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GST Reg No: M90367530Y0Y

Issuer: Southern Packaging Group Limited

Stock code: BQP

Meeting details:

Date: 29 Apr 2024

Time: 10.00 a.m.

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

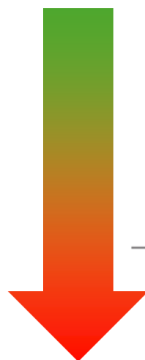
Q1. For the financial year ended 31 December 2023, revenue from rigid packaging increased by 15.8% to RMB440.4 million. The segment remains the largest revenue contributor to the group. Revenue from flexible packaging was marginally higher, at RMB219.0 million. Due to the sale of units in the Apex Tower office development, revenue from the property segment increased to RMB32.1 million. Nevertheless, the group reported a loss attributable to owners of the parent amounting to RMB(13.5) million.

- (i) **Flexible packaging:** Could management provide further insight into the factors contributing to the segment loss of RMB(6.68) million (as stated on page 105 in Note 33 Segment Information)? What is the group's pricing strategy for this segment?
- (ii) **Rigid packaging:** Is the segment's growth driven by increased market penetration within the personal care sector?
- (iii) **Can the CEO provide an in-depth analysis of the group's financial performance, focusing on the P&L? This should include a breakdown to give a clear understanding of the significant cost components that turned gross profit of RMB 121.1 million into a loss. Furthermore, the analysis should include strategies aimed at enhancing the gross profit margin and potential cost-saving initiatives in distribution, administration, and finance to restore the group to profitability.**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2023

	Note	Group	
		2023 RMB	2022 RMB
Revenue	5	691,560,578	603,535,715
Cost of sales		(570,489,916)	(512,525,355)
Gross profit		121,070,662	91,010,360
<i>Other item of income</i>			
Other income		12,492,728	7,559,630
<i>Other items of expense</i>			
Distribution expenses		(42,651,287)	(43,774,835)
Administrative expenses		(83,261,289)	(81,010,975)
Finance costs		(21,505,784)	(19,931,461)
Loss before income tax		(13,854,970)	(46,147,281)
Income tax credits		344,075	9,858,821
Loss for the financial year attributable to owners of the parent		(13,510,895)	(36,288,460)



(Source: company annual report; graphics added)

Q2. The company will celebrate its 20th anniversary of its listing on the SGX. For the financial year ended 31 December 2023, the company has not declared a dividend due to the FY2023 loss.

While the company does not have a fixed dividend policy, it has achieved a rather decent track record of dividend payment over the years.

Security Name	Type	Ex-date	Record date	Payment date	Particulars
SOUTHERN PACKAGING G...	DIVIDEND	06 May 2022	09 May 2022	25 May 2022	Rate: SGD 0.0045 Per Secur...
SOUTHERN PACKAGING G...	DIVIDEND	06 May 2021	07 May 2021	25 May 2021	Rate: SGD 0.0025 Per Secur...
SOUTHERN PACKAGING G...	DIVIDEND	08 Jul 2020	09 Jul 2020	24 Jul 2020	Rate: SGD 0.0025 Per Secur...
SOUTHERN PACKAGING G...	DIVIDEND	03 May 2018	07 May 2018	18 May 2018	SGD 0.0036 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	05 May 2017	09 May 2017	19 May 2017	SGD 0.012 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	06 May 2016	10 May 2016	20 May 2016	SGD 0.012 ONE-TIER TAX
SOUTHERN PACKAGING G...	ENTITLEMENT	24 Feb 2016	26 Feb 2016	-	SHARE CONSO OFFER OF ...
SOUTHERN PACKAGING G...	DIVIDEND	07 May 2015	11 May 2015	22 May 2015	SGD 0.002 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	07 May 2014	09 May 2014	23 May 2014	SGD 0.004 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	08 May 2013	10 May 2013	27 Jun 2013	SCRIPDIVSCHEME SGD 0.0...
SOUTHERN PACKAGING G...	DIVIDEND	03 May 2012	07 May 2012	22 May 2012	SGD 0.003 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	05 May 2011	09 May 2011	26 May 2011	SGD 0.004 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	04 May 2010	06 May 2010	27 May 2010	SGD 0.008 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	04 May 2010	06 May 2010	27 May 2010	SGD 0.006 ONE-TIER TAX
SOUTHERN PACKAGING G...	DIVIDEND	04 May 2009	06 May 2009	27 May 2009	SGD 0.002 TAX EXEMPT
SOUTHERN PACKAGING G...	DIVIDEND	15 May 2008	20 May 2008	10 Jun 2008	SCRIP DIV OPT SGD 0.007...
SOUTHERN PACKAGING G...	DIVIDEND	09 May 2007	11 May 2007	28 Jun 2007	SCIP DIV OPT SGD 0.004 O...
SOUTHERN PACKAGING G...	DIVIDEND	05 May 2006	09 May 2006	26 May 2006	SGD 0.002 ONE-TIER TAX

(Source: <https://www.sgx.com/securities/corporate-actions?value=SOUTHERN%20PACKAGING%20GROUP%20LTD>)

As at the end of the reporting period, the group has cash and cash equivalents amounting to RMB90.2 million.

- (i) **Did the board consider declaring a special dividend to shareholders in honour of the company's 20th anniversary since listing?**

Separately, the group has net debt of RMB565.2 million, and a gearing ratio of 52% based on total capital of RMB1.09 billion. As at 31 December 2023, the group's properties held for sale amount to RMB264.8 million (page 91; Note 17 Inventories)

- (ii) **To what extent has the group achieved success in its property development projects?**
- (iii) **What are the challenges in selling the units in Apex Tower, situated in Nanhai District, Foshan?**
- (iv) **Given the prevailing market sentiments, will the board cease all property development initiatives and re-allocate capital to the core business where it holds a competitive advantage? Alternatively, the board could also plan to pare down debt or distribute excess capital to shareholders?**

Q3. As noted in the annual report, the group’s plastic packaging solutions are facing increasing pressure due to environmental concerns and decreased consumer demand. China has also set a national target of reaching net-zero emissions by 2060.

- (i) **Does the group face uncertainty over its long-term viability given the global trends towards decarbonisation and achieving net-zero emissions?**
- (ii) **How “dirty” are the group’s manufacturing processes?**

The company will issue its 2023 sustainability report on SGXNet by 30 April 2024. A copy of the previous report can be found here:

<https://links.sgx.com/FileOpen/SPG%20-%20%20FY2022%20Sustainability%20Report%20-%20Final.ashx?App=Announcement&FileID=757029>

- (iii) **Did the company meet its target of providing quantifiable data such as energy usage, climate-related factors, greenhouse gas emissions etc in the soon-to-be-published sustainability report?**
- (iv) **What guidance has the board (especially the independent directors) given to the group to encourage them to advance and accelerate their sustainability efforts?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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