 72,191,819  |
| - contributions to defined contribution plans                                   | 9,148,106   | 8,198,011   |
| Allowance made/(Reversal of allowance) for slow-moving and obsolete inventories | 111,313     | (495,431)   |
| <u>Distribution expenses</u>  |             |             |
| Advertisement and promotional expenses  | 126,000     | 278,020     |
| Depreciation of property, plant and equipment                                   | 39,778      | 157,065     |
| Employee benefits expense   |             |             |
| - salaries, bonuses and allowances  | 6,175,700   | 4,211,472   |
| - contributions to defined contribution plans                                   | 442,345     | 396,961     |
| - staff welfare   | 6,346       | 69,600      |
| Entertainment expenses  | 2,599,221   | 2,692,914   |
| Lease expenses on low value and short-term leases                               | 44,533      | 83,895      |
| Transportation costs  | 29,887,227  | 34,472,114  |
| Travelling and accommodation expenses   | 577,506     | 889,314     |
| Upkeep of motor vehicles expenses   | 481,664     | 406,047     |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 8. (Loss)/Profit before income tax (Continued)

The above is arrived at after charging: (Continued)

|   | Group      |            |
|---|------------|------------|
|   | 2022       | 2021       |
|   | RMB        | RMB        |
| <u>Administrative expenses</u>                                |            |            |
| Addition/(Reversal) of loss allowance for trade receivables   | 318,895    | (175,591)  |
| Amortisation of land use rights                               | 1,078,280  | 1,078,280  |
| Amortisation of right-of-use assets                           | 836,405    | 1,428,401  |
| Audit fee   |            |            |
| - auditors of the Company                                     | 550,022    | 466,560    |
| - other auditors (a member firm of BDO International Limited) | 491,000    | 672,931    |
| Non-audit fee (non-audit-related services)                    |            |            |
| - auditors of the Company                                     | 15,715     | 16,330     |
| - other auditors (a member firm of BDO International Limited) | 38,186     | 38,000     |
| Bank charges  | 290,414    | 412,528    |
| Depreciation of investment properties                         | 2,295,913  | 17,404     |
| Depreciation of property, plant and equipment                 | 5,475,187  | 6,802,808  |
| Directors' remuneration <sup>(1)</sup>                        |            |            |
| - Directors' fees   | 644,311    | 580,302    |
| - salaries, bonuses and allowances                            | 3,569,235  | 3,457,759  |
| - contributions to defined contribution plans                 | 39,785     | 33,276     |
| Duty and tax  | 4,362,090  | 3,741,555  |
| Employee benefits expense <sup>(1)</sup>                      |            |            |
| - salaries, bonuses and allowances                            | 26,055,064 | 21,638,524 |
| - contributions to defined contribution plans                 | 2,290,222  | 2,125,887  |
| - other related costs   | 591,950    | 283,811    |
| Loss on disposal of property, plant and equipment             | 485,739    | 427,758    |
| Property, plant and equipment written off                     | 278,017    | 20,957     |
| Office repairs and maintenance expenses                       | 170,751    | 148,330    |
| R&D expenditure   | 17,632,458 | 20,993,315 |
| Telephone and fax charges                                     | 861,190    | 931,358    |
| Travelling and accommodation expenses                         | 394,531    | 1,705,437  |
| Foreign exchange loss, net                                    | 3,082,539  | -          |

(1) The remuneration of directors and key management personnel is disclosed in Note 37 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 9. Income tax credits

|  | Group       |             |
|--|-------------|-------------|
|  | 2022        | 2021        |
|  | RMB         | RMB         |
| Current income tax                       |             |             |
| - current financial year                 | 72,843      | -           |
| - over provision in prior financial year | -           | (673,159)   |
|  | 72,843      | (673,159)   |
| Deferred tax                             |             |             |
| - current financial year                 | (9,931,664) | (884,706)   |
| Total income tax credits                 | (9,858,821) | (1,557,865) |

Subsidiaries of the Group which are incorporated in the PRC are awarded the status of a High Technology Enterprise and enjoy a concessionary tax rate of 15% on its profits up till the financial year ended 31 December 2022. Southern (HK) Packaging Company Limited, a subsidiary incorporated in Hong Kong is subject to Hong Kong income tax of 8.25% to 16.50% and the Company is subject to Singapore tax rate of 17%.

The income tax expense varies from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2021: 17%) to (loss)/profit before income tax and resulting in the following differences:

|  | Group        |             |
|--|--------------|-------------|
|  | 2022         | 2021        |
|  | RMB          | RMB         |
| (Loss)/Profit before income tax  | (46,147,281) | 12,471,139  |
| Applicable tax rate of 17% (2021: 17%)                                       | (7,845,038)  | 2,120,094   |
| Tax effect of expenses that are not deductible in determining taxable profit | 2,099,979    | 2,289,402   |
| Tax effect of income that are not taxable in determining taxable profit      | (21,337)     | (330,113)   |
| Enhanced tax deductions  | (4,682,511)  | (4,975,378) |
| Effect of different tax rates of overseas operations                         | 590,086      | 11,289      |
| Over provision of current tax in prior financial year                        | -            | (673,159)   |
| Income tax credits for the financial year                                    | (9,858,821)  | (1,557,865) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 10. (Loss)/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        |            |
|---|--------------|------------|
|   | 2022         | 2021       |
| The calculation of basic earnings per share is based on:                        |              |            |
| (Loss)/Profit for the financial year attributable to owners of the parent (RMB) | (36,288,460) | 14,029,004 |
| Number of actual ordinary shares  | 70,319,164   | 70,319,164 |
| (Loss)/Earnings per share (RMB cents)   |              |            |
| - basic earnings per share  | (51.61)      | 19.95      |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11. Property, plant and equipment

| Group  | Buildings<br>RMB | Plant and<br>machinery<br>RMB | Furniture,<br>fixture and<br>equipment<br>RMB | Motor<br>vehicles<br>RMB | Leasehold<br>improvements<br>RMB | Construction<br>in progress<br>RMB | Total<br>RMB  |
|--|------------------|-------------------------------|---|--------------------------|----------------------------------|------------------------------------|---------------|
| <b>Cost</b>  |                  |                               |   |                          |                                  |                                    |               |
| Balance as at 1 January 2022                         | 300,800,662      | 521,477,257                   | 267,259,336                                   | 13,352,687               | 332,807                          | 5,899,197                          | 1,109,121,946 |
| Additions  | 213,457          | 4,403,882                     | 11,534,940                                    | 406,401                  | -                                | 42,714,875                         | 59,273,555    |
| Disposals  | -                | (605,128)                     | (288,613)                                     | (2,784,360)              | -                                | -                                  | (3,678,101)   |
| Written off  | -                | (2,023,949)                   | (54,701)                                      | -                        | -                                | -                                  | (2,078,650)   |
| Reclassifications                                    | 8,780,162        | 19,464,295                    | 850,526                                       | -                        | -                                | (29,094,983)                       | -             |
| Transfer to investment<br>properties (Note 12)       | (30,456)         | -                             | -   | -                        | -                                | -                                  | (30,456)      |
| Currency translation differences                     | -                | -                             | 9,402   | -                        | 31,170                           | -                                  | 40,572        |
| Balance as at 31 December<br>2022                    | 309,763,825      | 542,716,357                   | 279,310,890                                   | 10,974,728               | 363,977                          | 19,519,089                         | 1,162,648,866 |
| <b>Accumulated depreciation</b>                      |                  |                               |   |                          |                                  |                                    |               |
| Balance as at 1 January 2022                         | 91,122,604       | 346,948,015                   | 224,345,440                                   | 11,823,213               | 332,807                          | -                                  | 674,572,079   |
| Depreciation for the<br>financial year               | 11,351,670       | 29,291,456                    | 13,074,091                                    | 438,838                  | -                                | -                                  | 54,156,055    |
| Disposals  | -                | (233,217)                     | (130,725)                                     | (2,505,924)              | -                                | -                                  | (2,869,866)   |
| Written off  | -                | (1,751,402)                   | (49,231)                                      | -                        | -                                | -                                  | (1,800,633)   |
| Transfer to investment<br>properties (Note 12)       | (14,723)         | -                             | -   | -                        | -                                | -                                  | (14,723)      |
| Currency translation differences                     | -                | -                             | 9,262   | -                        | 31,170                           | -                                  | 40,432        |
| Balance as at 31 December<br>2022                    | 102,459,551      | 374,254,852                   | 237,248,837                                   | 9,756,127                | 363,977                          | -                                  | 724,083,344   |
| <b>Accumulated impairment<br/>loss</b>               |                  |                               |   |                          |                                  |                                    |               |
| Balance as at 1 January 2022<br>and 31 December 2022 | -                | 182,482                       | 28,245  | -                        | -                                | -                                  | 210,727       |
| <b>Carrying amount</b>                               |                  |                               |   |                          |                                  |                                    |               |
| Balance as at 31 December<br>2022                    | 207,304,274      | 168,279,023                   | 42,033,808                                    | 1,218,601                | -                                | 19,519,089                         | 438,354,795   |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11. Property, plant and equipment (Continued)

| Group   | Buildings<br>RMB | Plant and<br>machinery<br>RMB | Furniture,<br>fixture and<br>equipment<br>RMB | Motor<br>vehicles<br>RMB | Leasehold<br>improvements<br>RMB | Construction<br>in progress<br>RMB | Total<br>RMB  |
|---|------------------|-------------------------------|---|--------------------------|----------------------------------|------------------------------------|---------------|
|   |                  |                               |   |                          |                                  |                                    |               |
| Balance as at 1 January 2021                      | 303,666,310      | 517,367,941                   | 257,039,856                                   | 13,383,619               | 346,497                          | 1,889,270                          | 1,093,693,493 |
| Additions   | -                | 6,360,055                     | 9,565,343                                     | 32,743                   | -                                | 9,397,002                          | 25,355,143    |
| Disposals   | -                | (9,505,910)                   | -   | -                        | -                                | -                                  | (9,505,910)   |
| Written off                                       | -                | (19,231)                      | (47,585)                                      | -                        | -                                | -                                  | (66,816)      |
| Reclassifications                                 | (2,865,648)      | 7,274,402                     | 1,041,996                                     | (63,675)                 | -                                | (5,387,075)                        | -             |
| Transfer to property under development            | -                | -                             | (336,102)                                     | -                        | -                                | -                                  | (336,102)     |
| Currency translation differences                  | -                | -                             | (4,172)                                       | -                        | (13,690)                         | -                                  | (17,862)      |
| Balance as at 31 December 2021                    | 300,800,662      | 521,477,257                   | 267,259,336                                   | 13,352,687               | 332,807                          | 5,899,197                          | 1,109,121,946 |
| Balance as at 1 January 2022                      | 79,712,920       | 324,406,565                   | 212,067,845                                   | 11,214,560               | 346,497                          | -                                  | 627,748,387   |
| Depreciation for the financial year               | 11,409,684       | 30,904,141                    | 12,343,807                                    | 608,653                  | -                                | -                                  | 55,266,285    |
| Disposals   | -                | (8,345,383)                   | -   | -                        | -                                | -                                  | (8,345,383)   |
| Written off                                       | -                | (17,308)                      | (28,551)                                      | -                        | -                                | -                                  | (45,859)      |
| Transfer to property under development            | -                | -                             | (33,610)                                      | -                        | -                                | -                                  | (33,610)      |
| Currency translation differences                  | -                | -                             | (4,051)                                       | -                        | (13,690)                         | -                                  | (17,741)      |
| Balance as at 31 December 2022                    | 91,122,604       | 346,948,015                   | 224,345,440                                   | 11,823,213               | 332,807                          | -                                  | 674,572,079   |
| Balance as at 1 January 2021 and 31 December 2021 | -                | 182,482                       | 28,245  | -                        | -                                | -                                  | 210,727       |
| Balance as at 31 December 2021                    | 209,678,058      | 174,346,760                   | 42,885,651                                    | 1,529,474                | -                                | 5,899,197                          | 434,339,140   |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 11. Property, plant and equipment (Continued)

The Group has pledged buildings and plant and machinery with carrying amounts of RMB128,816,216 (2021: RMB121,603,644) and RMB45,771,489 (2021: RMB46,904,948) respectively to secure banking facilities granted to the Group (Note 27).

