

# Southern Packaging Group Limited

Unaudited Condensed Full Year Financial Statements for the Period Ended 31 December 2021

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

### A. Condensed full year consolidated statement of profit or loss and other comprehensive income

	Note	Group	Group	Change	Group	Group	Change
		2H	2H		Jan-Dec	Jan-Dec	
		2021	2020		2021	2020	
		RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	4	439,401	331,255	32.6%	769,155	590,382	30.3%
Cost of sales		(362,651)	(268,695)	35%	(627,378)	(474,755)	32.1%
Gross profit		76,750	62,560	22.7%	141,777	115,627	22.6%
Gross profit margin		17.5%	18.9%	(7.4%)	18.4%	19.6%	(6.1%)
Other operating income		4,645	9,791	(52.6%)	10,729	14,479	(25.9%)
Distribution expenses		(25,337)	(19,194)	32%	(48,617)	(36,438)	33.4%
Administrative expenses		(35,836)	(36,108)	(0.8%)	(76,192)	(75,127)	1.4%
Finance costs		(7,762)	(6,649)	16.7%	(15,201)	(14,556)	4.4%
Profit before income tax	6	12,460	10,400	19.8%	12,496	3,985	213.6%
Income tax credit	7	620	(587)	(205.6%)	1,558	746	108.8%
Profit for the period		13,080	9,813	33.3%	14,054	4,731	197.1%
Other comprehensive (loss)/income:							
<i>Items to be reclassified to profit or loss in subsequent periods</i>		(169)	(7)	2314.3%	(346)	16	NM
Exchange differences on translation of foreign operations							
Total comprehensive income for the period, representing profit for the period attributable to owners of the parent.		12,911	9,806	31.7%	13,708	4,747	188.8%
Earnings per share							
- Basic and diluted (RMB in cent)		18	14	28.6%	19	7	171.4%

## B. Condensed full year statements of financial position

		Group	Group	Company	Company
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<b><u>Current assets:</u></b>					
Cash and cash equivalents		80,464	66,019	1,149	1,002
Fixed deposits		6,165	1,239		
Trade receivables	13	222,615	138,437	-	-
Dividend receivables				1,290	1,290
Other receivables and prepayments		42,786	50,780	102	14
Inventories	14	398,558	75,105	-	-
Properties under development	11	-	241,444	-	-
Total current assets		750,588	573,024	2,541	2,306
<b><u>Non-current assets:</u></b>					
Investment in subsidiaries		-	-	465,933	465,933
Property, plant and equipment	10	434,339	465,734	-	-
Investment property	12	96,297	400	-	-
Prepaid lease payments		38,635	39,713	-	-
Right of use assets		2,762	2,373	-	-
Deferred tax assets	15	6,276	5,392	-	-
Total non-current assets		578,309	513,612	465,933	465,933
<b>Total assets</b>					
		1,328,897	1,086,636	468,474	468,239

## B. Condensed full year statements of financial position(Cont'd)

		Group	Group	Company	Company
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current liabilities:</b>					
Trade payables		306,806	103,242	-	-
Other payables		45,240	34,831	32,653	24,435
Borrowings	17	317,616	250,809	-	-
Current income tax payable		5,160	4,450	-	-
Deferred government subsidies		1,139	1,139	-	-
Lease liabilities	16	2,755	2,400	-	-
<b>Total current liabilities</b>		<b>678,716</b>	<b>396,871</b>	<b>32,653</b>	<b>24,435</b>
<b>Non-current liabilities:</b>					
Deferred government subsidies		10,573	11,712	-	-
Borrowings	16	65,174	116,478	-	-
Deferred tax liabilities	14	1,000	1,000	-	-
<b>Total non-current liabilities</b>		<b>76,747</b>	<b>129,190</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>755,463</b>	<b>526,061</b>	<b>32,653</b>	<b>24,435</b>
<b>Equity attributable to equity holders of the Company:</b>					
Share capital	18	230,593	230,593	230,593	230,593
Capital contribution		12,639	12,639	-	-
Statutory reserves		58,546	58,067	-	-
Foreign currency translation account		(2,080)	(1,734)	-	-
Retained earnings		273,736	261,010	205,228	213,211
<b>Total equity</b>		<b>573,434</b>	<b>560,575</b>	<b>435,821</b>	<b>443,804</b>
<b>Total liabilities and equity</b>		<b>1,328,897</b>	<b>1,086,636</b>	<b>468,474</b>	<b>468,239</b>

