

Southern Packaging Group Limited

Unaudited Half Year Financial Statements for the Period Ended 30 June 2023

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2), HALF-YEAR AND FULL YEAR RESULTS

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group		Change
		Jan-June 2023	Jan-June 2022	
		RMB'000	RMB'000	
Revenue	4	314,650	275,632	14.2%
Cost of sales		(256,166)	(225,192)	13.8%
Gross profit		58,484	50,440	15.9%
Gross profit margin		18.6%	18.3%	
Other operating income		4,454	2,799	23.4%
Distribution expenses		(20,586)	(22,795)	(9.7%)
Administrative expenses		(38,736)	(38,764)	-
Finance costs		(10,554)	(9,888)	6.7%
Loss before income tax	6	(6,938)	(18,208)	(61.9%)
Income tax credit	7	1,533	3,220	(52.4%)
Loss for the period		(5,405)	(14,988)	(63.9%)
Other comprehensive income: <i>Items to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations		502	256	96.5%
Total comprehensive expense for the period, representing (expense)/profit for the period attributable to owners of the parent.		(4,903)	(14,732)	(66.7%)
Loss per share				
- Basic and diluted (RMB)		(0.08)	(0.21)	

B. Condensed interim statements of financial position

		Group	Group	Company	Company
		30.06.2023	31.12.2022	30.06.2023	31.12.2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current assets:</u>					
Cash and cash equivalents		79,107	67,245	724	441
Fixed deposits		6,817	2,661	-	-
Trade receivables	12	142,978	142,739	-	-
Other receivables and prepayments		32,988	45,660	1,307	1,306
Inventories	13	391,560	397,875	-	-
Total current assets		653,450	656,180	2,031	1,747
<u>Non-current assets:</u>					
Investment in subsidiaries		-	-	465,933	465,933
Property, plant and equipment	10	423,053	438,355	-	-
Investment property	11	92,788	94,017	-	-
Land use rights		37,017	37,556	-	-
Right of use assets		2,627	2,627	-	-
Deferred tax assets	14	16,208	16,208	-	-
Total non-current assets		571,693	588,763	465,933	465,933
Total assets					
		1,225,143	1,244,943	467,964	467,680

B. Condensed interim statements of financial position(Cont'd)

		Group	Group	Company	Company
		30.06.2023	31.12.2022	30.06.2023	31.12.2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current liabilities:</u>					
Trade payables		211,393	273,136	-	-
Other payables		38,406	34,396	51,790	45,369
Borrowings	16	377,104	318,864	-	-
Current income tax payable		1,980	4,498	-	-
Deferred government subsidies		1,139	1,139	-	-
Lease liabilities	15	2,621	2,621	-	-
Total current liabilities		632,643	634,654	51,790	45,369
<u>Non-current liabilities:</u>					
Deferred government subsidies		9,434	9,434	-	-
Borrowings	16	50,447	63,332	-	-
Deferred tax liabilities	14	1,000	1,000	-	-
Total non-current liabilities		60,881	73,767	-	-
Total liabilities		693,524	708,421	51,790	45,369
<u>Equity attributable to equity holders of the Company:</u>					
Share capital	17	230,593	230,593	230,593	230,593
Capital contribution		12,639	12,639	-	-
Statutory reserves		58,546	58,546	-	-
Foreign currency translation account		(648)	(1,150)	-	-
Retained earnings		230,489	235,894	185,581	191,718
Total equity		531,619	536,522	416,174	422,311
Total liabilities and equity		1,225,143	1,244,943	467,964	467,680

C. Condensed interim statements of changes in equity

Group	Share capital RMB'000	Statutory reserve RMB'000	Capital contribution RMB'000	Retained earnings RMB'000	Foreign currency translation account RMB'000	Total equity RMB'000
Balance as at 1.1.2022	230,593	58,546	12,639	273,711	(2,080)	573,409
Loss for the financial period	-	-	-	(14,988)	-	(14,988)
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	256	256
Total comprehensive expense for the financial period	-	-	-	(14,988)	256	(14,732)
Transaction with owners: Dividends	-	-	-	(1,535)	-	(1,535)
Balance as at 30.06.2022	230,593	58,546	12,639	257,188	(1,824)	557,142
Balance as at 1.1.2023	230,593	58,546	12,639	235,894	(1,150)	536,522
Loss for the financial period	-	-	-	(5,405)	-	(5,405)
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	502	502
Total comprehensive expense for the financial period	-	-	-	(5,405)	502	(6,793)
Balance as at 30.06.2023	230,593	58,546	12,639	230,489	(648)	531,619