The Group had sub-let a small portion of its building to earn rental income. Management had assessed that the leased portion is insignificant.

### Impairment assessment of property, plant and equipment

During the financial year ended 31 December 2022, the Group carried out a review of the recoverable amount of its property, plant and equipment and land use rights as a cash generating unit ("CGU") with indications of impairment. The recoverable amount of the property, plant and equipment with indications of impairment has been determined based on its value-in-use calculations using the following key assumptions:

|                      | <b>Group<br/>2022<br/>%</b> |
|----------------------|-----------------------------|
| Revenue growth rates | 5-16                        |
| Gross profit margin  | 18                          |
| Discount rate        | 9.6                         |

Management estimates the discount rate using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. The growth rate is based on management's estimates and expectations from historical trends and market data.

### *Sensitivity analysis*

As at the current reporting date, based on management's assessment of the CGU, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the remaining CGU.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 12. Investment properties

|  | Group       |             |
|--|-------------|-------------|
|  | RMB<br>2022 | RMB<br>2021 |
| <b>Cost</b>  |             |             |
| Balance as at 1 January  | 96,647,169  | 732,859     |
| Transferred from property under development (Note 17) <sup>(1)</sup> | –           | 95,914,310  |
| Transferred from property, plant and equipment (Note 11)             | 30,456      | –           |
| Balance as at 31 December  | 96,677,625  | 96,647,169  |
| <b>Accumulated depreciation</b>                                      |             |             |
| Balance as at 1 January  | 349,925     | 332,521     |
| Depreciation for the financial year                                  | 2,295,913   | 17,404      |
| Transferred from property, plant and equipment (Note 11)             | 14,723      | –           |
| Balance as at 31 December  | 2,660,561   | 349,925     |
| <b>Carrying amount</b>   |             |             |
| Balance as at 31 December  | 94,017,064  | 96,297,244  |
| <b>Fair Value</b>  |             |             |
| Level 3  | 132,345,828 | 133,932,396 |

(1) These properties were transferred from property under development on 10 November 2021. No depreciation had been charged for the previous financial year as the amount was not significant.

At the balance sheet date, the details of the Group's investment properties are as follows:

| Location   | Description  | Tenure                                     |
|--|--|--|
| No. 9 Foping Four Road, Sixth and Seventh floor, Gui Cheng, Nanhai, Foshan City, Guangdong 528251, the PRC.    | 308 sqm office   | 50-year leases ending on 21 September 2045 |
| Apex Tower, No. 1 Huandao South Road, Guicheng Street, Nanhai district Foshan City, Guangdong 528251, the PRC. | 23,242 sqm of commercial, residential units and carparks | 40-year leases ending on 7 November 2062   |

The Group's has pledged certain investment properties with a carrying amount of RMB93,636,345 (2021: RMB95,914,310) to secure banking facilities granted to the Group (Note 27).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 12. Investment properties (Continued)

### Valuation techniques and assumptions

The investment properties were valued by independent professional valuers at each reporting date who hold a recognised and relevant professional qualification and have recent experience in the location and category of the properties.

The valuations of the investment properties were arrived at using the average of both direct comparison approach and income approach.

Direct comparison approach makes reference to the comparable sales evidence in the relevant locality with adjustments made to reflect the differences in size, location, tenure, condition, prevailing market conditions and all other relevant factors affecting its use. The major inputs into the valuation model were the price per square metre and size of the properties.

Income approach is based on capitalisation of net rental income derived from the existing tenancies with due allowances for revisionary income potential of the property or by reference to comparable market transactions. The major inputs into the valuation model were the capitalisation rate, occupancy details and price per square metre of gross/net lettable area.

The valuations were based on the respective property's highest and best use, which was in line with its actual use. Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 Fair Value Measurement guidance.

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

Rental income generated and direct operating expenses incurred on investment properties are as follows:

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2022</b>  | <b>2021</b> |
|   | <b>RMB</b>   | <b>RMB</b>  |
| Rental income arising from investment properties              | 303,318      | 242,064     |
| Direct operating expenses (including repairs and maintenance) |              |             |
| - investment properties that generate income                  | -            | -           |
| - investment properties that do not generate income           | -            | -           |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 13. Investments in subsidiaries

|   | Company            |                    |
|---|--------------------|--------------------|
|   | 2022<br>RMB        | 2021<br>RMB        |
| Unquoted equity contribution/shares, at cost                        | 456,236,365        | 456,236,365        |
| Deemed investment arising from the issuance of financial guarantees | 9,696,560          | 9,696,560          |
|   | <u>465,932,925</u> | <u>465,932,925</u> |

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 in prior years and the related financial guarantees recognised in other payables have been fully amortised in the prior financial years.

Details of the subsidiaries as at 31 December 2022 are as follows:

| Name of subsidiary                                     | Country of incorporation (or registration) and place of business | Effective equity interest held by the Group |           | Principal activities   |
|--|--|---|-----------|--|
|  |  | 2022<br>%                                   | 2021<br>% |  |
| Foshan Nanxin Packaging Co., Ltd. <sup>(1)</sup>       | The 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. <sup>(1)</sup>     | The People's Republic of China                                   | 100   | 100       | Trading and manufacturing of packaging products for foodstuff, medical and cosmetic products, and property development                         |
| Southern Packaging (Jiangsu) Co., Ltd. <sup>(1)</sup>  | The People's Republic of China                                   | 100   | 100       | Trading and manufacturing of packaging products for foodstuff, medical and cosmetic products   |
| Southern (HK) Packaging Company Limited <sup>(2)</sup> | Hong Kong  | 100   | 100       | Trading of packaging products for foodstuff, medical and cosmetic products   |

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 13. Investments in subsidiaries (Continued)

### Significant restrictions

As at 31 December 2022, cash and bank balances and fixed deposits amounted to RMB46,705,081 (2021: RMB70,048,576) held in the PRC are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Company's ability to access or use assets, and settle liabilities, of the Group.

## 14. Land use rights

|   | Group       |             |
|---|-------------|-------------|
|   | 2022<br>RMB | 2021<br>RMB |
| <b>Cost</b>                             |             |             |
| Balance as at 1 January and 31 December | 52,322,992  | 52,322,992  |
| <b>Accumulated amortisation</b>         |             |             |
| Balance as at 1 January                 | 13,688,295  | 12,610,015  |
| Amortisation for the financial year     | 1,078,280   | 1,078,280   |
| Balance as at 31 December               | 14,766,575  | 13,688,295  |
| <b>Carrying amount</b>                  |             |             |
| Balance as at 31 December               | 37,556,417  | 38,634,697  |

Land use rights represent up-front payments to acquire long term interests in the usage of land in the PRC.

Land use rights are amortised on a straight-line basis over the lease term of 44 to 50 years (ranging between the year 1995 to year 2064) as stated in the relevant land use right certificates granted for usage by the respective subsidiaries in the PRC.

The Group has pledged certain of its land use rights with carrying amount of RMB28,855,288 (2021: RMB29,686,200) to secure banking facilities granted to the Group (Note 27).

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

### Impairment assessment of land use rights

During the financial year ended 31 December 2022, the Group carried out a review of the recoverable amount of its land use rights and property plant and equipment as a cash generating unit with indications of impairment. The details are disclosed in Note 11 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 15. Right-of-use assets

|                                     | Warehouse<br>spaces<br>RMB | Office<br>premises<br>RMB | Residential<br>premises<br>RMB | Machinery<br>RMB | Total<br>RMB |
|-------------------------------------|----------------------------|---------------------------|--------------------------------|------------------|--------------|
| <b>Group</b>                        |                            |                           |                                |                  |              |
| <b>Cost</b>                         |                            |                           |                                |                  |              |
| Balance as at 1 January 2022        | 6,097,273                  | 2,784,452                 | 1,112,853                      | 660,689          | 10,655,267   |
| Additions                           | -                          | -                         | 86,032                         | -                | 86,032       |
| Modifications                       | 1,548,568                  | 713,024                   | 110,668                        | -                | 2,372,260    |
| Derecognition                       | -                          | -                         | -                              | (660,689)        | (660,689)    |
| Currency translation difference     | 32,330                     | 288,790                   | -                              | -                | 321,120      |
| Balance as at 31 December 2022      | 7,678,171                  | 3,786,266                 | 1,309,553                      | -                | 12,773,990   |
| <b>Accumulated amortisation</b>     |                            |                           |                                |                  |              |
| Balance as at 1 January 2022        | 4,548,709                  | 2,050,607                 | 941,768                        | 384,339          | 7,925,423    |
| Amortisation for the financial year | 1,548,567                  | 713,024                   | 123,381                        | -                | 2,384,972    |
| Derecognition                       | -                          | -                         | -                              | (384,339)        | (384,339)    |
| Currency translation difference     | -                          | 220,845                   | -                              | -                | 220,845      |
| Balance as at 31 December 2022      | 6,097,276                  | 2,984,476                 | 1,065,149                      | -                | 10,146,901   |
| <b>Carrying amount</b>              |                            |                           |                                |                  |              |
| Balance as at 31 December 2022      | 1,580,895                  | 801,790                   | 244,404                        | -                | 2,627,089    |
| <b>Cost</b>                         |                            |                           |                                |                  |              |
| Balance as at 1 January 2021        | 4,581,036                  | 2,132,872                 | 706,436                        | -                | 7,420,344    |
| Additions                           | 1,548,567                  | 746,260                   | 406,417                        | 660,689          | 3,361,933    |
| Modifications                       | (32,330)                   | -                         | -                              | -                | (32,330)     |
| Currency translation difference     | -                          | (94,680)                  | -                              | -                | (94,680)     |
| Balance as at 31 December 2021      | 6,097,273                  | 2,784,452                 | 1,112,853                      | 660,689          | 10,655,267   |
| <b>Accumulated amortisation</b>     |                            |                           |                                |                  |              |
| Balance as at 1 January 2021        | 3,032,472                  | 1,424,595                 | 590,186                        | -                | 5,047,253    |
| Amortisation for the financial year | 1,516,237                  | 692,480                   | 351,582                        | 384,339          | 2,944,638    |
| Currency translation difference     | -                          | (66,468)                  | -                              | -                | (66,468)     |
| Balance as at 31 December 2021      | 4,548,709                  | 2,050,607                 | 941,768                        | 384,339          | 7,925,423    |
| <b>Carrying amount</b>              |                            |                           |                                |                  |              |
| Balance as at 31 December 2021      | 1,548,564                  | 733,845                   | 171,085                        | 276,350          | 2,729,844    |

The Group leases warehouse spaces and machinery for the purpose of its manufacturing operations. The Group also leases office and residential premises for the purpose of back-office operations and staff occupancy.