### C. Condensed full year statements of changes in equity

	Share capital	Statutory reserve	Capital contribution	Retained earnings	Foreign currency translation account	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Group</b>						
Balance as at 1.1.2020	230,593	57,675	12,639	257,559	(1,750)	556,716
Profit for the financial year	-	-	-	4,731	-	4,731
Other comprehensive income for the financial year						
- Exchange differences on translation of foreign operations	-	-	-	-	16	16
Total comprehensive loss for the financial year	-	-	-	4,731	16	4,747
Distributions to owners of the parent dividends	-	-	-	(888)	-	(888)
Transfer to statutory reserve	-	392	-	(392)	-	-
Balance as at 31.12.2020	230,593	58,067	12,639	261,010	(1,734)	560,575
Balance as at 1.1.2021	230,593	58,067	12,639	261,010	(1,734)	560,575
Profit for the financial year	-	-	-	14,054	-	14,054
Other comprehensive income for the financial year						
- Exchange differences on translation of foreign operations	-	-	-	-	(346)	(346)
Total comprehensive income for the financial year	-	-	-	14,054	(346)	13,708
Distributions to owners of the parent - dividends	-	-	-	(849)	-	(849)
Transfer to statutory reserve	-	479	-	(479)	-	-
Balance as at 31.12.2021	230,593	58,546	12,639	273,736	(2,080)	573,434

### C. Condensed full year statements of changes in equity(cont'd)

	<b>Issued Capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Company</b>			
Balance as at 1.1.2020	230,593	203,309	433,902
Net loss for the period, representing total comprehensive loss for the year	-	(10,790)	(10,790)
Distributions to owners of the parent - dividends	-	(888)	(888)
Balance as at 31.12.2020	<u>230,593</u>	<u>213,211</u>	<u>443,231</u>
Balance as at 1.1.2021	230,593	213,211	443,231
Net loss for the period, representing total comprehensive loss for the year	-	(7,134)	(7,134)
Distributions to owners of the parent - dividends	-	(849)	(849)
Balance as at 31.12.2021	<u>230,593</u>	<u>205,228</u>	<u>435,821</u>

## D. Condensed full year consolidated statement of cash flows

	Group 2021 RMB'000	Group 2020 RMB'000
<b><u>Cash flows from operating activities</u></b>		
<b>Profit before income tax</b>	<b>12,496</b>	<b>3,985</b>
Adjustments for:		
Depreciation of property, plant and equipment	54,298	60,628
Depreciation of investment property	17	17
Amortisation of deferred government subsidies	(1,139)	(1,139)
Amortisation of prepaid lease payments	1,078	1,078
Amortisation of right-of-use assets	2,539	2,539
Interest income	(573)	(1,110)
Interest expense	15,201	14,556
Unrealised foreign currency exchange (gain)/loss	(1,482)	(1,015)
(Reversal of )/allowance made for inventories obsolescence	(495)	(17)
Loss on lease modification	-	2
(Reversal)/Allowance of loss allowance for trade receivables	(130)	393
Loss on disposal of property, plant and equipment	428	34
Operating cash flows before working capital changes	<b>82,238</b>	<b>79,951</b>
Working capital changes:		
Trade receivables	(84,178)	22,437
Other receivables and prepayments	7,994	(11,703)
Inventories	(13,080)	(4,374)
Property under development	(165,226)	(64,654)
Trade payables	207,080	(24,934)
Other payables	10,409	(2,962)
<b>Cash generated from /(used in) operations</b>	<b>45,237</b>	<b>(6,239)</b>
Income tax paid	(5,100)	(1,696)
<b>Net cash generated from /(used in) operating activities</b>	<b>40,137</b>	<b>(7,935)</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(24,064)	(27,277)
Proceeds from disposal of property, plant and equipment	733	78
Government subsidy received on purchase of property, plant and equipment	3,280	-
Interest received	573	1,110
<b>Net cash used in investing activities</b>	<b>(19,478)</b>	<b>(26,089)</b>