C. Condensed interim statements of changes in equity(cont'd)

	Issued Capital	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
Company			
Balance as at 1.1.2022	230,593	205,228	435,821
Transaction with owners:			
Dividends	-	(1,535)	(1,535)
Loss for the financial period, presenting total comprehensive expense for the financial period	-	(4,360)	(4,360)
Balance as at 30.06.2022	<u>230,593</u>	<u>199,333</u>	<u>429,926</u>
Balance as at 1.1.2023	230,593	191,718	422,311
Loss for the financial period, presenting total comprehensive expense for the financial period	<u>-</u>	<u>(6,137)</u>	<u>(6,137)</u>
Balance as at 30.06.2023	<u>230,593</u>	<u>185,581</u>	<u>416,174</u>

D. Condensed interim consolidated statement of cash flows

	Group Jan-Jun 2023 RMB'000	Group Jan-Jun 2022 RMB'000
<u>Cash flows from operating activities</u>		
Loss before income tax	(6,938)	(18,208)
Adjustments for:		
Depreciation of property, plant and equipment	26,370	27,419
Depreciation of investment property	1,229	9
Amortisation of prepaid lease payments	539	539
Interest income	(155)	(281)
Interest expense	10,554	9,888
Unrealised foreign currency exchange loss	2,417	446
Amortisation of deferred government subsidies	-	(1,045)
Operating profit before working capital changes	34,016	18,767
Trade receivables	(239)	108,053
Other receivables and prepayments	12,672	1,955
Inventories	6,315	(21,355)
Trade payables	(61,995)	(67,845)
Other payables	4,010	(2,668)
Cash (used in)/generated from operations	(5,221)	36,907
Income tax paid	(2,518)	(1,216)
Net cash (used in)/generated from operating activities	(7,739)	35,691
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(10,857)	(34,276)
Interest received	155	281
Net cash used in investing activities	(10,702)	(33,995)

D. Condensed interim consolidated statement of cash flows(Cont'd)

	Group Jan-Jun 2023 RMB'000	Group Jan-Jun 2022 RMB'000
<u>Cash flows from financing activities</u>		
Interest paid	(10,554)	(9,888)
Proceeds from bank borrowings	237,035	214,406
Repayments of bank borrowings	(192,022)	(184,052)
(Increase)/decrease in pledged fixed deposits	(4,156)	294
Net cash generated from financing activities	<u>30,303</u>	<u>20,760</u>
Increase in cash and cash equivalents	11,862	22,456
Cash and cash equivalents at the beginning of the financial period	67,245	80,464
Effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies	-	-
Cash and cash equivalents at the end of the financial period (Note A)	<u>79,107</u>	<u>102,920</u>
 Note A: Cash and Cash Equivalents	 30.06.2023 RMB'000	 30.06.2022 RMB'000
Cash and bank balances	85,924	108,791
Less: Fixed deposits pledged	(6,817)	(5,871)
Cash and cash equivalents at the end of the financial period	<u>79,107</u>	<u>102,920</u>

E. Notes to the condensed interim consolidated financial statements

1. General corporate 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”). These condensed interim financial statements as at and for the six months ended 30 June 2023 comprises the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are trading and manufacturing of packaging products for foodstuff, medical and cosmetic products, and property development.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the 2022 annual report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

There are no changes in the accounting policies adopted, which were consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the ASC that are effective for periods beginning subsequent to 31 December 2023 (the date on which the Company’s next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

The condensed interim financial statements are presented in RMB which is the Company’s functional currency.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 11 – Impairment of property, plant and equipment and land use rights