There are no externally imposed covenants on these lease arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 16. Deferred tax assets/(liabilities)

|                          | Group       |             |
|--------------------------|-------------|-------------|
|                          | 2022<br>RMB | 2021<br>RMB |
| Deferred tax assets      | 16,207,733  | 6,276,069   |
| Deferred tax liabilities | (1,000,000) | (1,000,000) |

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:

|   | Deferred tax assets |  |                           |                   | Deferred tax liabilities |   |
|---|---------------------|--|---------------------------|-------------------|--------------------------|---|
|   | Provisions<br>RMB   | Deferred<br>government<br>subsidies<br>RMB | Land use<br>rights<br>RMB | Tax losses<br>RMB | Total<br>RMB             | Undistributed<br>earnings of<br>subsidiaries<br>RMB |
| <b>Group</b>                            |                     |  |                           |                   |                          |   |
| Balance as at<br>1 January 2022         | 215,787             | 1,636,210                                  | (2,418,983)               | 6,843,055         | 6,276,069                | (1,000,000)   |
| Credited/(Charged) to<br>profit or loss | 64,532              | (151,501)                                  | 24,835                    | 9,993,798         | 9,931,664                | -   |
| Balance as at<br>31 December 2022       | 280,319             | 1,484,709                                  | (2,394,148)               | 16,836,853        | 16,207,733               | (1,000,000)   |
| Balance as at<br>1 January 2021         | 316,440             | 1,775,645                                  | (2,389,862)               | 5,689,140         | 5,391,363                | (1,000,000)   |
| (Charged)/Credited to<br>profit or loss | (100,653)           | (139,435)                                  | (29,121)                  | 1,153,915         | 884,706                  | -   |
| Balance as at<br>31 December 2021       | 215,787             | 1,636,210                                  | (2,418,983)               | 6,843,055         | 6,276,069                | (1,000,000)   |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 16. Deferred tax assets/(liabilities) (Continued)

### Deferred tax asset

#### Unutilised tax losses

At the end of the financial year, the Group had recognised unutilised tax losses of RMB112,245,690 (2021: RMB45,620,369) which are available for set-off against future taxable profits subject to the agreement by the tax authorities and provisions of tax legislations of the PRC. The expiry dates for tax losses arising in certain foreign tax jurisdictions are as follows:

| Year incurred | Year of expiry | Group              |                   |
|---------------|----------------|--------------------|-------------------|
|               |                | 2022<br>RMB        | 2021<br>RMB       |
| 2016          | 2026           | 13,156,754         | 13,156,754        |
| 2018          | 2028           | 18,985,391         | 18,985,391        |
| 2019          | 2029           | 8,138,488          | 8,138,488         |
| 2020          | 2030           | 10,199,375         | 5,339,736         |
| 2021          | 2031           | 6,632,823          | -                 |
| 2022          | 2032           | 55,132,859         | -                 |
|               |                | <u>112,245,690</u> | <u>45,620,369</u> |

#### Unrecognised deferred tax assets

#### Unutilised tax losses

No deferred tax asset has been recognised in respect of the remaining RMB138,450 (2021: RMB11,629,634) due to the unpredictability of profit streams. The expiry dates for the remaining tax losses arising in certain foreign tax jurisdictions are as follows:

| Year incurred | Year of expiry | Group             |                   |
|---------------|----------------|-------------------|-------------------|
|               |                | 2022<br>RMB       | 2021<br>RMB       |
| 2017          | 2021           | -                 | 31,271            |
| 2018          | 2022           | 35,301            | 35,301            |
| 2019          | 2023           | 15,749            | 15,749            |
| 2020          | 2024           | 25,908            | 25,908            |
| 2020          | 2030           | -                 | 4,859,639         |
| 2021          | 2025           | 28,943            | 28,943            |
| 2021          | 2031           | -                 | 6,632,823         |
| 2022          | 2026           | 32,549            | -                 |
| 2022          | 2032           | 10,115,045        | -                 |
|               |                | <u>10,253,495</u> | <u>11,629,634</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 16. Deferred tax assets/(liabilities) (Continued)

### Deferred tax liabilities

#### Undistributed profits

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

As at 31 December 2022, total unremitted earnings of certain subsidiaries in the PRC amounted to RMB86,693,155 (2021: RMB148,796,842). Management estimates that not more than 20% of these unremitted earnings will be distributed as dividends in the foreseeable future. Hence, as at 31 December 2022, a deferred tax liability of RMB1,000,000 (2021: RMB1,000,000) was recognised on the withholding tax and other taxation that would be payable. No deferred tax liability was recognised on unremitted earnings amounting to RMB69,354,524 (2021: RMB113,117,000) as the Group is in a position to control the dividend policies of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

## 17. Property under development

|  | Group |               |
|--|-------|---------------|
|  | 2022  | 2021          |
|  | RMB   | RMB           |
| Land use rights  | –     | 15,932,420    |
| Development costs  | –     | 427,268,698   |
| Transferred from property, plant and equipment - net (Note 11) | –     | 302,492       |
| Interest capitalised   | –     | 17,211,302    |
| Transferred to investment properties (Note 12)                 | –     | (95,914,310)  |
| Transferred to inventories                                     | –     | (364,800,602) |
|  | –     | –             |

Details of the Group's development property in are as follows:

| Description and Location  | Built-up area<br>(SQ M) | Stage of development/<br>expected completion date | Interest held<br>by Group<br>2021<br>(%) |
|---|-------------------------|---|--|
| <b>Apex Tower</b><br>Comprises two industrial buildings, a commercial podium and carpark lots located in Nanhai District, Foshan. | 89,000                  | Construction completed in November 2021           | 100                                      |

*Land use rights of Nanhai District of Foshan City, Guicheng Street, Sanshan Creative Industry Park, SS-D04 block ("Sanshan land use rights")*

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 17. Property under development (Continued)

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 Sanshan land use rights with an area of approximately 21,608 square metres at a purchase price of RMB17.47 million. The period of the land use rights is 50 years.

On 10 November 2021, the construction of the development property was completed and subsequently reclassified to investment properties and inventories as properties held for sale based on its use. The amount allocated is based on cost of development per square meter and the built-up area for investment properties and inventories as properties held for sale.

### Contingent liability

According to the agreement with the Bureau, FSP is required to:

- by 8 November 2013, complete the design, submit construction report and related documents and commence official construction of property for industrial purposes; and
- by 8 November 2015, complete all construction of property and submit construction completion verification report and related documents for final acceptance.

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

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

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

On 25 January 2019, FSP had obtained all the key permits required to commence the construction and the entire construction process was estimated to take approximately 2.5 years.

In prior financial year, management has estimated the liquidated damages to be approximately RMB7.777 million. As at the date of the prior year financial statements, no impairment loss on Sanshan land use rights or provision for liquidated damages was recognised for the delay in commencement and the date of completion of the project as the management was of the opinion that:

- Significant delays to the construction progress was due to inadequate infrastructure developed by the local authority at the construction site, which was beyond the control of the management;
- Based on management's understanding of the past practices of the Bureau and authorities in Foshan, there was no historical instance where the Bureau and the authorities in Foshan had recovered land use rights granted previously or issued penalties on non-compliance of commencement and completion dates; and

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 17. Property under development (Continued)

### Contingent liability (Continued)

- As at the date of this financial statements, the Group had not received any correspondences from the authorities on the liquidated damages for non-compliance of the commencement deadline and the project had commenced and completed since prior years.

## 18. Inventories

|                               | Group       |             |
|-------------------------------|-------------|-------------|
|                               | 2022<br>RMB | 2021<br>RMB |
| Raw materials and consumables | 43,651,524  | 37,339,283  |
| Work in progress              | 8,154,362   | 8,432,511   |
| Finished goods                | 40,499,565  | 42,414,200  |
| Properties held for sale      | 305,569,859 | 310,372,655 |
|                               | 397,875,310 | 398,558,649 |

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by RMB111,313 (2021: reversal of allowance for slow moving and obsolete inventories by RMB495,431) which was recognised in "Cost of sales" in profit or loss.

## 19. Trade receivables

|   | Group       |             |
|---|-------------|-------------|
|   | 2022<br>RMB | 2021<br>RMB |
| Trade receivables   |             |             |
| - third parties   | 85,106,072  | 175,147,255 |
| - a related party   | -           | 16,344      |
|   | 85,106,072  | 175,163,599 |
| Bills receivables   | 21,696,828  | 19,279,952  |
| Unbilled receivables                                      | 36,629,979  | 28,546,418  |
|   | 143,432,879 | 222,989,969 |
| Less: Loss allowance on trade receivables – third parties | (694,190)   | (375,295)   |
|   | 142,738,689 | 222,614,674 |

The trade amounts due from third parties are unsecured, interest-free and repayable within the normal credit terms of 7 to 120 days (2021: 7 to 120 days), in cash.

Bills receivables are unsecured, non-interest bearing and recoverable within 60 to 180 days (2021: 60 to 180 days).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 19. Trade receivables (Continued)

The unbilled receivables mainly relate to the control of goods transferred to the customers but not yet billed at reporting date.

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

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking information by considering the available market data on the customers' country credit rating and industry growth for non-credit impaired trade receivables, as appropriate. Management takes into account historical provision trend and other relevant factors.

The following table provides information about the exposure to credit risk and expected credit loss for third parties trade receivables as at 31 December 2022 and 31 December 2021.

|                           | <b>Gross<br/>carrying<br/>amount<br/>RMB</b> | <b>Loss<br/>allowance<br/>RMB</b> | <b>Credit<br/>impaired</b> |
|---------------------------|--|-----------------------------------|----------------------------|
| <b>Group</b>              |  |                                   |                            |
| <b>2022</b>               |  |                                   |                            |
| Not pass due              | 94,351,587                                   | -                                 | No                         |
| Past due but not impaired |  |                                   |                            |
| <90 days                  | 35,539,004                                   | -                                 | No                         |
| 91 to 180 days            | 10,952,429                                   | -                                 | No                         |
| 181 to 365 days           | 1,906,774                                    | (261,615)                         | Yes                        |
| >365 days                 | 683,085                                      | (432,575)                         | Yes                        |
|                           | <u>143,432,879</u>                           | <u>(694,190)</u>                  |                            |
| <b>2021</b>               |  |                                   |                            |
| Not past due              | 199,048,377                                  | -                                 | No                         |
| Past due but not impaired |  |                                   |                            |
| <90 days                  | 16,272,693                                   | -                                 | No                         |
| 91 to 180 days            | 5,865,118                                    | -                                 | No                         |
| 181 to 365 days           | 545,754                                      | (84,357)                          | Yes                        |
| >365 days                 | 1,258,027                                    | (290,938)                         | Yes                        |
|                           | <u>222,989,969</u>                           | <u>(375,295)</u>                  |                            |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 19. Trade receivables (Continued)

The loss allowance of RMB694,190 (2021: RMB375,295) is related to credit-impaired balances from customers who are not likely to repay the outstanding balances mainly due to economic circumstances or who has defaulted in payment terms.

Management believes that no impairment allowance is necessary for the remaining trade receivables as these are substantially companies with good collection track record and no recent history of default, hence the expected credit loss is not material.

The Group does not hold any collateral over these balances.