#### D. Condensed full year consolidated statement of cash flows(Cont'd)

	<b>Group 2021 RMB'000</b>	<b>Group 2020 RMB'000</b>
<b><u>Cash flows from financing activities</u></b>		
Interest paid	(15,201)	(14,556)
Proceeds from borrowings	359,361	287,414
Repayment of borrowings	(343,709)	(296,630)
Lease payment	(2,572)	(2,572)
(Increase)/Decrease in pledged fixed deposits	(3,645)	1,253
Dividends paid	(849)	(888)
<b>Net cash used in financing activities</b>	<b>(6,615)</b>	<b>(25,979)</b>
Increase/(Decrease) in cash and cash equivalents	14,044	(60,003)
Cash and cash equivalents at the beginning of the financial year	66,019	126,319
Effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies	(401)	(297)
Cash and cash equivalents at the end of the financial year (Note A)	<u>80,464</u>	<u>66,019</u>

#### Note A: Cash and Cash Equivalents

	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
Cash and cash equivalents	86,629	67,258
Less: Fixed deposits pledged	(6,165)	(1,239)
Cash and cash equivalents at the end of the financial year	<u>80,464</u>	<u>66,019</u>

## **E. Notes to the condensed full year 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 full year financial statements as at and for the 12 months ended 31 December 2021 comprise 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 full year financial statements for the 12 months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *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 2021 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 2020.

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 2021 (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 full year financial statements are presented in RMB which is the Company’s functional currency.

### **2.2. Use of judgements and estimates**

In preparing the condensed full year 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 2021.

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 – Classification of property under development
- Note 15 – Determining the lease term



## **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 impairment of 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: Properties sale

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

#### 4.1. Reportable segments

	Rigid packaging	Rigid packaging	Flexible packaging	Flexible packaging	Property sale	Property sale	Consolidated	Consolidated
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>REVENUE</b>								
External sales	457,147	384,354	240,222	206,028	71,786	-	769,155	590,382
<b>RESULTS</b>								
Segment gross profit	87,308	83,269	37,111	32,358	17,358	-	141,777	115,626
Allocated expenses	(76,494)	(71,525)	(36,109)	(33,426)	(4,979)	(218)-	(117,582)	(105,169)
Allocated income	2,647	784	2,567	1,607	-	-	5,214	2,390
Segment result	13,461	12,527	3,569	539	12,379	(218)-	29,409	12,848
Unallocated expenses							(7,227)	(6,396)
Unallocated income							4,939	10,979
Interest income							576	1,110
Interest expense							(15,201)	(14,556)
Profit before income tax							12,496	3,985
Income tax credits							1,558	746
Profit for the financial year attributable to owners of the Parent							14,054	4,731
<b>ASSETS</b>								
Segment assets	530,204	500,014	183,967	213,815	479,533	241,444	1,193,704	955,272
Unallocated corporate assets							135,193	131,364
Consolidated total assets							1,328,897	1,086,636
<b>Expenditures for segment non-current assets</b>								
Additions to non-current assets	17,390	10,356	5,227	4,439	95,914		113,304	14,795

#### 4.1. Reportable segments (cont'd)

	Rigid packaging	Rigid packaging	Flexible packaging	Flexible packaging	Property sale	Property sale	Consolidated	Consolidated
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Jul-Dec	Jul-Dec	Jul-Dec	Jul-Dec	Jul-Dec	Jul-Dec	Jul-Dec	Jul-Dec
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>REVENUE</b>								
External sales	243,566	212,012	124,049	119,243	71,786	-	439,401	331,255
<b>RESULTS</b>								
Segment gross profit	43,256	43,837	16,136	18,723	17,358	-	76,750	62,559
Allocated expenses	(37,867)	(37,213)	(15,342)	(16,339)	(4,403)	(218)-	(57,612)	(53,769)
Allocated income	1,992	-	2,109	519	-	-	4,101	519
Segment result	7,381	6,624	2,903	2,903	12,955	(218)-	23,239	9,309
Unallocated expenses							(3,561)	(1,533)
Unallocated income							261	(8,797)
Interest income							273	476
Interest expense							(7,762)	(6,649)
Profit before income tax							12,460	10,400
Income tax credits							620	(587)
Profit for the financial year attributable to owners of the Parent							13,080	9,813
<b>Expenditures for segment non-current assets</b>								
Additions to non-current assets	6,415	15,004	-	871	95,914	-	103,200	15,875

