



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Southern Packaging Group Limited

Security: Southern Packaging Group Limited

Meeting details:

Date: 30 April 2019

Time: 10.00 a.m.

Venue: Minto Room, Level 4, Raffles City Convention Centre, Fairmont Singapore and Swissotel The Stamford, 80 Bras Basah Road, Singapore 189560

Company Description

Southern Packaging Group Limited is an investment holding company. The Company is engaged in the production of flexible and rigid packaging products for use in food, medical, personal grooming and household industries. Its segments are Flexible packaging, which manufactures plastic packaging bags with design supplied by the customers for the pharmaceutical industry, food and beverage industry, and hygiene industry, and Rigid packaging, which manufactures polyethylene terephthalate bottles together with printing of design onto the bottle for pharmaceutical industry, food and beverage industry, and hygiene industry. The Company within the flexible packaging arm utilizes plastic gravure printing technology, and within the rigid packaging arm utilizes one step injection stretch blow molding, injection molding, in-mold labeling, extrusion blow molding, injection blow molding, silk screen, printing, stamping and other additional services to produce packaging products for its customers.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BQP)

Q1. Would the board/management provide shareholders with more clarity on the following operational matters:

- (i) Rigid packaging:** Sales of rigid packaging increased by 10.3%. **What are the products that led to the increase? Can management also provide a breakdown of the customers' profile to show the industries/sectors?**
- (ii) Direct labour costs:** Direct labour costs increased by 8.3% to hit RMB74.92 million in FY2018 when revenue was essentially flat for the year. **How else is management dealing with the issue of increasing labour costs? How much will automation help the group in reining in its labour costs?**
- (iii) Advanced volatile organic compound (VOC) treatment equipment:** **Can management help shareholders understand the additional cost of running the VOC treatment equipment? Can the group re-position itself as a premium/green company with products that are produced responsibly and sustainably?**

Q2. In the chairman's message, it was disclosed that the group has completed the underground structure construction of a 89,000 meter square mixed office commercial property which will be used for the company's headquarters. Commercial/office units may be sold or rented out. The site is near the Guangzhou South High-Speed Railway Station.

- (i) Would this be in line with the group's strategic direction?**
- (ii) Would the board help shareholders understand the amount of space available to be leased out/for sale?**
- (iii) What is the total development budget? How will the group be funding this?**
- (iv) Would this alter the risk profile of the group significantly?**
- (v) What is the level of commercial due diligence carried out by management and by the directors?**

Q3. On 12 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The material adjustments were due to:

Contract assets	<p>Upon adopting of SFRS(I) 15 Revenue from Contracts with Customers, the group mistakenly classified costs incurred on the purchase of moulds and tooling as contracts assets.</p> <p>At the finalisation of audit, such costs were reclassified to property, plant and equipment as these costs are within the scope of SFRS(I) 1-16 Property, Plant and Equipment.</p>
Trade and other payables	Trade-related balances are now classified within trade payables (from other payables) to better reflect the nature of transactions.

The variance was as large as RMB27.5 million.

The audit committee (AC) comprises Yeung Koon Sang @ David Yeung Lead (as chairman), Chung Tang Fong, Chia Chor Leong, Tan Jiansheng and Guo Weihai.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Is the company and its officers familiar with Singapore Financial Reporting Standards (International)?**
- (iv) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (v) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Southern%20Packaging%20Group%20Ltd&cid=6699,4619>



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The company's response could be found here: -----