Movement in the loss allowance for credit impaired trade receivables is as follows:

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2022</b>  | <b>2021</b> |
|   | <b>RMB</b>   | <b>RMB</b>  |
| Balance as at the beginning of the financial year | 375,295      | 550,886     |
| Addition/(Reversal) recognised in profit or loss  | 318,895      | (175,591)   |
| Balance as at the end of the financial year       | 694,190      | 375,295     |

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

|                      | <b>Group</b> |             |
|----------------------|--------------|-------------|
|                      | <b>2022</b>  | <b>2021</b> |
|                      | <b>RMB</b>   | <b>RMB</b>  |
| Denominated in:      |              |             |
| Euro                 | -            | 204         |
| Renminbi             | 3,109,078    | 1,780,783   |
| United States dollar | 10,671,846   | 11,683,193  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 20. Other receivables and prepayments

|                                    | Group        |              | Company     |             |
|------------------------------------|--------------|--------------|-------------|-------------|
|                                    | 2022<br>RMB  | 2021<br>RMB  | 2022<br>RMB | 2021<br>RMB |
| Other receivables                  |              |              |             |             |
| - third parties                    | 8,754,014    | 6,003,227    | 15,919      | 101,854     |
| - subsidiaries                     | -            | -            | 1,290,103   | 1,290,103   |
|                                    | 8,754,014    | 6,003,227    | 1,306,022   | 1,391,957   |
| Advances to suppliers              | 15,751,829   | 24,267,213   | -           | -           |
| Refundable deposits                | 1,625,078    | 1,253,587    | -           | -           |
| Value added tax                    | 17,161,480   | 10,770,172   | -           | -           |
| Prepayments                        | 2,367,951    | 491,551      | -           | -           |
| Other receivables and prepayments  | 45,660,352   | 42,785,750   | 1,306,022   | 1,391,957   |
| <i>Add:</i>                        |              |              |             |             |
| Trade receivables (Note 19)        | 142,738,689  | 222,614,674  | -           | -           |
| Cash and bank balances (Note 21)   | 67,244,843   | 80,463,836   | 441,424     | 1,148,603   |
| Fixed deposits (Note 22)           | 2,661,000    | 6,165,198    | -           | -           |
| <i>Less:</i>                       |              |              |             |             |
| Advances to suppliers              | (15,751,829) | (24,267,213) | -           | -           |
| Prepayments                        | (2,367,951)  | (491,551)    | -           | -           |
| Value added tax                    | (17,161,480) | (10,770,172) | -           | -           |
| Financial assets at amortised cost | 223,023,624  | 316,500,522  | 1,747,446   | 2,540,560   |

Other receivables due from third parties are unsecured, non-interest bearing and repayable on demand.

Other receivables 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 20. Other receivables and prepayments (Continued)

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

|                                     | Group       |             | Company     |             |
|-------------------------------------|-------------|-------------|-------------|-------------|
|                                     | 2022<br>RMB | 2021<br>RMB | 2022<br>RMB | 2021<br>RMB |
| Denominated in:<br>Singapore dollar | 15,919      | 101,854     | 15,919      | 101,854     |

## 21. Cash and bank balances

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2022<br>RMB | 2021<br>RMB | 2022<br>RMB | 2021<br>RMB |
| Cash and bank balances   | 67,244,843  | 80,463,836  | 441,424     | 1,148,603   |
| Fixed deposits (Note 22)   | 2,661,000   | 6,165,198   | -           | -           |
|  | 69,905,843  | 86,629,034  | 441,424     | 1,148,603   |
| Less: Fixed deposits pledged   | (2,171,000) | (6,165,198) |             |             |
| Cash and cash equivalents as shown<br>in the consolidated statement of<br>cash flows | 67,734,843  | 80,463,836  |             |             |

Cash at banks earns interest of 0.01% to 0.35% (2021: 0.30%) per annum.

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

|                      | Group       |             | Company     |             |
|----------------------|-------------|-------------|-------------|-------------|
|                      | 2022<br>RMB | 2021<br>RMB | 2022<br>RMB | 2021<br>RMB |
| Denominated in:      |             |             |             |             |
| Euro                 | 19,248      | 24,579      | -           | -           |
| United States dollar | 12,405,484  | 16,192,372  | 83,271      | 76,230      |
| Hong Kong dollar     | 765,514     | 822,243     | 78,050      | 72,257      |
| Renminbi             | 6,827,799   | 446,173     | -           | -           |
| Singapore dollar     | 280,103     | 1,000,115   | 280,103     | 1,000,115   |
| Japanese yen         | 2           | 29          | -           | -           |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 22. Fixed deposits

|                 | Group            |                  |
|-----------------|------------------|------------------|
|                 | 2022<br>RMB      | 2021<br>RMB      |
| Fixed deposits: |                  |                  |
| - non-pledged   | 490,000          | -                |
| - pledged       | 2,171,000        | 6,165,198        |
|                 | <u>2,661,000</u> | <u>6,165,198</u> |

The Group had pledged its fixed deposits to secure borrowings (Note 27).

The fixed deposits earn interest of 1.1% (2021: 1.1%) per annum and for a tenure of approximately 90 days (2021: 60 days to 90 days).

## 23. Share capital

|   | Group and Company                 |                                   |                    |                    |
|---|-----------------------------------|-----------------------------------|--------------------|--------------------|
|   | 2022<br>Number of ordinary shares | 2021<br>Number of ordinary shares | 2022<br>RMB        | 2021<br>RMB        |
| <u>Issued and paid up</u>                                 |                                   |                                   |                    |                    |
| Balance as at the beginning and end of the financial year | <u>70,319,164</u>                 | <u>70,319,164</u>                 | <u>230,592,765</u> | <u>230,592,765</u> |

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.

## 24. Reserves

|                                      | Group             |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | 2022<br>RMB       | 2021<br>RMB       |
| Capital contribution                 | 12,638,812        | 12,638,812        |
| Statutory reserve                    | 58,546,029        | 58,546,029        |
| Foreign currency translation account | (1,149,783)       | (2,079,527)       |
|                                      | <u>70,035,058</u> | <u>69,105,314</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 24. Reserves (Continued)

### Capital contribution

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

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

### Statutory reserve

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

### Foreign currency translation account

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

## 25. Deferred government subsidies

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2022</b>  | <b>2021</b> |
|   | <b>RMB</b>   | <b>RMB</b>  |
| Balance as at the beginning of the financial year       | 11,712,373   | 12,851,332  |
| Recognised as income during the financial year (Note 6) | (1,138,959)  | (1,138,959) |
| Balance as at the end of the financial year             | 10,573,414   | 11,712,373  |
| Portion classified as current liabilities               | (1,138,959)  | (1,138,959) |
| Portion classified as non-current liabilities           | 9,434,455    | 10,573,414  |

The Group received subsidies from the PRC government for the purchase of land use rights and plant and machinery. The subsidies are recognised over the duration of the useful lives of the land use rights and plant and machinery. The carrying amounts of the subsidies as at 31 December 2022 for the purchase of land use rights and plant and machinery were RMB5,343,946 (2021: RMB5,484,179) and RMB5,229,468 (2021: RMB6,228,194) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 26. Lease liabilities

|   | Group            |                  |
|---|------------------|------------------|
|   | 2022<br>RMB      | 2021<br>RMB      |
| Balance as at the beginning of the financial year | 2,748,565        | 2,399,745        |
| Addition  | 86,032           | 3,361,932        |
| Lease modifications                               | 2,372,260        | (6,828)          |
| Derecognition                                     | (283,100)        | -                |
| Interest expense (Note 7)                         | 100,132          | 107,827          |
| Lease payments                                    |                  |                  |
| - principal portion                               | (2,372,383)      | (2,977,172)      |
| - interest portion                                | (100,132)        | (107,827)        |
|   | (2,472,515)      | (3,084,999)      |
| Currency translation differences                  | 69,874           | (29,112)         |
| Balance as at the end of the financial year       | <u>2,621,248</u> | <u>2,748,565</u> |

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

|                                     | Group            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2022<br>RMB      | 2021<br>RMB      |
| Contractual undiscounted cash flows |                  |                  |
| - not later than one year           | 2,721,305        | 2,824,865        |
| Less: Future interest expense       | (100,057)        | (76,300)         |
| Present value of lease liabilities  | <u>2,621,248</u> | <u>2,748,565</u> |

The Group leases warehouse spaces, office and residential premises and machinery with fixed payments over the lease terms.

The weighted average incremental borrowing rate applied to lease liabilities was 5.02% (2021: 5.02%) per annum.

Total cash outflow for all the leases was RMB2,517,048 (2021: RMB3,168,894).

The Group's lease liabilities that are denominated in the functional currencies of the respective entities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 27. Borrowings

|  | Group         |               |
|--|---------------|---------------|
|  | 2022          | 2021          |
|  | RMB           | RMB           |
| Bank borrowings  |               |               |
| - Bank A   | 173,678,285   | 166,492,066   |
| - Bank B   | 89,291,930    | 81,913,723    |
| - Bank C   | 14,238,352    | 20,524,152    |
| - Bank D   | 35,000,000    | 35,305,776    |
| - Bank E   | 35,000,000    | 35,000,000    |
| - Bank F   | 4,988,053     | 3,554,315     |
| - Bank G   | 10,000,000    | 10,000,000    |
| - Bank H   | 10,000,000    | -             |
| - Bank I   | 10,000,000    | -             |
|  | 382,196,620   | 352,790,032   |
| Third party  | -             | 30,000,000    |
|  | 382,196,620   | 382,790,032   |
| Less: Amounts due for settlement within 12 months<br>(shown under current liabilities) | (318,864,269) | (317,616,387) |
| Amounts due for settlement after 12 months   | 63,332,351    | 65,173,645    |

The borrowings have average effective interest rates ranging from 3.00% to 7.19% (2021: 1.99% to 6.65%) per annum with maturity dates ranging from 10 January 2023 to 20 July 2025 (2021: 7 January 2022 to 19 December 2024).

Borrowings of RMB204.6 million (2021: RMB144.8 million) are arranged at fixed interest rates ranging from 3% to 5.45% (2021: 3% to 6%) per annum. At reporting date, the carrying amount of non-current borrowings with fixed interest rates approximate to its fair value. Other borrowings of RMB177.6 million (2021: RMB237.9 million) are arranged at floating rates based on prevailing interbank rate in the PRC, thus exposing the Group to interest rate risk.

The Group has borrowings as follows:

- a) Borrowings obtained from Bank A amounting to RMB107.7 million (2021: RMB90.9 million) are secured by a charge over certain of the Group's property, plant and equipment, land use rights and supported by individual guarantee by a director/shareholder of the Company and a subsidiary. The remaining borrowings obtained from Bank A amounting to RMB66.0 million (2021: RMB75.5 million) are construction loans secured by a charge over certain portion of the Group's investment properties and supported by individual guarantee by a director/shareholder of the Company.
- b) Borrowing obtained from Bank B is secured by charge over certain of the Group's property, plant and equipment, land use rights and supported by a corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 27. Borrowings (Continued)

The Group has borrowings as follows: (Continued)

- c) The borrowing obtained from Bank C is secured by charge over certain of the Group's property, plant and equipment and supported by a corporate guarantee by the Company.
- d) Borrowing obtained from Bank D is secured by charge over certain of the Group's property, plant and equipment, land use rights and supported by a corporate guarantee by the Company.
- e) Borrowing obtained from Bank E is secured by charge over certain of the Group's property, plant and equipment, land use right and supported by a corporate guarantee by the Company.
- f) Borrowing obtained from Bank F is supported by a corporate guarantee by the Company and a subsidiary.
- g) Borrowing obtained from Bank G is supported by an individual guarantee by a director/ shareholder of the Company.
- h) Borrowing obtained from Bank H was neither secured by charge over the Group's assets nor supported by corporate guarantee by the Company.
- i) Borrowing obtained from Bank I is supported by a corporate guarantee by the Company.
- j) Borrowing obtained from third party in previous year was neither secured by charge over the Group's assets nor supported by corporate guarantee by the Company. The borrowing was fully repaid during the financial year.

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

|                      | <b>Group</b> |             |
|----------------------|--------------|-------------|
|                      | <b>2022</b>  | <b>2021</b> |
|                      | <b>RMB</b>   | <b>RMB</b>  |
| Denominated in:      |              |             |
| United States dollar | 62,413,245   | 54,656,359  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 28. Trade payables

|               | Group       |             |
|---------------|-------------|-------------|
|               | 2022<br>RMB | 2021<br>RMB |
| Third parties | 273,136,241 | 306,805,643 |

The average credit period on purchases of goods is 90 days (2021: 90 days).