#### 4.1. Reportable segments (cont'd)

	Rigid packaging	Rigid packaging	Flexible packaging	Flexible packaging	Property sale	Property sale	Consolidated	Consolidated
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment liabilities	63,330	78,680	62,900	51,083	186,333	108,094	312,563	279,412
Unallocated corporate liabilities							442,900	283,597
Consolidated total liabilities							755,463	563,009

#### 4.2. Disaggregation of Revenue

	<b>The Group</b>			
	<b>12 months ended 31 December 2021</b>			
	<b>Rigid packaging</b>	<b>Flexible packaging</b>	<b>Property sale</b>	<b>Consolidated</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Types of goods or service:</b>				
<b>Sales of goods</b>	450,691	246,678	71,786	769,155
<b>Total revenue</b>	450,691	246,678	71,786	769,155
<b>Timing of revenue recognition:</b>				
<b>At a point in time</b>	450,691	246,678	71,786	769,155
<b>Total revenue</b>	450,691	246,678	71,786	769,155
<b>Geographical information:</b>				
<b>PRC</b>	414,917	227,187	71,786	713,890
<b>Australia</b>	24,138	-	-	24,138
<b>America</b>	1,028	-	-	1,028
<b>Netherlands</b>	452	-	-	452
<b>Asia(excluding PRC)</b>	10,156	19,491	-	29,647
<b>Total revenue</b>	450,691	246,678	71,786	769,155

	<b>The Group</b>			
	<b>12 months ended 31 December 2020</b>			
	<b>Rigid packaging</b>	<b>Flexible packaging</b>	<b>Property sale</b>	<b>Consolidated</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Types of goods or service:</b>				
<b>Sales of goods</b>	384,354	206,028	-	590,382
<b>Total revenue</b>	384,354	206,028	-	590,382
<b>Timing of revenue recognition:</b>				
<b>At a point in time</b>	384,354	206,028	-	590,382
<b>Total revenue</b>	384,354	206,028	-	590,382
<b>Geographical information:</b>				
<b>PRC</b>	363,368	196,084	-	559,452
<b>Australia</b>	12,705	-	-	12,705
<b>America</b>	562,332	1,327	-	1,889
<b>Netherlands</b>	1,214	-	-	1,214
<b>Asia(excluding PRC)</b>	6,505	8,617	-	15,122
<b>Total revenue</b>	384,354	206,028	-	590,382

	<b>The Group</b>			
	<b>2H 2021</b>			
	<b>Rigid packaging</b>	<b>Flexible packaging</b>	<b>Property sale</b>	<b>Consolidated</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Types of goods or service:</b>				
<b>Sales of goods</b>	237,110	130,505	71,786	439,401
<b>Total revenue</b>	237,110	130,505	71,786	439,401
<b>Timing of revenue recognition:</b>				
<b>At a point in time</b>	237,110	130,505	71,786	439,401
<b>Total revenue</b>	237,110	130,505	71,786	439,401
<b>Geographical information:</b>				
<b>PRC</b>	214,416	113,806	71,786	400,008
<b>Australia</b>	15,287	-	-	15,287
<b>America</b>	314	-	-	314
<b>Netherlands</b>	267	-	-	267
<b>Asia(excluding PRC)</b>	6,826	16,699	-	23,525
<b>Total revenue</b>	237,110	130,505	71,786	439,401

