

Southern Packaging Group Limited

Unaudited Condensed Full Year Financial Statements for the Period Ended 31 December 2022

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	
		2022	2021		2022	2021	
		RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	4	327,904	439,401	(25.4%)	603,536	769,155	(21.5%)
Cost of sales		(287,334)	(362,651)	(20.8%)	(512,526)	(627,378)	(18.3%)
Gross profit		40,570	76,750	(47.1%)	91,010	141,777	(35.8%)
Gross profit margin		12.37%	17.5%	(29.2%)	15.1%	18.4%	(18.2%)
Other operating income		4,761	4,645	2.5%	7,560	10,729	(29.5%)
Distribution expenses		(20,980)	(25,337)	(17.2%)	(43,775)	(48,617)	(10%)
Administrative expenses		(42,247)	(35,861)	17.8%	(81,011)	(76,218)	6.3%
Finance costs		(10,043)	(7,762)	29.4%	(19,931)	(15,200)	31.1%
Profit before income tax	6	(27,939)	12,435	NM	(46,147)	12,471	NM
Income tax credit	7	6,638	620	970.8%	9,858	1,558	532.7%
(Loss)/Profit for the period		(21,301)	13,055	NM	(36,289)	14,029	NM
Other comprehensive (loss)/income:							
<i>Items to be reclassified to profit or loss in subsequent periods</i>		674	(169)	NM	930	(346)	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.		(20,627)	12,886	NM	(35,359)	13,683	NM
Earnings per share							
- Basic and diluted (RMB in cent)		(29)	18	NM	(52)	20	NM

B. Condensed full year statements of financial position

		Group	Group	Company	Company
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current assets:</u>					
Cash and cash equivalents		67,245	80,464	441	1,149
Fixed deposits		2,661	6,165	-	-
Trade receivables	12	142,739	222,615	-	-
Other receivables and prepayments		45,660	42,786	1,306	1,392
Inventories	13	397,875	398,558	-	-
Total current assets		656,180	750,588	1,747	2,541
<u>Non-current assets:</u>					
Investment in subsidiaries		-	-	465,933	465,933
Property, plant and equipment	10	438,355	434,339	-	-
Investment property	11	94,017	96,297	-	-
Prepaid lease payments		37,556	38,635	-	-
Right of use assets		2,627	2,730	-	-
Deferred tax assets	14	16,208	6,276	-	-
Total non-current assets		588,763	578,277	465,933	465,933
Total assets		1,244,943	1,328,865	467,680	468,474

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

		Group	Group	Company	Company
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities:					
Trade payables		273,136	306,806	-	-
Other payables		34,396	45,240	45,370	32,653
Borrowings	16	318,864	317,616	-	-
Current income tax payable		4,498	5,160	-	-
Deferred government subsidies		1,139	1,139	-	-
Lease liabilities	15	2,621	2,748	-	-
Total current liabilities		634,654	678,709	45,370	32,653
Non-current liabilities:					
Deferred government subsidies		9,435	10,573	-	-
Borrowings	16	63,332	65,174	-	-
Deferred tax liabilities	14	1,000	1,000	-	-
Total non-current liabilities		73,767	76,747	-	-
Total liabilities		708,421	755,456	45,370	32,653
Equity attributable to equity holders of the Company:					
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		(1,150)	(2,080)	-	-
Retained earnings		235,894	273,711	191,717	205,228
Total equity		536,522	573,409	422,310	435,821
Total liabilities and equity		1,244,943	1,328,865	467,680	468,474

C. Condensed full year 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 1.1.2021	230,593	58,067	12,639	261,010	(1,734)	560,575
Profit for the financial year	-	-	-	14,029	-	14,029
Other comprehensive income for the financial year						
- Exchange differences on translation of foreign operations	-	-	-	-	(346)	(346)
Total comprehensive loss for the financial year	-	-	-	14,029	(346)	13,683
Distributions to owners of the parent dividends	-	-	-	(849)	-	(849)
Transfer to statutory reserve	-	479	-	(479)	-	-
Balance as at 31.12.2021	<u>230,593</u>	<u>58,546</u>	<u>12,639</u>	<u>273,711</u>	<u>(2,080)</u>	<u>573,409</u>
Balance as at 1.1.2022	230,593	58,546	12,639	273,711	(2,080)	573,409
Loss for the financial year	-	-	-	(36,289)	-	(36,289)
Other comprehensive income for the financial year						
- Exchange differences on translation of foreign operations	-	-	-	-	930	930
Total comprehensive income for the financial year	-	-	-	(36,289)	930	(35,359)
Distributions to owners of the parent - dividends	-	-	-	(1,528)	-	(1,528)
Transfer to statutory reserve	-	-	-	-	-	-
Balance as at 31.12.2022	<u>230,593</u>	<u>58,546</u>	<u>12,639</u>	<u>235,894</u>	<u>(1,150)</u>	<u>536,522</u>