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

|                      | Group       |             |
|----------------------|-------------|-------------|
|                      | 2022<br>RMB | 2021<br>RMB |
| Denominated in:      |             |             |
| Euro                 | 291,597     | 286,375     |
| Japanese yen         | 783,799     | 761,868     |
| United States dollar | 10,455,767  | 11,747,497  |

## 29. Other payables

|   | Group        |              | Company     |             |
|---|--------------|--------------|-------------|-------------|
|   | 2022<br>RMB  | 2021<br>RMB  | 2022<br>RMB | 2021<br>RMB |
| Other payables                          |              |              |             |             |
| - third parties                         | 6,241,125    | 12,819,028   | -           | -           |
| - a related party                       | 2,298,555    | 2,332,575    | -           | -           |
| - subsidiaries                          | -            | -            | 43,212,682  | 30,617,546  |
|   | 8,539,680    | 15,151,603   | 43,212,682  | 30,617,546  |
| Accrued expenses                        | 21,510,876   | 20,874,850   | 2,157,152   | 2,035,318   |
| Contract liabilities                    | 4,345,388    | 9,213,693    | -           | -           |
| Other payables                          | 34,395,944   | 45,240,146   | 45,369,834  | 32,652,864  |
| <i>Add:</i>                             |              |              |             |             |
| Trade payables (Note 28)                | 273,136,241  | 306,805,643  | -           | -           |
| Borrowings (Note 27)                    | 382,196,620  | 382,790,032  | -           | -           |
| Lease liabilities (Note 26)             | 2,621,248    | 2,748,565    | -           | -           |
| <i>Less:</i>                            |              |              |             |             |
| Contract liabilities                    | (4,345,388)  | (9,213,693)  | -           | -           |
| Other taxes                             | (14,666,175) | (15,131,321) | -           | -           |
| Financial liabilities at amortised cost | 673,338,490  | 713,239,372  | 45,369,834  | 32,652,864  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 29. Other payables (Continued)

The other payable due to third parties are unsecured, non-interest bearing and repayable on demand.

The non-trade balance due to a related party, which is a company controlled by a director 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 Group's and the Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

|                  | Group       |             | Company     |             |
|------------------|-------------|-------------|-------------|-------------|
|                  | 2022<br>RMB | 2021<br>RMB | 2022<br>RMB | 2021<br>RMB |
| Denominated in:  |             |             |             |             |
| Euro             | 13          | 10          | -           | -           |
| Hong Kong dollar | -           | -           | 42,833,032  | 30,237,896  |
| Singapore dollar | 2,157,152   | 2,035,318   | 2,157,152   | 2,035,318   |

## 30. Operating lease commitments

The Group as lessor

The Group rents out its investment properties and office premises in the PRC under operating leases. Leases are negotiated and rentals are fixed for an average term of 3 years (2021: 1 year).

At the end of the financial year, the future minimum lease receivables under non-cancellable operating are as following:

|                                      | Group       |             |
|--------------------------------------|-------------|-------------|
|                                      | 2022<br>RMB | 2021<br>RMB |
| Not later than one year              | 685,525     | 14,154      |
| After one year but within five years | 337,706     | -           |
| After five years                     | 38,802      | -           |
|                                      | 1,062,033   | 14,154      |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 31. Capital commitments

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

|  | Group   |      |
|--|---------|------|
|  | 2022    | 2021 |
|  | RMB     | RMB  |
| Capital expenditure contracted but not provided for                |         |      |
| - commitments for the acquisition of property, plant and equipment | 437,221 | -    |

## 32. Dividends

|  | Group and Company |                |
|--|-------------------|----------------|
|  | 2022              | 2021           |
|  | RMB               | RMB            |
| First and final exempt dividend of S\$0.45 cents per ordinary share in respective of financial year ended 31 December 2021 | 1,527,961         | -              |
| First and final exempt dividend of S\$0.25 cents per ordinary share in respective of financial year ended 31 December 2020 | -                 | 849,109        |
|  | <u>1,527,961</u>  | <u>849,109</u> |

The Company did not recommend any dividend in respect of the financial year ended 31 December 2022.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 33. Segment information

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

The Group's reportable segments under SFRS(I) 8 are therefore as follows:

- Flexible packaging segment mainly manufactures plastic packaging bags with design supplied by the customers for the pharmaceutical industry, food and beverage industry and hygiene industry.
- Rigid packaging segment mainly manufactures polyethylene terephthalate ("PET") bottles together with printing of design onto the bottle for pharmaceutical industry, food and beverage industry and hygiene industry.
- Property development segment refers to business of developing and holding property for future sale in the ordinary course of business or earn rental income.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.21. Segment revenue represents revenue generated from external customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of corporate income and expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

### Segment assets

Other than cash and bank balances, fixed deposits, value added tax, deferred tax assets and other non-operating assets, all assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

### Segment liabilities

Other than borrowings, current income tax payable, deferred government subsidies, deferred tax liabilities and other non-operating 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 33. Segment information (Continued)

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

Segment revenue, results and assets

| Group   | Rigid packaging |              | Flexible packaging |              | Property development |             | Consolidated  |               |
|---|-----------------|--------------|--------------------|--------------|----------------------|-------------|---------------|---------------|
|   | 2022<br>RMB     | 2021<br>RMB  | 2022<br>RMB        | 2021<br>RMB  | 2022<br>RMB          | 2021<br>RMB | 2022<br>RMB   | 2021<br>RMB   |
| <b>Revenue</b>  |                 |              |                    |              |                      |             |               |               |
| External sales  | 380,478,277     | 449,762,679  | 216,942,609        | 247,606,403  | 6,114,829            | 71,785,597  | 603,535,715   | 769,154,679   |
| <b>Results</b>  |                 |              |                    |              |                      |             |               |               |
| Segment gross profits   | 64,921,532      | 87,308,389   | 24,776,796         | 37,111,192   | 1,312,032            | 17,357,650  | 91,010,360    | 141,777,231   |
| Allocated expense   | (74,241,337)    | (76,493,718) | (37,762,800)       | (36,108,530) | (2,872,512)          | (4,979,000) | (114,876,649) | (117,581,248) |
| Allocated income  | 832,532         | 2,646,699    | 752,502            | 2,567,343    | -                    | -           | 1,585,034     | 5,214,042     |
| Segment result  | (8,487,273)     | 13,461,370   | (12,233,502)       | 3,570,005    | (1,560,480)          | 12,378,650  | (22,281,255)  | 29,410,025    |
| Unallocated expenses  |                 |              |                    |              |                      |             | (9,909,161)   | (7,253,286)   |
| Unallocated income  |                 |              |                    |              |                      |             | 5,548,523     | 5,006,534     |
| Interest income   |                 |              |                    |              |                      |             | 426,073       | 508,209       |
| Interest expense  |                 |              |                    |              |                      |             | (19,931,461)  | (15,200,343)  |
| (Loss)/Profit before income tax   |                 |              |                    |              |                      |             | (46,147,281)  | 12,471,139    |
| Income tax credits  |                 |              |                    |              |                      |             | 9,858,821     | 1,557,865     |
| (Loss)/Profit for the financial year attributable to owners of the parent |                 |              |                    |              |                      |             | (36,288,460)  | 14,029,004    |
| <b>Assets</b>   |                 |              |                    |              |                      |             |               |               |
| Segment assets  | 519,540,138     | 530,204,039  | 222,525,255        | 183,967,295  | 399,586,923          | 479,533,266 | 1,141,652,316 | 1,193,704,600 |
| Unallocated corporate assets  |                 |              |                    |              |                      |             | 103,290,976   | 135,160,501   |
| Consolidated total assets   |                 |              |                    |              |                      |             | 1,244,943,292 | 1,328,865,101 |
| <b>Liabilities</b>  |                 |              |                    |              |                      |             |               |               |
| Segment liabilities   | 113,709,458     | 63,330,177   | 73,020,170         | 62,900,261   | 225,463,839          | 188,486,293 | 412,193,467   | 314,716,731   |
| Unallocated corporate liabilities   |                 |              |                    |              |                      |             | 296,227,870   | 440,739,738   |
| Consolidated total liabilities  |                 |              |                    |              |                      |             | 708,421,337   | 755,456,469   |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 33. Segment information (Continued)

### Other segment information

|                      | Additions to<br>non-current assets |                   | Depreciation<br>and amortisation |                   |
|----------------------|------------------------------------|-------------------|----------------------------------|-------------------|
|                      | 2022                               | 2021              | 2022                             | 2021              |
|                      | RMB                                | RMB               | RMB                              | RMB               |
| Rigid packaging      | 45,058,204                         | 23,490,076        | 39,714,678                       | 41,758,916        |
| Flexible packaging   | 16,673,643                         | 5,227,000         | 17,904,629                       | 16,452,007        |
| Property development | -                                  | -                 | 2,295,913                        | 1,095,684         |
|                      | <u>61,731,847</u>                  | <u>28,717,076</u> | <u>59,915,220</u>                | <u>59,306,607</u> |

### Revenue from major products and services

Revenue from external customers is derived from the sale of packaging products and sale of developed properties.

### Geographical information

The Group's operations, including the manufacturing of products and property development are carried out in the PRC.

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

|               | Revenue            |                    | Non-current assets |                    |
|---------------|--------------------|--------------------|--------------------|--------------------|
|               | 2022               | 2021               | 2022               | 2021               |
|               | RMB                | RMB                | RMB                | RMB                |
| The PRC       | 540,223,521        | 724,945,586        | 572,555,365        | 572,000,925        |
| Australia     | 21,869,766         | 17,485,300         | -                  | -                  |
| Philippines   | 10,405,354         | 3,804,138          | -                  | -                  |
| Thailand      | 12,890,860         | 8,303,911          | -                  | -                  |
| Other regions | 18,146,214         | 14,615,744         | -                  | -                  |
|               | <u>603,535,715</u> | <u>769,154,679</u> | <u>572,555,365</u> | <u>572,000,925</u> |

### Information about major customers

Included in revenue arising from rigid packaging and flexible packaging are revenues of RMB148,072,617 (2021: RMB146,619,618) and RMB27,934,542 (2021: RMB7,864,966) respectively which arose from sales to the Group's major customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. Financial instruments and financial risks

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which they manage and measure the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

### (i) Credit risk

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

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

As at the end of the financial year, approximately 29% (2021: 44%) of the Group's trade receivable from third parties were due from 2 (2021: 3) customers.

The Group's and the Company's major classes of financial assets are cash and bank balances, fixed deposits and trade and other receivables (excluding advances to suppliers, prepayments and value added taxes). As the Group and the Company do not hold any collateral, the carrying amount of financial assets represents the maximum exposure to credit risk except for the financial guarantees provided by the Company to the banks for bank facilities obtained by its subsidiaries as mentioned below.

Further details of credit risk on trade receivables are disclosed in Note 19 to the financial statements.

#### *Cash and bank balances (including fixed deposits)*

The Group and the Company held bank balances (including fixed deposits) of RMB69,905,843 (2021: RMB86,629,034) and RMB441,424 (2021: RMB1,148,603) respectively as at 31 December 2022. The cash and bank balances (including fixed deposits) are held with banks and financial institution counterparties, which are rated Aa1 to Baa2, based on Moody's ratings.

At the end of each financial year, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. Financial instruments and financial risks (Continued)

### (i) Credit risk (Continued)

#### *Other receivables*

For other receivables from third parties, management has taken into account of internal (i.e. collection history) and external information available, and determined that there is no significant loss allowances expected. For amount due from subsidiaries, Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assesses at the end of each financial year on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Therefore, amount due from subsidiaries has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

#### *Financial guarantees*

As at 31 December 2022, the Company had given guarantees amounting to RMB188.5 million (2021: RMB174.9 million) to certain banks in respect of banking facilities utilised by the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facilities and the risk of default is considered to be minimal by considering their credit risk profiles and the presence of underlying assets as disclosed in Notes 11, 12 and 14 to the financial statements to secure the loans.