	<b>The Group</b>			
	<b>2H 2020</b>			
	<b>Rigid packaging</b>	<b>Flexible packaging</b>	<b>Property sale</b>	<b>Consolidated</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Types of goods or service:</b>				
<b>Sales of goods</b>	212,012	119,243	-	331,255
<b>Total revenue</b>	212,012	119,243	-	331,255
<b>Timing of revenue recognition:</b>				
<b>At a point in time</b>	212,012	119,243	-	331,255
<b>Total revenue</b>	212,012	119,243	-	331,255
<b>Geographical information:</b>				
<b>PRC</b>	204,059	112,588	-	559,452
<b>Australia</b>	5,236	-	-	12,705
<b>America</b>	91	1,127	-	1,889
<b>Netherlands</b>	406	-	-	1,214
<b>Asia(excluding PRC)</b>	2,420	5,328	-	15,122
<b>Total revenue</b>	212,012	119,243	-	331,255

## 5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 31 December 2020:

	The Group		The Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial Assets</b>				
Cash and bank balances and trade and other receivables (Amortised cost)	345,865	212,674	2,541	2,306
<b>Financial Liabilities</b>				
Trade and other payables and borrowings (Amortised cost)	734,836	500,276	32,653	24,435

## 6. Profit before taxation

### Significant items

	Group	Group	Group	Group
	2H 2021	2H 2020	Jan-Dec 2021	Jan-Dec 2020
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of raw materials and moulds	(1,974)	(690)	(3,938)	(2,390)
Interest income	(270)	(432)	(573)	(1,108)
Government grants	(455)	(4,157)	(3,280)	(6,471)
Foreign currency exchange gain	(626)	(2,928)	(1,081)	(2,710)
Depreciation on property, plant and equipment	24,360	27,274	54,298	60,628
Amortisation of prepaid lease payments	649	472	1,078	1,078
(Reversal)/addition of loss allowance for trade receivables	(130)	393	(130)	393
Reversal of inventories obsolescence	(428)	(17)	(428)	(17)
Research and development costs (included R&D staff cost)	14,837	10,844	30,915	25,763
Interest on borrowings	7,762	6,649	15,201	14,556
Directors' remuneration				
- Director's fees	292	294	592	605
- Salaries, bonuses and allowances	1,430	1,484	3,461	3,553
- Contributions to defined contribution plans	14	17	31	34

## 7. Taxation

	2H 2021	2H 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax expense/(credit)	980	(313)	(382)	454
Deferred income tax	(360)	900	(1,176)	(1,200)
Income tax (credit)/expense	(620)	587	(1,558)	(746 )

## 8.Dividends

	The Group	
	12 months ended 31 December 2021	12 months ended 31 December 2020
Ordinary dividends paid:	RMB'000	RMB'000
First and final exempt 2021 dividend of S\$0.25 cents per share (2020: final exempt dividend of S\$0.25 cents per share)	849	887
	RMB'	RMB'
Dividend per share(net of tax)	0.01	0.01

## 9. Net Asset Value

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	8.15	7.97	6.20	6.31

The NAV per share as at 31 December 2021 was calculated based on the number of shares in issue of 70,319,164 shares (31 December 2020: 70,319,164 shares).

## 10.Property, plant and equipment

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

	RMB'000
Property, plant and equipment, 31 December 2020	465,734
Less: depreciation	(54,298)
Less: disposal	(1,161)
Add: purchases	24,064
Property, plant and equipment,31 December 2021	<u>434,339</u>

During the year ended 31 December 2021, the addition of property, plant and equipment amounted to RMB22,903,000 (31 December 2020: RMB28,386,000)



### 11. Property under development

The property under development was transferred to inventory amounted RMB310,373,000 and investment property amounted RMB95,914,000 upon completion of construction in FY2021.

### 12. Investment property

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

	FY2021
	RMB'000
Cost	
Balance as at 1.1.2021	733
Transfer from Property under development	95,914
Balance as at 31.12.2021	96,647
Accumulated depreciation	
Balance as at 1.1.2021	333
Depreciation from the financial year	17
Balance as at 31.12.2021	350
Carrying Amount	96,297

### 13. 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 were as follows:

	Group	
	31.12.2021	31.12.2020
	RMB'000	RMB'000
Balance as at the beginning of the financial year	551	158
(Reversal)/Addition of allowance recognised in profit or loss	(130)	393
Allowance written off against receivables	(46)	-
Balance as at the end of the financial year	<u>375</u>	<u>551</u>

## 14. Inventories

The breakdown of inventories is as follows:

	Group	
	31.12.2021	31.12.2020
	RMB'000	RMB'000
Properties held for sale	310,373	-
Inventories for packaging business	88,185	75,105
Total	398,558	75,105

Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the sale ability 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 2021 was RMB398,558,000 (31 December 2020: RMB75,105,000).