2. Basis of Preparation (Cont'd)

2.2. Use of judgements and estimates (Cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 12 – Loss allowance for trade receivables
- Note 13 – Allowance for slow moving and obsolete inventories
- Note 14 – Recognition of deferred tax assets and liabilities

3. Seasonal operations

The Group's businesses were not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organized into the following main business segments:

- Segment 1: Rigid packaging;
- Segment 2: Flexible packaging; and
- Segment 3: Property under development

These operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

4.1. Reportable segments

	Rigid packaging	Rigid packaging	Flexible packaging	Flexible packaging	Property Under Develop ment	Property Under Development	Consolidated	Consolidated
RMB'000	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
REVENUE								
External sales	212,098	173,648	102,552	101,984	-	-	314,650	275,632
RESULTS								
Segment gross profit	43,084	34,372	15,400	16,068	-	-	58,484	50,440
Allocated expenses	(36,882)	(36,036)	(15,431)	(21,163)	(1,760)	-	(54,073)	(57,199)
Allocated income	873	927	1,045	546	26	-	1,944	1,473
Segment result	7,075	(737)	1,014	(4,549)	(1,734)	-	6,355	(5,286)
Unallocated expenses							(5,249)	(4,360)
Unallocated income							2,355	1,045
Interest income							155	281
Interest expense							(10,554)	(9,888)
Loss before income tax							(6,938)	(18,208)
Income tax credits							1,533	3,220
Loss for the financial year attributable to owners of the Parent							(5,405)	(14,988)
ASSETS								
Segment assets	514,930	443,374	206,042	260,394	399,464	406,286	1,120,436	1,110,054
Unallocated corporate assets							104,707	158,628
Consolidated total assets							1,225,143	1,268,682
Expenditures for segment non-current assets								
Additions to non-current assets	7,605	30,849	3,252	3,427	-	-	10,857	34,276

4.1. Reportable segments (cont'd)

	Rigid	Rigid	Flexible	Flexible	Property	Property	Consolidat ed	Consolidat ed
	packaging	packaging	packaging	packaging	Develop ment	Develop ment		
RMB'000	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
Segment liabilities	107,546	79,370	70,918	46,615	159,964	163,000	338,428	288,985
Unallocated corporate liabilities							355,096	422,555
Consolidated total liabilities							693,524	711,540

4.2. Disaggregation of Revenue

	The Group			
	6 months ended 30 June 2023			
	Rigid packaging	Flexible packaging	Property under development	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	212,098	102,552	-	314,650
Total revenue	212,098	102,552	-	314,650
Timing of revenue recognition:				
At a point in time	212,098	102,552	-	314,650
Total revenue	212,098	102,552	-	314,650
Geographical information:				
PRC	193,788	92,571	-	286,359
Australia	10,211	-	-	10,211
America	145	1,557	-	1,702
Asia(excluding PRC)	7,954	8,424	-	16,378
Total revenue	212,098	102,552	-	314,650

	The Group			
	6 months ended 30 June 2022			
	Rigid packaging	Flexible packaging	Property under development	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	173,648	101,984	-	275,632
Total revenue	173,648	101,984	-	275,632
Timing of revenue recognition:				
At a point in time	173,648	101,984	-	275,632
Total revenue	173,648	101,984	-	275,632
Geographical information:				
PRC	148,061	88,372	-	236,433
Australia	15,947	-	-	15,947
America	85	-	-	85
Asia(excluding PRC)	9,555	13,612	-	23,167
Total revenue	173,648	101,984	-	275,632

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	The Group		The Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets				
Cash and bank balances and trade and other receivables (Amortised cost)	244,866	240,185	2,031	1,747
Financial Liabilities				
Trade and other payables and borrowings (Amortised cost)	679,971	692,349	51,790	45,369

6. Profit before taxation

Significant items

	Group	Group
	Jan-Jun 2023	Jan-Jun 2022
	RMB'000	RMB'000
Sales of raw materials and moulds	(2,606)	(674)
Interest income	(155)	(281)
Government grants	(592)	(1,045)
Foreign currency exchange loss	2,417	446
Depreciation on property, plant and equipment	26,370	27,419
Amortisation of prepaid lease payments	539	539
Research and development costs (included R&D staff cost)	14,661	16,150
Interest on borrowings	10,554	9,888
Employee benefits expense	47,352	42,749
Directors' remuneration		
- Director's fees	318	298
- Salaries, bonuses and allowances	1,858	1,751
- Contributions to defined contribution plans	16	18