The financial guarantees have not been recognised in the financial statements of the Company as the risk of default is remote and subject to immaterial loss allowance.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. Financial instruments and financial risks (Continued)

### (ii) Market risks (Continued)

#### Foreign exchange risk

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

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

|                | Assets      |             | Liabilities |             |
|----------------|-------------|-------------|-------------|-------------|
|                | 2022<br>RMB | 2021<br>RMB | 2022<br>RMB | 2021<br>RMB |
| <b>Group</b>   |             |             |             |             |
| Euro           | 22,006      | 27,306      | 294,367     | 286,387     |
| US\$           | 126,182,812 | 117,836,539 | 176,736,442 | 155,794,678 |
| JPY            | 2           | 29          | 783,799     | 759,186     |
| HK\$           | 9,624,708   | 1,873,992   | 42,838,786  | 30,237,896  |
| S\$            | 296,022     | 1,101,969   | 2,157,152   | 2,035,318   |
| RMB            | 9,936,877   | 2,624,235   | 9,039,457   | 1,883,930   |
| <b>Company</b> |             |             |             |             |
| US\$           | 83,271      | 76,230      | -           | -           |
| HK\$           | 78,050      | 72,257      | 42,833,032  | 30,237,896  |
| S\$            | 296,022     | 1,101,969   | 2,157,152   | 2,035,318   |

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

#### *Foreign currency sensitivity*

The following table details the sensitivity to a 10% (2021: 7%) increase in Euro, US\$, JPY, HK\$ and S\$ against respective entities' functional currency. 10% (2021: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items which are denominated in Euro, US\$, JPY, HK\$ and S\$ and adjusts their translation at the end of the financial year for an instantaneous 10% (2021: 7%) change in foreign currency rates, with all variables held constant. The sensitivity analysis includes external loans as well as loans to foreign operation where they gave rise to an impact on the Group's profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. 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 10% (2021: 7%) against respective entities' functional currency, profit before income tax will increase/(decrease) by:

|             | Group       |             | Company     |             |
|-------------|-------------|-------------|-------------|-------------|
|             | 2022<br>RMB | 2021<br>RMB | 2022<br>RMB | 2021<br>RMB |
| Euro impact | (27,236)    | (18,136)    | -           | -           |
| US\$ impact | (5,055,363) | (2,657,070) | 8,327       | 5,336       |
| JPY impact  | (78,380)    | (53,141)    | -           | -           |
| HK\$ impact | (3,321,408) | (1,985,473) | (4,275,498) | (2,111,595) |
| S\$ impact  | (186,113)   | (65,334)    | (186,113)   | (65,334)    |
| RMB impact  | 89,742      | 51,821      | -           | -           |

If the relevant foreign currency weakens by 10% (2021: 7%) against RMB, the effect on profit before income tax will be vice versa.

#### Interest rate risk

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

The interest rates and terms of repayment of the Group's interest-bearing financial instruments are disclosed in Notes 21, 22, 26 and 27 to the financial statements.

#### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's borrowings at the end of the financial year and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year in the case of instruments that have variable interest rates. A 100 basis point (2021: 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 (2021: 100 basis points) with all other variables held constant, the Group's profit before income tax for the financial year ended 31 December 2022 would have been lower/higher by approximately RMB1,726,000 (2021: RMB2,379,000) as a result of changes in interest rates on the variable rate borrowings.

No sensitivity analysis is prepared on the cash and bank balances and fixed deposits as the impact of the change in interest rates is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. Financial instruments and financial risks (Continued)

### (ii) Market risks (Continued)

#### Interest rate risk (Continued)

#### *Interest rate sensitivity* (Continued)

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.

### (iii) Liquidity risk

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

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

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

|                                    | Weighted<br>average<br>effective<br>interest rate<br>% | On demand<br>or within 1<br>year<br>RMB | Within<br>2 to 5<br>years<br>RMB | Total<br>RMB |
|------------------------------------|--|---|----------------------------------|--------------|
| <b>Group</b>                       |  |   |                                  |              |
| <b>2022</b>                        |  |   |                                  |              |
| Trade payables                     | -  | 273,136,241                             | -                                | 273,136,241  |
| Other payables*                    | -  | 30,050,556                              | -                                | 30,050,556   |
| Borrowings, fixed interest rate    | 3.9  | 205,648,824                             | 2,856,637                        | 208,505,461  |
| Borrowings, variable interest rate | 4.9  | 123,677,304                             | 61,725,642                       | 185,402,946  |
| Lease liabilities                  | 5.0  | 2,721,305                               | -                                | 2,721,305    |
|                                    |  | 635,234,230                             | 64,582,279                       | 699,816,509  |
| <b>2021</b>                        |  |   |                                  |              |
| Trade payables                     | -  | 306,805,643                             | -                                | 306,805,643  |
| Other payables*                    | -  | 36,026,453                              | -                                | 36,026,453   |
| Borrowings, fixed interest rate    | 4.4  | 149,256,357                             | -                                | 149,256,357  |
| Borrowings, variable interest rate | 4.9  | 171,904,378                             | 69,668,358                       | 241,572,736  |
| Lease liabilities                  | 5.0  | 2,824,865                               | -                                | 2,824,865    |
|                                    |  | 666,817,696                             | 69,668,358                       | 736,486,054  |

\* Excluding contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 34. Financial instruments and financial risks (Continued)

### (iii) Liquidity risk (Continued)

|                               | Weighted<br>average<br>effective<br>interest rate<br>% | On demand<br>or within 1<br>year<br>RMB | Within<br>2 to 5<br>years<br>RMB | Total<br>RMB       |
|-------------------------------|--|---|----------------------------------|--------------------|
| <b>Company</b>                |  |   |                                  |                    |
| <b>2022</b>                   |  |   |                                  |                    |
| Other payables                | -  | 45,369,834                              | -                                | 45,369,834         |
| Financial guarantee contracts | -  | 188,518,337                             | -                                | 188,518,337        |
|                               |  | <u>233,888,171</u>                      | -                                | <u>233,888,171</u> |
| <b>2021</b>                   |  |   |                                  |                    |
| Other payables                | -  | 32,652,864                              | -                                | 32,652,864         |
| Financial guarantee contracts | -  | 174,917,278                             | -                                | 174,917,278        |
|                               |  | <u>207,570,142</u>                      | -                                | <u>207,570,142</u> |

## 35. Fair value of financial assets and financial liabilities

The Group categorised fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used in making the measurements as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability.

The classification of an item into above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. There were no transfers between Levels 1 and 2 during the year.

### *Fair value of financial instruments that are not carried at fair value*

The Group has no financial assets and financial liabilities carried at fair value as at end of reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 35. Fair value of financial assets and financial liabilities (Continued)

*Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

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

The fair values of the Group's non-current financial liabilities in relation to borrowings approximate its carrying amount as these financial instruments are at floating interest rates. For the fixed rate non-current borrowings, the management estimates that the carrying amount approximate its fair value as the interest rate of the borrowings approximate the market lending rate for similar types of loan at the end of the reporting period.

## 36. Capital management policies and objectives

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

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issues new shares or sell assets to reduce debts.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 36. Capital management policies and objectives (Continued)

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     |             |
|--|---------------|---------------|-------------|-------------|
|  | 2022<br>RMB   | 2021<br>RMB   | 2022<br>RMB | 2021<br>RMB |
| Trade payables                                 | 273,136,241   | 306,805,643   | -           | -           |
| Other payables                                 | 34,395,944    | 45,240,146    | 45,369,834  | 32,652,864  |
| Borrowings                                     | 382,196,620   | 382,790,032   | -           | -           |
| Lease liabilities                              | 2,621,248     | 2,748,565     | -           | -           |
| Less: Cash and bank balances                   | (67,244,843)  | (80,463,836)  | (441,424)   | (1,148,603) |
| Less: Fixed deposits                           | (2,661,000)   | (6,165,198)   | -           | -           |
| Net debt                                       | 622,444,210   | 650,955,352   | 44,928,410  | 31,504,261  |
| Equity attributable to owners<br>of the parent | 536,521,955   | 573,408,632   | 422,310,537 | 435,820,621 |
| Total capital                                  | 1,158,966,165 | 1,224,363,984 | 467,238,947 | 467,324,882 |
| Gearing ratio                                  | 54%           | 53%           | 10%         | 7%          |

Subsidiaries of the Group established in the PRC are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC as disclosed in Note 24 to the financial statements.

In addition to the above, the Group and the Company are in compliance with all externally imposed capital requirements in relation to financial covenants on its borrowings for the financial years ended 31 December 2022 and 2021.

## 37. 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       |             |
|--|-------------|-------------|
|  | 2022<br>RMB | 2021<br>RMB |
| <u>With certain director of the Company</u>                  |             |             |
| Rental expense   | 790,206     | 767,409     |
| <u>With companies in which certain director have control</u> |             |             |
| Rental expense   | 2,018,712   | 1,832,940   |
| Sale of goods  | -           | (9,977,946) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 37. Significant related party transactions (Continued)

|                            | Company     |             |
|----------------------------|-------------|-------------|
|                            | 2022<br>RMB | 2021<br>RMB |
| <u>With subsidiaries</u>   |             |             |
| Advances from subsidiaries | 9,222,900   | 9,396,926   |

The outstanding balances as at 31 December with related parties are disclosed in Notes 19, 20 and 29 to the financial statements and are unsecured, interest-free and repayable on demand, unless otherwise stated.

Certain borrowings (Note 27) are supported by individual guarantees given by a director. No charge has been made for these guarantees.

### Compensation of directors and key management personnel

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

|                                | Group       |             |
|--------------------------------|-------------|-------------|
|                                | 2022<br>RMB | 2021<br>RMB |
| Directors                      |             |             |
| - short-term benefits          | 3,569,235   | 3,457,759   |
| - post-employment benefits     | 39,785      | 33,276      |
| - Directors' fees              | 644,311     | 580,302     |
| Other key management personnel |             |             |
| - short-term benefits          | 6,169,876   | 5,805,218   |
| - post-employment benefits     | 201,115     | 167,836     |
|                                | 10,624,322  | 10,044,391  |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## **38. Impact of Novel Coronavirus (“Covid-19”) on the Group’s Operations**

Owing to the Zero-COVID Policy implemented by China’s government, implemented mass testing, quarantined the sick in government facilities and imposed strict lockdowns that can span entire cities. This had massive disruptions to economic activities including shipping schedules, travel restrictions and other movement control measures. Consumers’ purchasing power and the pattern of demand of products have been changed. As the sales demand of packaging products are highly correlated to the demand of the customers’ end products and considering the PRC is the major segment of the Group, the Group’s performance was adversely impacted accordingly.

In view of the Zero-COVID Policy was uplifted on 7 December 2022, gradual relaxation of cross-border government control and re-opening of national border may revert the pattern of demand of consumer products to the pre-COVID situation. The Group’s performance is expected to be improved.

## **39. Authorisation of financial statements**

The consolidated financial statements of the Company and its subsidiaries and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022 were authorised for issue by the Board of Directors on 5 April 2023.