During the 12 months ended 31 December 2021, the Group carried out a review of the realisable values of its inventories and have write back an allowance for inventories obsolescence of RMB495,000.(31 December 2020: RMB17,000)

## 15. 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 provide 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 31 December 2021, the carrying amounts of the Group's deferred tax assets and deferred tax liabilities were RMB6,276,000 (31 December 2020: RMB5,392,000) and RMB1,000,000 (31 December 2020: RMB1,000,000) respectively.

## 16. Lease Liability

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

The assessment on 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 12 months ended 31 December 2021, the weighted average incremental borrowing rate applied to lease liabilities was 5.01% per annum (31 December 2020: 5.01%) per annum.

## 17. Borrowings

### Amount repayable in one year or less, or on demand

As at 31/12/2021		As at 31/12/2020	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
287,616	30,000	234,125	16,684

### Amount repayable after one year

As at 31/12/2021		As at 31/12/2020	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
65,174	-	86,478	30,000

### 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 a subsidiary; and
- (c) Personal guarantee by a director/shareholder of the Company.

## 18. Share capital

	The Group and the Company			
	31 December 2021		31 December 2020	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount 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 31 December 2021.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2021 and 31 December 2020.

## 19. Related party transactions

During the 12 months ended 31 December 2021, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	Jan-Dec 2021	Jan-Dec 2020
	RMB	RMB
<u>With certain Director of the Company</u>		
Rental expense	767,409	824,367
<u>With companies in which certain Director have control</u>		
Rental expense	1,832,940	1,832,940
Sale of goods	(9,977,946)	(3,510,068)

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

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

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

## 21. Events after reporting period

There are no known subsequent events which have led to adjustments to this set of full year 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 31 December 2021 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 full year period then ended and certain explanatory notes have not been audited or reviewed.

**1(d)(ii) 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

**1(d)(iii) 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.**

	31 December 2021	31 December 2020
Total number of issued shares	70,319,164	70,319,164

**1(d)(iv) 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.

**1(d)(v) 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

**2. 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.

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

Not applicable.

**3A. 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.

**4. 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 2020.

**5. 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.

**6. 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-Dec 2021 RMB	Group Jan-Dec 2020 RMB
Earnings per ordinary share for the period based on net profit attributable to shareholders (RMB):	0.19	0.07

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.

7. **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 RMB108.1 million (32.6%) from RMB331.3 million in 2H FY2020 to RMB439.4 million in 2H FY2021. The Group's revenue increased by RMB178.8 million (30.3%) from RMB590.4 million in FY2020 to RMB769.2 million in FY2021. The sales of our packaging business have improved significantly and are comparable to those of 2019, i.e. prior to the outbreak of Covid-19. Sales of rigid packaging increased by RMB72.8 million (18.9%) from RMB384.3 million in FY2020 to RMB457.1 million in FY2021. The sales of flexible packaging increased by RMB34.2 million (16.6%) from RMB206 million in FY2020 to RMB240.2 million in FY2021. During the year, the Group managed to dispose of certain part of Apex Tower for a consideration of RMB71.8 million which contributes a significant increase of revenue.

### **Gross Profit**

The Group's gross profit increased by RMB14.2 million (22.7%) from RMB62.6 million in 2H FY2020 to RMB76.8 million in 2H FY2021. The Group's gross profit increased by RMB26.2 million (22.6%) from RMB115.6 million in FY2020 to RMB141.8 million in FY2021. The gross profit margin decreased slightly from 19.6% in FY2020 to 18.4% in FY2021.

The gross profit increased mainly due to the increase in sales revenue as explained above. The gross profit amounted RMB17.4 million of the property sales segment has contributed significantly to the overall margin of the Group. However, the gross profit margin of the packaging segment decreased due to the followings:

1. The raw material costs increased significantly during the year. The manufacturing cost was also affected by the continuing increase of direct labour costs in recent years and the power rationing policy and the rise of energy costs during the year.
2. The withdrawal of the government subsidies policies for workers' social security insurance and electricity charges in FY2021.