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

	Issued Capital	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
Company			
Balance as at 1.1.2021	230,593	213,211	443,804
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>
Balance as at 1.1.2022	230,593	205,228	435,821
Net loss for the period, representing total comprehensive loss for the year	-	(11,983)	(11,983)
Distributions to owners of the parent - dividends	-	(1,528)	(1,528)
Balance as at 31.12.2022	<u>230,593</u>	<u>191,717</u>	<u>422,310</u>

D. Condensed full year consolidated statement of cash flows

	Group 2022 RMB'000	Group 2021 RMB'000
<u>Cash flows from operating activities</u>		
(Loss) /Profit before income tax	(46,147)	12,471
Adjustments for:		
Depreciation of property, plant and equipment	54,156	55,266
Depreciation of investment property	2,296	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	2,385	2,945
Interest income	(426)	(508)
Interest expense	19,931	15,200
Unrealised foreign currency exchange (gain)/loss	7,187	(276)
(Reversal of)/allowance made for inventories obsolescence	111	(495)
Loss on lease modification	-	25
Loss on PPE written off	278	21
Gain on lease written off	(39)	-
Loss allowance made/(Reversed) on trade receivables	319	(130)
Loss on disposal of property, plant and equipment	486	428
Operating cash flows before working capital changes	40,476	84,903
Working capital changes:		
Trade receivables	83,579	(85,584)
Other receivables and prepayments	881	6,797
Property under development	-	(218,969)
Inventories	576	41,841
Trade payables	(41,595)	205,668
Other payables	(11,055)	10,921
Cash generated from operations	72,862	45,577
Income tax paid	(771)	1,395
Net cash generated from operating activities	72,091	46,972
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(59,274)	(25,355)
Proceeds from disposal of property, plant and equipment	323	733
Interest received	426	508
Net cash used in investing activities	(58,525)	(24,114)

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

	Group 2022 RMB'000	Group 2021 RMB'000
<u>Cash flows from financing activities</u>		
Interest paid	(19,931)	(15,200)
Proceeds from borrowings	437,137	280,186
Repayment of borrowings	(445,291)	(264,261)
Lease payment	(2,372)	(2,977)
Decrease/(Increase) in pledged fixed deposits	3,504	(4,926)
Dividends paid	(1,528)	(849)
Net cash used in financing activities	<u>(28,481)</u>	<u>(8,027)</u>
(Decrease)/Increase in cash and cash equivalents	(14,915)	14,831
Cash and cash equivalents at the beginning of the financial year	80,464	66,019
Effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies	1,696	(386)
Cash and cash equivalents at the end of the financial year (Note A)	<u>67,245</u>	<u>80,464</u>

Note A: Cash and Cash Equivalents

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	69,906	86,629
Less: Fixed deposits pledged	(2,661)	(6,165)
Cash and cash equivalents at the end of the financial year	<u>67,245</u>	<u>80,464</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 2022 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 2022 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 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 2022 (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 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 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 10 – Impairment of non-current assets
- 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 development

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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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
REVENUE								
External sales	380,478	449,763	216,943	247,606	6,115	71,786	603,536	769,155
RESULTS								
Segment gross profit	64,921	87,308	24,777	37,111	1,312	17,358	91,010	141,777
Allocated expenses	(74,241)	(76,494)	(37,763)	(36,108)	(2,872)	(4,979)	(114,876)	(117,581)
Allocated income	833	2,647	752	2,567	-	-	1,585	5,214
Segment result	(8,487)	13,461	(12,234)	3,570	(1,560)	12,379	(22,281)	29,410
Unallocated expenses							(9,909)	(7,253)
Unallocated income							5,548	5,006
Interest income							426	508
Interest expense							(19,931)	(15,200)
Profit before income tax							(46,147)	12,471
Income tax credits							9,858	1,558
Profit for the financial year attributable to owners of the Parent							(36,289)	14,029
ASSETS								
Segment assets	519,540	530,204	222,525	183,967	399,586	479,533	1,141,651	1,193,704
Unallocated corporate assets							103,292	135,161
Consolidated total assets							1,244,943	1,328,865

4.1. Reportable segments (cont'd)

	Rigid	Rigid	Flexible	Flexible	Property	Property	Consolidated	Consolidated
	packaging	packaging	packaging	packaging	Development	Development		
RMB'000	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Segment liabilities	113,709	63,330	73,020	62,900	225,464	188,486	412,193	314,716
Unallocated corporate liabilities							296,228	440,740
Consolidated total liabilities							708,421	755,456