7. Taxation

	6 months ended 30 June 2023	6 months ended 30 June 2022
	RMB'000	RMB'000
Current income tax expense	-	-
Deferred income tax	(1,533)	(3,220)
Income tax credit	(1,533)	(3,220)

8.Dividends

	The Group	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	RMB'000	RMB'000
Ordinary dividends paid relating to prior year (2023: nil, 2022: S\$0.0045 per share)	-	1,535
Interim dividend	-	-
Interim dividend per share(net of tax)	NA	NA

9. Net Asset Value

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	7.56	7.63	5.92	6.01

The NAV per share as at 30 June 2023 was calculated based on the number of shares in issue of 70,319,164 shares (31 December 2022: 70,319,164 shares).

10. Property, plant and equipment

Following is a reconciliation of changes in the balances of property, plant and equipment:

	Group
	RMB'000
Cost:	
Balance as at 1.1.2023	1,162,649
Additions for the period	10,857
Balance as at 30.06.2023	1,173,506
Accumulated depreciation:	
Balance as at 1.1.2023	724,083
Depreciation for the period	26,370
Balance as at 30.06.2023	750,453
Net book amount:	
Balance as at 30.06.2023	423,053

During the half year ended 30 June 2023, the addition of property, plant and equipment amounted to RMB10, 857,000 (31 December 2022: RMB34, 276,000)

11. Investment property

Following is a reconciliation of changes in the balances of investment property:

	FY2023
	RMB'000
Cost	
Balance as at 1.1.2023	96,678
Accumulated depreciation	
Balance as at 1.1.2023	2,661
Depreciation for the period	1,229
Balance as at 30.06.2023	3,790
Carrying Amount	92,788

12. Trade receivables

The Group has segregated its customers by geographical areas and considered the historical loss pattern for each geographical area and relevant forward-looking information in order to determine the lifetime expected credit loss ("ECL") for its trade receivables.

The Group does not account for ECL allowance arising from non-credit impaired receivables as the amount is insignificant.

Credit impaired receivables refer to those debtors that are in significant financial difficulties and have defaulted on payment.

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

	Group	
	30.06.2023	30.06.2022
	RMB'000	RMB'000
Balance as at the beginning of the financial year	694	375
Addition recognised in profit or loss	-	-
Balance as at the end of the financial year	<u>694</u>	<u>375</u>

During the six months ended 30 June 2023, the Group has not recognised any loss allowance for trade receivables (31 December 2022: RMB694, 000)

13. Inventories

The breakdown of inventories is as follows:

	Group	
	30.06.2023	31.12.2022
	RMB'000	RMB'000
Properties held for sale	305,570	305,570
Inventories for packaging business	85,990	92,305
Total	391,560	397,875

Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and inventory whose market prices are lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in market demand, technological developments and pricing competition could affect the realisable value of the inventory which could then impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 30 June 2023 was RMB391,560,000 (31 December 2022: RMB397,875,000).

During the six months ended 30 June 2023, the Group carried out a review of the realisable values of its inventories and has not recognized any allowance for inventories obsolescence. (31 December 2022: Reversal of allowance of RMB111,000)

14. 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.

As at 30 June 2023, the carrying amounts of the Group's deferred tax assets and deferred tax liabilities were RMB16,208,000 (31 December 2022: RMB16,208,000) and RMB1,000,000 (31 December 2022: RMB1,000,000) respectively.

15. Lease Liability

The Group leases warehouse spaces, office and residential premises from external parties and related parties. Included in the lease arrangements, there are extensions held and exercisable only by the Group. In determining the lease term, management considers the likelihood of exercising the extension option based on facts and circumstances that create an economic incentive to extend the lease.