### **Other operating income**

Other operating income decreased by RMB5.2 million to RMB4.6 million in 2H FY2021 compared to RMB9.8 million in the previous corresponding period. Other operating income decreased by RMB3.8 million to RMB10.7 million in FY2021 compared to RMB14.5 million in the previous corresponding period. This is mainly due to decrease in government grants and foreign exchange gain.

### **Profit before Income Tax**

The Group's net profit before income tax increased by RMB8.5 million in FY2021 mainly due to:

- Gross profit increased by RMB26.2 million as mentioned above;
- Other operating income decreased by RMB3.8 million as mentioned above;

- Distribution expenses increased by RMB12.2 million mainly due to the increase in freight charges and other expenses related to increase of sales;
- Administrative expenses increased by RMB1.1 million mainly due to the increase of production volumes during the period; and
- Finance costs slightly increased by RMB0.6 million.

The Group's net profit before income tax increased by RMB2.1 million in 2H FY2021 compared to 2H FY2020 mainly due to:

- Gross profit increased by RMB14.2 million as mentioned above;
- Other operating income decreased by RMB5.2 million as mentioned above;
- Distribution expenses increased by RMB10.8 million mainly due to the increase in freight charges and other expenses related to increase of sales;
- Administrative expenses decreased by RMB0.3 million; and
- Finance costs slightly increased by RMB1.1 million.

### **Income Tax credit**

Income tax credit slightly increased by RMB0.9 million.

### **Current Assets**

Current assets increased by RMB177.6 million when compared to the end of FY2020. This was mainly due to the following:

- Cash and bank balances increased by RMB14.5 million;
- Trade receivables increased by RMB84.2 million mainly because the sales transaction of Apex tower amounted RMB78.8 million (including value added tax) took place at the end of FY2021;
- Inventories increased by RMB323.5 million due to the reclassification of property development of Apex tower amounted RMB310.4 million;
- Other receivables and prepayments decreased by RMB8 million.

	Group 31 Dec 2021 RMB'000	Group 31 Dec 2020 RMB'000
(i) Other receivables and deposits	7,801	6,979
(ii) Advances to suppliers and prepayment	23,833	25,580
(iii) Value added tax	11,152	18,221
Total	42,786	50,780

### **Non-Current Assets**

Non-current assets increased by RMB64.7 million to RMB578.3 million from RMB513.6 million mainly due to the followings:

- Property, plant and equipment decreased by RMB31.4 million due to the decrease in purchase of property, plant and equipment and depreciation charges during the year; and
- The investment property increased by RMB95.9 million due to the reclassification of the self owned portion properties of Apex Tower to investment property upon completion of construction.



## **Current Liabilities**

Current liabilities increased by RMB281.8 million from RMB396.9 million to RMB678.7 million mainly due to the following:

- Trade payables increased by RMB203.6 million mainly due to the increase in trade payables related to Apex Tower upon completion of construction;
- Short-term bank borrowing increased by RMB66.8 million mainly due to the reclassification on long term borrowing and the construction expenditure related to Apex Tower;
- Current income tax payable increased by RMB0.7 million; and
- Other payables increased by RMB9.6 million due to the followings:

	Group 31 Dec 2021 RMB'000	Group 31 Dec 2020 RMB'000
(i) Accrued expenses	25,634	18,779
(ii) Other payables	11,351	8,568
(iii) Advances to customers	10,588	7,484
Total	<u>45,240</u>	<u>34,831</u>

## **Long-Term Liabilities**

Long-term liabilities decreased by RMB52.5 million from RMB129.2 million to RMB76.7 million mainly due to repayment on long term borrowing.