4.1. Reportable segments (cont'd)

	Rigid packaging	Rigid packaging	Flexible packaging	Flexible packaging	Property sale	Property sale	Consolidated	Consolidated
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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
REVENUE								
External sales	206,830	236,182	114,959	131,433	6,115	71,786	327,904	439,401
RESULTS								
Segment gross profit	30,549	43,256	8,709	17,288	1,312	17,358-	40,570	77,902
Allocated expenses	(38,299)	(37,867)	(16,600)	(15,341)	(2,872)	(4,403)	(57,771)	(57,611)
Allocated income	0	1,992	206	2,109		-	206	4,101
Segment result	(7,750)	7,381	(7,685)	4,056	(1,560)-	12,955	(16,995)	24,392
Unallocated expenses							(5,549)	(3,587)
Unallocated income							4,421	328
Interest income							227	205
Interest expense							(10,043)	(7,761)
Profit before income tax							(27,939)	13,577
Income tax credits							6,639	620
Profit for the financial year attributable to owners of the Parent							(21,300)	14,197

ASSETS								
Segment assets	519,540	530,204	222,525	183,967	399,586	479,533	1,141,651	1,193,704
Unallocated corporate assets							103,292	135,161
Consolidated total assets							1,244,943	1,328,865
Segment liabilities	113,709	63,330	73,020	62,900	225,464	188,486	412,193	314,716
Unallocated corporate liabilities							296,228	440,740
Consolidated total liabilities							708,421	755,456

4.2. Disaggregation of Revenue

	The Group			
	12 months ended 31 December 2022			
	Rigid packaging	Flexible packaging	Property sale	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	380,478	216,943	6,115	603,536
Total revenue	380,478	216,943	6,115	603,536
Timing of revenue recognition:				
At a point in time	380,478	216,943	6,115	603,536
Total revenue	380,478	216,943	6,115	603,536
Geographical information:				
PRC	336,686	197,423	6,115	540,224
Australia	21,263	-	-	21,263
America	84	1,562	-	1,646
Netherlands	5,723	-	-	5,723
Asia(excluding PRC)	16,722	17,958	-	34,680
Total revenue	380,478	216,943	6,115	603,536

	The Group			
	12 months ended 31 December 2021			
	Rigid packaging	Flexible packaging	Property sale	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	449,763	247,606	71,786	769,155
Total revenue	449,763	247,606	71,786	769,155
Timing of revenue recognition:				
At a point in time	449,763	247,606	71,786	769,155
Total revenue	449,763	247,606	71,786	769,155
Geographical information:				
PRC	412,780	240,451	71,786	725,017
Australia	17,543	-	-	17,543
America	581	218	-	799
Netherlands	7,105	-	-	7,105
Asia(excluding PRC)	11,754	6,937	-	18,691
Total revenue	449,763	247,606	71,786	769,155

The Group				
2H 2022				
	Rigid packaging	Flexible packaging	Property sale	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	206,830	114,959	6,115	327,904
Total revenue	206,830	114,959	6,115	327,904
Timing of revenue recognition:				
At a point in time	206,830	114,959	6,115	327,904
Total revenue	206,830	114,959	6,115	327,904
Geographical information:				
PRC	188,625	109,051	6,115	303,791
Australia	5,316	-	-	5,316
America		1,562	-	1,562
Netherlands	5,722	-	-	5,722
Asia(excluding PRC)	7,167	4,346	-	11,513
Total revenue	206,830	114,959	6,115	327,904

The Group				
2H 2021				
	Rigid packaging	Flexible packaging	Property sale	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	236,182	131,433	71,786	439,401
Total revenue	236,182	131,433	71,786	439,401
Timing of revenue recognition:				
At a point in time	236,182	131,433	71,786	439,401
Total revenue	236,182	131,433	71,786	439,401
Geographical information:				
PRC	211,832	127,070	71,786	410,688
Australia	8,692	-	-	8,692
America	314	218	-	532
Netherlands	6,920	-	-	6,920
Asia(excluding PRC)	8,424	4,145	-	12,569
Total revenue	236,182	131,433	71,786	439,401

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 2022 and 31 December 2021:

	The Group		The Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets				
Cash and bank balances and trade and other receivables (Amortised cost)	223,024	316,501	1,747	2,541
Financial Liabilities				
Trade and other payables and borrowings (Amortised cost)	673,338	728,371	45,370	32,653