The assessment of lease terms is reviewed at the end of each reporting period if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated. During the six months ended 30 June 2023, the weighted average incremental borrowing rate applied to lease liabilities was 5.01% (31 December 2022: 5.01%) per annum.

16. Borrowings

Amount repayable in one year or less, or on demand

Group		Group	
As at 30/06/2023		As at 31/12/2022	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
377,104		318,864	-

Amount repayable after one year

Group		Group	
As at 30/06/2023		As at 31/12/2022	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
50,447	-	63,332	-

Details of any collateral

The bank loans are secured as follows:

- (a) Secured by property, plant and machinery, prepaid lease payments, investment property, property under development and pledged fixed deposits;
- (b) Corporate guarantees by the Company; and
- (c) Personal guarantee by a director/shareholder of the Company.

17. Share capital

	Group and Company			
	30 June 2023		31 December 2022	
	Number of shares	Amount	Number of shares	Amount
	'000	RMB'000	'000	RMB'000
Beginning of Interim period	70,319	230,593	70,319	230,593
Issue of ordinary shares by virtue of exercise of share options	-	-	-	-
End of interim period	70,319	230,593	70,319	230,593

The Company did not hold any treasury shares as at 30 June 2023.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023 and 31 December 2022.

18. Related party transactions

During the six months ended 30 June 2023, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	Jan-Jun 2023	Jan-Jun 2022
	RMB	RMB
<u>With certain Director of the Company</u>		
Rental expense	407,847	383,704
	<hr/>	<hr/>
<u>With companies in which certain Director have control</u>		
Rental expense	1,000,584	1,000,470
Sale of goods	-	(7,527,295)
	<hr/>	<hr/>

19. Fair value of financial assets and financial liabilities

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

The fair value of the Group's non-current financial liabilities in relation to borrowings approximates 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 approximates 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. The carrying amount of current borrowings is a reasonable approximation of its fair value due to its relatively short-term maturity.

20. Events after reporting period

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of Southern Packaging Group Limited and its subsidiaries as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2(i) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Nil

2(ii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30 June 2023	31 December 2022
Total number of issued shares	70,319,164	70,319,164

2(iii) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2(iv) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

3. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

4. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

4A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) Updates on the efforts taken to resolve each outstanding audit issue. (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is material uncertainty relating to going concern.

Not applicable as the Group's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

5. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as compared with those used in the audited financial statements for the year ended 31 December 2022.

6. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

7. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group Jan-Jun 2023 RMB	Group Jan-Jun 2022 RMB
Loss per ordinary share for the period based on net profit attributable to shareholders	(0.08)	(0.21)

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

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

Revenue

The Group's revenue increased by RMB39.1 million (14.2%) from RMB275.6 million in the first half of FY2022 to RMB314.7 million in the first half of FY2023. The sales of the Group have recovered gradually in the first half of FY2023 mainly due to modest recovery in the consumer goods market.

Gross Profit

The Group's gross profit increased by RMB9.1 million (18.1%) from RMB50.4million for the first half of FY2022 to RMB59.5 million for the first half of FY2023. The higher gross profit was mainly attributable to the increase in sales revenue dampened by a slight increase in energy costs during the period.

Other Operating Income

Other operating income increased by RMB1.7 million to RMB4.5 million for the first half of FY2023 compared to RMB2.8 million in the previous corresponding period mainly due to increase in sales of raw materials and moulds.

Loss before Income Tax

The Group's net loss before income tax decreased by RMB8.9 million was mainly due to:

- Gross profit increased by RMB9.1 million as mentioned above;
- Other operating income increased by RMB1.7 million as mentioned above;
- Distribution expenses decreased by RMB2.2 million mainly due to large decrease of overseas freight charges during the period;
- Administrative expenses slightly increased by RMB0.9 million;
- Finance costs increased by RMB0.7 million mainly due to an increase in bank borrowings during the period.

Income Tax credit

Income tax credit decreased by RMB1.7 million due to the lower amount of loss incurred during the period.

Current Assets

Current assets decreased by RMB2.7 million when compared to the end of FY2022. This was mainly due to the following:

- a) Cash and bank balances increased by RMB16 million;
- b) Trade receivables increased by RMB0.3 million;
- c) Inventories decreased by RMB6.3 million due to the increase of delivery of finished products during the period;
- d) Other receivables and prepayments decreased by RMB12.7 million.