## **The Consolidated Statement of Cash Flows**

In FY2021, the Group recorded cash flows generated from operating activities amounted to RMB40.1 million as compared with net cash flows used of RMB7.9 million in FY2020 mainly due to:

- a) operating cash flows (before working capital changes) amounted to RMB84.4 million;
- b) Cash outflows from property under development amounted to RMB165.2 million;
- c) Cash outflows from Inventories amounted to RMB13.1million;
- d) Cash outflows from trade and other receivable amounted to RMB76.2 million
- e) Cash generated from trade and other payables amounted to RMB215.3 million; and
- f) Cash outflows from income tax paid amounted to RMB5.1 million.

The net cash used in investing activities had decreased by RMB6.6 million from RMB26.1 million in FY2020 to RMB19.5 million in FY2021 mainly due to the government grant received on purchase of property, plant and equipment and the decrease of purchase of property, plant and equipment during the year.

The Group recorded a net cash outflow in financing activities amounting to RMB6.6 million in FY2021 as compared with a net cash outflow amounting to RMB26 million in FY2020. It was mainly due to increase in pledged fixed deposit and the net proceed from bank borrowing during the period.

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

Not applicable.

**9. 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.**

The COVID-19 in China was largely under control during FY2021. As a result, the Group's revenue managed to recover to the FY2019 level. However, our profit margin was significantly affected due to the price increases of raw materials, direct labour, electricity and natural gas. The packaging manufacturing industry has faced significant challenges on profitability due to the fierce competitions in the consumer goods market since the outbreak of Covid-19.

During the year, the Group has developed new products in partnership with our existing and new major customers. This new strategy will be pursued vigorously in the coming years. Given our technology and R&D capability, it will no doubt enhance our competitiveness and ultimately contribute to our turnover and profitability. At the same time, the Group will continue to pursue its proven policy of production automation and intelligent information operation to improve the operation efficiency.

The Group managed to dispose of certain part of Apex Tower during the year. The Group will monitor the property market closely to maximize the return of the remaining property portfolio.

**10. Dividend**

***(a) Current Financial Period Reported On***

The Directors are pleased to recommend first and final dividend for the financial year ended 31 December 2021 as follows:

Name of Dividend	First and Final	Total
Dividend Type	Cash	Cash
Dividend Amount Per Ordinary Share (S\$)	0.0045	0.0045
Taxation	One-tier tax exempt	One-tier tax exempt

***(b) Corresponding Period of the Immediately Preceding Financial Year***

The Group had declared a First and Final dividend of S\$0.0025 per share for the financial year ended 31 December 2020.

***(c) Date payable***

The proposed First and Final dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting and the date of payment will be announced at a later date.

***(d) Record date***

To be announced at a later date.

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

Not applicable.

**12. 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 31 December 2021 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> ) 31 December 2021	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than S\$100,000) 31 December 2021
Guangdong Xing Hua Health Drink Co. Ltd <sup>(1)</sup>	RMB1,832,940 (S\$388,508)	-
Mai Shu Ying, Pan Shun Ming <sup>(2)</sup>	RMB767,409 (S\$162,659)	-
Shan Shine Asset Management Co., Limited <sup>(3)</sup>	RMB9,977,946 (S\$2,114,913)	-

- (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. (“**Foshan SP**”), a wholly-owned subsidiary of the Company.
- (2) Rental payment for office occupied by Southern (HK) Packaging Company Limited (“**SP HK**”), a wholly-owned subsidiary of the Company.
- (3) Supply of products by Shan Shine Asset Management Co., Limited, an associate company of Pan Shun Ming (Executive Chairman, CEO and Substantial Shareholder) and Pan Zhaojin (Substantial Shareholder) to Foshan SP and SP HK.

**13. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Pan Zhaojin	39	Son of Mr Pan Shun Ming (Executive Chairman and CEO, and substantial shareholder) and Madam Mai Shuying (substantial shareholder)	Vice President (Property Development) since 14 October 2019  - responsible for overseeing the property development activities of the Group's property investment.	No Change
Mai Shuying	65	Spouse of Mr Pan Shun Ming (Executive Chairman and CEO, and substantial shareholder) and parent of Mr Pan Zhaojin (substantial shareholder)	Chief Financial Officer since 30 August 2019  - in-charge of the Group's finance department and is responsible in managing financial and tax matters, in particular, overseeing the fund disbursement and administrative matters.	No Change

**14. 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  
1 March 2022