# SHAREHOLDERS' INFORMATION

As at 15 March 2023

|   |   |                                  |
|---|---|----------------------------------|
| Issued and paid-up share capital  | : | SGD45,735,199.216                |
| Number of issued and paid-up shares excluding treasury shares and subsidiary holdings | : | 70,319,164                       |
| Class of share  | : | Ordinary shares fully paid       |
| Voting rights   | : | One vote for each ordinary share |
| Number and percentage of treasury shares and subsidiary holdings held                 | : | Nil                              |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | %             | NO. OF SHARES     | %             |
|-----------------------|---------------------|---------------|-------------------|---------------|
| 1 - 99                | 21                  | 4.62          | 631               | 0.00          |
| 100 - 1,000           | 93                  | 20.44         | 41,641            | 0.06          |
| 1,001 - 10,000        | 225                 | 49.45         | 811,200           | 1.15          |
| 10,001 - 1,000,000    | 112                 | 24.61         | 6,625,743         | 9.42          |
| 1,000,001 and ABOVE   | 4                   | 0.88          | 62,839,949        | 89.37         |
| <b>TOTAL</b>          | <b>455</b>          | <b>100.00</b> | <b>70,319,164</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME                                       | NO. OF SHARES     | %            |
|-----|--|-------------------|--------------|
| 1   | PAN SHUN MING                              | 27,384,697        | 38.94        |
| 2   | MAI SHUYING                                | 17,925,265        | 25.49        |
| 3   | JEN SHEK CHUEN                             | 15,805,487        | 22.48        |
| 4   | DB NOMINEES (SINGAPORE) PTE LTD            | 1,724,500         | 2.45         |
| 5   | PAN ZHAOJIN                                | 816,000           | 1.16         |
| 6   | OCBC SECURITIES PRIVATE LIMITED            | 503,279           | 0.72         |
| 7   | MAYBANK SECURITIES PTE. LTD.               | 353,806           | 0.50         |
| 8   | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 321,409           | 0.46         |
| 9   | EST OF LIM TCHEN NAN, DEC'D                | 290,000           | 0.41         |
| 10  | TAN SIEW KENG CHRISTINA                    | 279,000           | 0.40         |
| 11  | PHILLIP SECURITIES PTE LTD                 | 212,640           | 0.30         |
| 12  | HUANG BAOJIA                               | 200,100           | 0.28         |
| 13  | PU JINBO                                   | 182,954           | 0.26         |
| 14  | HSU SHU HAO                                | 168,000           | 0.24         |
| 15  | ZHANG JIANLING                             | 156,818           | 0.22         |
| 16  | JENNIFER LEUNG MAN CHU                     | 146,250           | 0.21         |
| 17  | TTH DEVELOPMENT PTE LTD                    | 100,000           | 0.14         |
| 18  | WOO KIM FONG                               | 97,452            | 0.14         |
| 19  | LIM POH FAH VICTOR                         | 92,703            | 0.13         |
| 20  | CHONG HOI YONG                             | 88,750            | 0.13         |
|     | <b>TOTAL</b>                               | <b>66,849,110</b> | <b>95.06</b> |

# SHAREHOLDERS' INFORMATION

As at 15 March 2023

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2023

| NAME OF SUBSTANTIAL<br>SHAREHOLDERS | DIRECT INTEREST |       | DEEMED INTEREST           |       |
|-------------------------------------|-----------------|-------|---------------------------|-------|
|                                     | NO. OF SHARES   | %     | NO. OF SHARES             | %     |
| Pan Shun Ming                       | 27,384,697      | 38.94 | 17,925,265 <sup>(1)</sup> | 25.49 |
| Mai Shuying                         | 17,925,265      | 25.49 | 27,384,697 <sup>(2)</sup> | 38.94 |
| Pan Zhaojin                         | 816,000         | 1.16  | 45,309,962 <sup>(3)</sup> | 64.43 |
| Jen Shek Chuen                      | 15,805,487      | 22.48 | -                         | -     |

### 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.

## SHARES HELD BY PUBLIC

To the best knowledge of the Company and based on the Shareholders' Information provided to the Company as at 15 March 2023, approximately 11.66% of the issued and paid-up ordinary shares of the Company are held in the hands of the public as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"). Accordingly, the Company has complied with Rule 723 of the Listing Manual.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of Southern Packaging Group Limited (the “**Company**”) will be held by way of electronic means on **Thursday, 27 April 2023 at 10 a.m.** (Singapore time), to transact the following businesses:

## ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors’ Statement and the Auditors’ Report. **Resolution 1**
2. To approve the payment of Directors’ fees of S\$123,000 for the financial year ended 31 December 2022. (2021: S\$123,000) **Resolution 2**
3. To re-elect Dr Chung Tang Fong who is retiring by rotation pursuant to Article 91 of the Company’s Constitution and being eligible, offers himself for re-election. **Resolution 3**  
*(Explanatory Note 1)*
4. To re-elect Mr Chia Chor Leong who is retiring by rotation pursuant to Article 91 of the Company’s Constitution and being eligible, offer himself for re-election. **Resolution 4**  
*(Explanatory Note 1)*
5. To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

## SPECIAL BUSINESS:

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

6. **Authority to allot and issue share** **Resolution 6**

That, pursuant to Section 161 of the Companies Act 1967 and Rule 806(2) of 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:-

- (a) (i) issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

# NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below).
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities;
  - (ii) new shares arising from exercising share options or vesting of share awards, provided the share options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue or consolidation or subdivision of Shares,

provided further that adjustments in accordance with sub-paragraphs b(2)(i) and b(2)(ii) above are only to be made in respect of new Shares arising from convertible securities, share options and share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (3) in this Resolution, "subsidiary holdings" shall have the meaning ascribed to it in the Listing Manual of the SGX-ST;
- (4) 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

# NOTICE OF ANNUAL GENERAL MEETING

- (5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting (“**AGM**”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

*(Explanatory Note 2)*

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

By Order of the Board

Pan Shun Ming  
Executive Chairman and CEO  
12 April 2023

## Explanatory Notes:-

### 1. Resolutions 3 and 4

Dr Chung will, upon his re-election, remain as member of Audit, Nominating and Remuneration Committees. The Board of Directors (the “**Board**”) considers him to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Chia will, upon his re-election, remain as the Chairman of Nominating Committee and member of Audit 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.

Detailed information of the retiring Directors can be found under “Board of Directors”, “Corporate Governance Report” and “Additional information on Directors Seeking Re-Election” sections in the Company’s Annual Report 2022.

### 2. Resolution 6

This Ordinary Resolution, if passed, will authorise and empower the Directors of the Company from the date of the AGM to issue shares and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The aggregate number of shares (including shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) to be allotted and issued would not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, of which the total number of shares that may be issued other than on a pro-rata basis to shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time the resolution is passed. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

## Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

# NOTICE OF ANNUAL GENERAL MEETING

2. Members will not be able to attend the AGM in person. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast ("**Live Webcast**") or live audio-only stream ("**Audio Only Means**"), submission of questions in advance of the AGM, appointment of proxy(ies) to attend and vote on their behalf at the AGM, and live voting during the AGM, are set out in the accompanying Company's announcement dated 12 April 2023 ("**AGM Alternative Arrangements Announcement**"). The AGM Alternative Arrangements Announcement may be accessed at the Company's website at the URL <http://www.southern-packaging.com/en/notice/list.aspx> and the SGX website at URL <https://www.sgx.com/securities/company-announcements>.
3. Members and investors holding shares in the Company through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to attend the AGM must pre-register at the URL <https://conveneagm.sg/SPGAGM2023> no later than 10.00 a.m. on 25 April 2023 ("**Registration Cut-Off Time**") for verification purpose. Following verification, authenticated members and CPF/SRS investors will receive an email by 12.00 p.m. on 26 April 2023 on their authentication status and link to access the Live Webcast and Audio Only Means of the AGM proceedings. Members and CPF/SRS investors who do not receive any email by 12.00 p.m. on 26 April 2023, but have registered by the Registration Cut-Off Time, should contact the Company's Share Registrar via email at [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com) before 5.00 p.m. on 26 April 2023 for assistance.

Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act) (other than CPF/SRS investors) will not be able to pre-register at the URL <https://conveneagm.sg/SPGAGM2023> for the "live" broadcast of the AGM. If they wish to participate in the "live" broadcast of the AGM, they should instead approach their relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register.

4. Members, including CPF/SRS investors, and (where applicable) duly appointed proxy(ies) attending the AGM via Live Webcast and Audio Only Means may ask questions relating to the resolutions to be tabled at the AGM for approval, "live" at the AGM, by submitting text-based questions by clicking on the "Ask Question" feature, followed by selecting a resolution and entering the text-based question.

Members including CPF/SRS investors may submit questions relating to the business of the AGM in advance of the AGM in the following manner no later than 5.00 p.m. on 18 April 2023:

- (a) via the pre-registration website at the URL <https://conveneagm.sg/SPGAGM2023>; or
- (b) by email to the Company's Share Registrar at [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com).

The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's website and on SGX website by 21 April 2023. Any subsequent clarifications sought, or follow-up questions, or substantial and relevant questions received after the cut-off date will be consolidated and addressed at the AGM.

5. Members who wish to exercise their voting rights at the AGM may vote in real time at the AGM by themselves or by their duly appointed proxies (other than the Chairman of the AGM) via Live Voting feature, or appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM. A member who wishes to appoint a proxy(ies) to attend and vote at the AGM must submit an instrument appointing a proxy or proxies. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a Resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that Resolution will be treated as invalid.
6. A proxy needs not be a member of the Company.
7. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:
  - a) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - b) if submitted electronically, be submitted via email to the Company's Share Registrar at [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com),in either case, no later than **10.00 a.m. on 25 April 2023** being not less than forty-eight (48) hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument appointing a proxy or proxies must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

# NOTICE OF ANNUAL GENERAL MEETING

8. CPF/SRS investors may vote in real time at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any questions regarding their appointment as proxies. CPF/SRS Investors who wish to appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions **by 5.00 p.m. on 18 April 2023**, being 7 working days before the AGM. For the avoidance of doubt, CPF/SRS investors will not be able to appoint a third party proxy(ies) (other than the Chairman of the AGM) to vote at the AGM on their behalf.
9. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his/her 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, failing which the instrument may be treated as invalid.
10. 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 appointing a proxy or proxies, failing which the instrument may be treated as invalid.
11. A depositor's name must appear in the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time appointed for holding the AGM in order for the depositor to be entitled to attend, speak and vote at the AGM.
12. All documents (including the Annual Report, this Notice of AGM and the proxy form) or information relating to the business of the AGM ("**Documents**") are circulated to members by electronic means via publication on the Company's website at the URL <http://www.southern-packaging.com/en/notice/list.aspx> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of these Documents will not be despatched to members. Members and Investors are reminded to check the Company's website or SGX website regularly for updates.

## PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing a proxy or proxies to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to, or at the AGM or (c) submitting the pre-registration form in accordance with the AGM Alternative Arrangements Announcement, a member of the Company (i) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty; and (ii) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of (collectively, the "**Purposes**"):

- I. the processing and administration by the Company (or its agents or service providers) of proxy forms appointing a proxy or proxies for the AGM (including any adjournment thereof);
- II. processing the pre-registration forms for purposes of granting access to members for the Live Webcast or Audio Only Means and providing viewers with any technical assistance, where necessary;
- III. addressing selected substantive questions from members received in advance, or live at, the AGM;
- IV. the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- V. enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the additional information as set out in Appendix 7.4.1 to the SGX-ST Listing Manual relating to the retiring Directors who are submitting themselves for re-election is disclosed below and to be read in conjunction with their respective biographies under the section entitled “Board of Directors” in the Annual Report 2022:

| Name of Person  | Chung Tang Fong   | Chia Chor Leong  |
|---|---|--|
| Date of Appointment   | 2 May 2014  | 10 October 2014  |
| Date of last re-appointment   | 29 June 2020  | 30 April 2021  |
| Age   | 69  | 67   |
| Country of principal residence  | Singapore   | Singapore  |
| The Board’s comments on this re-appointment                             | The re-election of Dr Chung was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his independence, overall contribution and performance.  | The re-election of Mr Chia was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his independence, overall contribution and performance.  |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive   | Non-Executive  |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)                   | Independent Director, Member of Audit, Remuneration and Nominating Committees   | Independent Director, Chairman of Nominating Committee, and Member of Audit and Remuneration Committees  |
| Professional Qualifications   | <ul style="list-style-type: none"> <li>• Bachelor of Arts from Ottawa University</li> <li>• Master of Business from Curtin University</li> <li>• Master in Public Administration &amp; Management from National University of Singapore</li> <li>• Doctor of Business Administration from Victoria University</li> <li>• Post-Doctoral Professional Studies with Harper Adams University</li> <li>• Research Scholar with the School of Economics at Peking University</li> <li>• Fellow of the Chartered Management Institute, UK</li> <li>• Fellow of the Australian Institute of Management, Victoria, Australia</li> <li>• Fellow of the Royal Society of Arts, UK</li> </ul> | <ul style="list-style-type: none"> <li>• LL.B. (Honours) degree from the University of Singapore</li> <li>• Advocate and Solicitor of the Supreme Court of Singapore</li> <li>• Fellow of the Singapore Institute of Arbitrators</li> <li>• Member of the Panel of Arbitrators of the Singapore Institute of Arbitrators, Singapore International Arbitration Centre, and the Law Society of Singapore</li> <li>• Senior Adjudicator and Principal Mediator with the Singapore Mediation Centre</li> </ul> |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person   | Chung Tang Fong   | Chia Chor Leong   |
|--|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None  | None  |
| Conflict of interests (including any competing business)   | No  | No  |
| Working experience and occupation(s) during the past 10 years  | Dr Chung is an active community leader. He is appointed as a Licensed Solemniser cum Deputy Registrar of Marriages, Town Councillor of Jurong-Clementi Town Council and Co-Chairman of the Tenders and Contracts Committee, and Vice Chairman of Bukit Batok Citizens' Consultative Committee. He is elected as Chairman of NUS Lee Kuan Yew School of Public Policy Mandarin Alumni. Dr Chung is also Honorary President of the Singapore Chung Hwa Medical Institution. He was appointed as Deputy Chief Representative of MMD Group of Companies in Shanghai representative office and a District Councillor of South West CDC for more than a decade. | Mr Chia has been in private legal practice since 1981, and now practises mostly as an arbitrator, adjudicator, mediator, legal assessor and neutral evaluator. Mr Chia was formerly the Chairman of the Criminal Law Advisory Committee (Review) and a member of the Singapore Road Safety Council. He presently serves as Chairman of the External Placement Review Board and on the Independent Review Panel of the Ministry of Home Affairs. |
| Undertaking has been submitted to the listed issuer in the form of Appendix 7.7 under Rule 720(1)  | Yes   | Yes   |
| Shareholding interest in the listed issuer and its subsidiaries  | Nil   | Nil   |
| Other Principal Commitments Including Directorships:<br><br>Past (for the last 5 years)  | <u>Directorships:</u><br>Chewathai Company Limited<br><br><u>Other Principal Commitment:</u><br>Board Member of Keming Primary School Advisory Committee  | <u>Directorships:</u><br>Nil<br><br><u>Other Principal Commitment:</u><br>Nil   |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person  | Chung Tang Fong  | Chia Chor Leong  |
|---|--|--|
| Present   | <p><u>Directorships:</u></p> <ul style="list-style-type: none"> <li>• Xi-Hong Enterprise Pte. Ltd.</li> </ul> <p><u>Other Principal Commitment:</u></p> <ul style="list-style-type: none"> <li>• Licensed Solemniser cum Deputy Registrar of Marriages</li> <li>• Town Councillor and Co-Chairman of Jurong-Clementi Town Council's Tenders and Contracts Committee</li> <li>• President of Japanese Association for Overseas Technical Scholarship (AOTS) Alumni Society of Singapore</li> <li>• Honorary President of the Singapore Chung Hwa Medical Institution</li> <li>• Chairman of Institutional Review Board, Public Free Clinic Society, Singapore</li> <li>• Vice Chairman of Bukit Batok Citizens' Consultative Committee</li> <li>• Chairman of NUS Lee Kuan Yew School of Public Policy Mandarin Alumni</li> </ul> | <p><u>Directorships:</u></p> <ul style="list-style-type: none"> <li>• Frencken Group Limited</li> </ul> <p><u>Other Principal Commitment:</u></p> <ul style="list-style-type: none"> <li>• Chairman of the External Placement Review Board</li> <li>• Member of the Independent Review Panel of the Ministry of Home Affairs, Singapore</li> </ul> |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No   | No   |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person  | Chung Tang Fong | Chia Chor Leong |
|---|-----------------|-----------------|
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No              | No              |
| (c) Whether there is any unsatisfied judgment against him?  | No              | No              |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?  | No              | No              |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person   | Chung Tang Fong | Chia Chor Leong |
|--|-----------------|-----------------|
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?   | No              | No              |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No              | No              |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?  | No              | No              |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person   | Chung Tang Fong        | Chia Chor Leong        |
|--|------------------------|------------------------|
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?   | No                     | No                     |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?  | No                     | No                     |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-<br><br>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br><br>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or<br><br>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No<br><br>No<br><br>No | No<br><br>No<br><br>No |

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| Name of Person  | Chung Tang Fong | Chia Chor Leong |
|---|-----------------|-----------------|
| <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p> | No              | No              |
| <p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>                    | No              | No              |

# SOUTHERN PACKAGING GROUP LIMITED

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

## ANNUAL GENERAL MEETING PROXY FORM

### Important:

- The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of AGM and this form of proxy have been made available on Company's website at the URL <http://www.southern-packaging.com/en/notice/list.aspx> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the Notice of AGM and this form of proxy will not be sent to members.
- Members will not be able to attend the AGM in person.** Alternative arrangements relating to, among others, attendance at the AGM via electronic means (including arrangements by which the AGM proceedings may be electronically accessed via live audio-visual webcast ("Live Webcast") or live audio-only stream ("Audio Only Means")), submission of questions in advance of the AGM, submission of text-based questions during the AGM, addressing of substantial and relevant questions in advance of the AGM, appointment of proxy(ies) to attend and vote on their behalf at the AGM, and live voting during the AGM, are set out in the accompanying Company's announcement dated 12 April 2023 ("AGM Alternative Arrangements Announcement"). The AGM Alternative Arrangements Announcement may be accessed on the Company's website at the URL <http://www.southern-packaging.com/en/notice/list.aspx> and SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- This Proxy Form is not valid for use by investors who buy shares using CPF monies ("CPF Investors") and/or SRS monies ("SRS investors") (as may be applicable) and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF Investors and/or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instruction at least seven (7) working days before the AGM.
- Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy(ies).

I/We, \_\_\_\_\_ (name) \_\_\_\_\_ (NRIC/Passport/Company Registration No.)

of \_\_\_\_\_ (address)

being a member/members of **Southern Packaging Group Limited** (the "Company"), hereby appoint:

| Name                       | NRIC/Passport No. | Proportion of Shareholdings |   |
|----------------------------|-------------------|-----------------------------|---|
|                            |                   | No. of Shares               | % |
| Address                    |                   |                             |   |
| Email Address <sup>^</sup> |                   |                             |   |

\*and/or

| Name                       | NRIC/Passport No. | Proportion of Shareholdings |   |
|----------------------------|-------------------|-----------------------------|---|
|                            |                   | No. of Shares               | % |
| Address                    |                   |                             |   |
| Email Address <sup>^</sup> |                   |                             |   |

<sup>^</sup>Members will have to pre-register at the URL <https://conveneagm.sg/SPGAGM2023> no later than 10.00 a.m. on 24 April 2023 to nominate or register their respective proxy or proxies in order to allow the appointed proxy or proxies to access the Live Webcast or Audio Only Means.

or if no proxy is named, the Chairman of the AGM as \*my/our proxy to attend, speak and vote for \*me/us on \*my/our behalf at the AGM to be held by way of electronic means on **Thursday, 27 April 2023 at 10.00 a.m.** (Singapore time) and at any adjournment thereof. \*I/We direct \*my/our proxy/proxies to vote for or against or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion.

| No.                      | Ordinary Resolutions relating to:   | For <sup>#</sup> | Against <sup>#</sup> | Abstain <sup>#</sup> |
|--------------------------|---|------------------|----------------------|----------------------|
| <b>Ordinary Business</b> |   |                  |                      |                      |
| 1.                       | Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Directors' Statement together with the Auditors' Report |                  |                      |                      |
| 2.                       | Approval of Directors' Fees of S\$123,000 for the financial year ended 31 December 2022   |                  |                      |                      |
| 3.                       | Re-election of Chung Tang Fong as Director  |                  |                      |                      |
| 4.                       | Re-election of Chia Chor Leong as Director  |                  |                      |                      |
| 5.                       | Re-appointment of Messrs BDO LLP as auditors and authorisation to the Directors to fix their remuneration   |                  |                      |                      |
| <b>Special Business</b>  |   |                  |                      |                      |
| 6.                       | Authority to allot and issue shares   |                  |                      |                      |

### Note:

\* Delete where inapplicable.

# Voting will be conducted by poll. If you wish your proxy(ies) to cast all your votes **for** or **against** a resolution, please indicate with "X" in the "For" or "Against" box in respect of that resolution. Alternatively, please indicate the number of shares **for** or **against** in the "For" or "Against" box in respect of that resolution. If you wish your proxy(ies) to **abstain** from voting on a resolution, please indicate with "X" in the "Abstain" box in respect of that resolution. **Where the Chairman of the AGM is appointed as proxy and in the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

Total Number of Shares held (Note 1)

|  |
|--|
|  |
|--|

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

## NOTES TO PROXY FORM:

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 form of proxy will be deemed to relate to all the shares held by you.
2. A member will not be able to attend the AGM in person. Members who wish to exercise their voting rights at the AGM may vote in real time at the AGM by themselves or by their duly appointed proxies (other than the Chairman of the AGM) via Live Voting feature, or appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM. It is important for members and proxies to have their own web-browser enabled devices ready for voting during the AGM. Examples of web-browser enabled devices include mobile smartphones, laptops, tablets or desktop computers with internet capabilities. Members, or where applicable, their appointed proxy(ies) must access the AGM proceedings via the Live Webcast or Audio Only Means in order to vote live at the AGM. Instructions will be provided at the start of the AGM on how to vote. A member who wish to appoint a proxy(ies) to attend and vote at the AGM must submit an instrument appointing a proxy or proxies. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a Resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that Resolution will be treated as invalid.
3.
  - (a) A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of its/his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
  - (b) A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where more than two (2) proxies are appointed, 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 1967.
4. A proxy needs not be a member of the Company.
5. The instrument appointing a proxy or proxies must be submitted in the following manner:
  - a) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632; or
  - b) if submitted electronically, be submitted via email to the Company's Share Registrar at [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com), in either case, by **10 a.m. on 25 April 2023**, being not less than forty-eight (48) hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument appointing a proxy or proxies must complete and sign this proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
6. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his/her 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 an attorney or a duly authorised officer or in such a manner as appropriate under applicable laws, failing which the instrument may be treated as invalid.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.
8. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the live AGM, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy or proxies, to the live AGM.
9. For CPF/SRS investors, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors may vote in real time at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any questions regarding their appointment as proxies. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions by 5.00 p.m. on 18 April 2023, being seven (7) working days before the AGM. For the avoidance of doubt, CPF/SRS investors will not be able to appoint a third party proxy(ies) (other than the Chairman of the AGM) to vote live at the AGM on their behalf.

### 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 seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

### Personal data privacy:

By submitting an instrument appointing a proxy or proxies 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 12 April 2023.



**南方包装集团有限公司**  
**Southern Packaging Group Limited**

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