	Group 30 June 2023 RMB'000	Group 31 Dec 2022 RMB'000
(i) Other receivables and deposits	6,406	10,379
(ii) Advances to suppliers and prepayment	17,024	18,120
(iii) Value added tax	9,558	17,161
Total	<u>32,988</u>	<u>45,660</u>

Non-Current Assets

Non-current assets decreased by RMB17.1 million to RMB571.7 million from RMB588.8 million mainly due to the decrease in purchase of plant and equipment during the year.

Current Liabilities

Current liabilities decreased by RMB2.1 million from RMB634.7 million to RMB632.6 million mainly due to the following:

- Trade payables decreased by RMB61.7 million mainly due to the payment of suppliers relating to the Apex Tower project;
- Short-term bank borrowings increased by RMB58.2 million mainly due to the reclassification of long-term loan of Apex Tower of RMB55 million which was due within one year;
- Current income tax payable decreased by RMB2.5 million.
Other payables increased by RMB5 million due to the followings:

	Group 30 June 2023 RMB'000	Group 31 Dec 2022 RMB'000
(i) Accrued expenses	23,055	21,511
(ii) Other payables	9,235	8,540
(iii) Advances from customers	6,116	4,345
Total	<u>38,406</u>	<u>34,396</u>

Long-Term Liabilities

Long-term liabilities decreased by RMB12.9 million from RMB73.8 million to RMB60.9 million mainly due to the decrease of the long-term borrowings during the period.

The Consolidated Statement of Cash Flows

In the first half of FY2023, the Group recorded cash flows used in operating activities amounted to RMB7.7 million as compared to cash generated from operating activities of RMB35.7 million in the first half of FY2022 mainly due to:

- a) operating cash flows (before working capital changes) amounted to RMB34 million;
- b) Cash inflows from Inventories amounted to RMB6.3 million;
- c) Cash inflows from trade and other receivable amounted to RMB12.4 million
- d) Cash outflows from trade and other payables amounted to RMB58 million;
- e) Cash outflows from income tax paid amounted to RMB2.5 million.

The net cash used in investing activities had decreased by RMB23.3 million from RMB34 million in the first half of FY2022 to RMB10.7 million in the first half of FY 2023 mainly due to the decrease of new investment of plant and equipment during the period.

The Group recorded a net cash inflow in financing activities amounting to RMB30.3million in the first half of FY2023 as compared to RMB20.8 million in the first half of FY2022. It was mainly due to the increase of short-term bank borrowings during the period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

With the conclusion of the COVID-19 pandemic, the consumer goods market has gradually rebounded. However, due to domestic overcapacity, the level of competition has intensified. The Group's operation performance has benefited from the growth of new strategic clients.

The Company will strive to enhance production efficiency, reduce operational costs, maintain product quality, stabilize and further develop long-term relationships with core clients. Additionally, the Company will continuously explore and invest in new technologies, actively expand into new niche markets, and engage potential new customers.

Despite the quiet property market, the Group continue to reach out to potential new customers in anticipation of improved market condition.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended as the Company recorded a loss for the half year ended 30 June 2023.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company has not obtained a general mandate from shareholders for interested person transactions (“IPTs”) pursuant to Rule 920 of the Listing Manual.

The IPTs entered into by the Company or the Group during the financial period ended 30 June 2023 were as follows:

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 <u>Rule 920</u>) 30 June 2023	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than S\$100,000) 30 June 2023
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB1,000,584 (S\$19,416)	-

(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.

14. Negative Assurance Confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)

The Board of Directors confirms that to the best of its knowledge, nothing has come to the attention of the Board of Directors of Southern Packaging Group Limited which may render these interim financial results for the half year ended 30 June 2023 to be materially false or misleading.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that all the required undertakings under the Rule 720(1) of the Listing Manual have been obtained from its Directors and Executive Officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

Mr Pan Shun Ming
Executive Chairman and Chief Executive Officer
August 14, 2023