6. Profit before taxation

Significant items

	Group	Group	Group	Group
	2H 2022	2H 2021	Jan-Dec 2022	Jan-Dec 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of raw materials and moulds	(911)	(602)	(1,585)	(2,567)
Interest income	(145)	(270)	(426)	(508)
Government grants	(1,909)	(2,475)	(2,954)	(5,301)
Foreign currency exchange gain	2,637	(626)	3,083	(969)
Depreciation on property, plant and equipment	26,737	24,360	54,156	55,266
Amortisation of prepaid lease payments	539	649	1,078	1,078
Loss allowance made/(Reversed) on trade receivables	319	(130)	319	(130)
Addition/(reversal) of loss allowance of inventories obsolescence	111	(428)	111	(495)
Research and development costs (included R&D staff cost)	15,067	14,837	31,217	30,915
Finance cost	10,043	7,762	19,931	15,200
Directors' remuneration				
- Director's fees	346	292	644	580
- Salaries, bonuses and allowances	1,818	1,430	3,569	3,458
- Contributions to defined contribution plans	22	14	40	33

7. Taxation

	2H 2022	2H 2021	12 months ended 31 December 2022	12 months ended 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax expense/(credit)	73	(1,271)	73	(673)
Deferred income tax	(6,711)	651	(9,931)	(885)
Income tax (credit)/expense	(6,638)	(620)	(9,858)	(1,558)

8. Dividends

	The Group	
	12 months ended 31 December 2022	12 months ended 31 December 2021
Ordinary dividends paid:	RMB'000	RMB'000
First and final exempt dividend of S\$0.0045 per share for FY2021 (2021: First and final exempt dividend of S\$0.0025 per share for FY2020)	1,528	849
	RMB	RMB
Dividend per share (net of tax)	0.02	0.01

9. Net Asset Value

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	7.63	8.15	6.01	6.20

The NAV per share as at 31 December 2022 was calculated based on the number of shares in issue of 70,319,164 shares (31 December 2021: 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 2021	434,339
Less: depreciation	(54,156)
Less: disposal	(808)
Less: written off	(278)
Reclassified as investment property	(16)
Add: purchases	59,274
Property, plant and equipment, 31 December 2022	<u>438,355</u>

During the year ended 31 December 2022, the addition of property, plant and equipment amounted to RMB59,273,555 (31 December 2021: RMB25,355,143)

11. Investment property

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

	FY2022
	RMB'000
Cost	
Balance as at 1.1.2022	96,647
Transfer to investment property	31
Balance as at 31.12.2022	96,678
Accumulated depreciation	
Balance as at 1.1.2022	350
Depreciation for the financial year	2,296
Transfer to investment property	15
Balance as at 31.12.2022	2,661
Carrying Amount	94,017

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 were as follows:

	Group	
	31.12.2022	31.12.2021
	RMB'000	RMB'000
Balance as at the beginning of the financial year	375	551
Loss allowance made/(reversed) during the financial year	319	(130)
Allowance written off against receivables	-	(46)
Balance as at the end of the financial year	694	375

13. Inventories

The breakdown of inventories is as follows:

	Group	
	31.12.2022	31.12.2021
	RMB'000	RMB'000
Properties held for sale	305,570	310,373
Inventories for packaging business	92,305	88,185
Total	397,875	398,558

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 2022 was RMB397,875,000 (31 December 2021: RMB398,558,000).

During the 12 months ended 31 December 2022, the Group carried out a review of the realisable values of its inventories and have made an allowance for inventories obsolescence of RMB 111,000 (31 December 2021: reversal of allowance for inventories obsolescence of RMB 495,000)

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 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 2022, the carrying amounts of the Group's deferred tax assets and deferred tax liabilities were RMB16,208,000 (31 December 2021: RMB6,276,000) and RMB1,000,000 (31 December 2021: 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 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 2022, the weighted average incremental borrowing rate applied to lease liabilities was 5.2% per annum (31 December 2021: 5.2%) per annum.

16. Borrowings

Amount repayable in one year or less, or on demand

As at 31/12/2022		As at 31/12/2021	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
308,864	10,000	277,616	40,000

Amount repayable after one year

As at 31/12/2022		As at 31/12/2021	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
63,332	-	65,174	-

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.

17. Share capital

	The Group and the Company			
	31 December 2022		31 December 2021	
	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 2022.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2022 and 31 December 2021.

18. Related party transactions

During the 12 months ended 31 December 2022, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	Jan-Dec 2022	Jan-Dec 2021
	RMB	RMB
<u>With certain Director of the Company</u>		
Rental expense	790,206	767,409
<u>With companies in which certain Director have control</u>		
Rental expense	2,018,712	1,832,940
Sale of goods	-	(9,977,946)

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 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.

20. 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 2022 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 2022	31 December 2021
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 2022.

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 2022 RMB	Group Jan-Dec 2021 RMB
Earnings per ordinary share for the period based on net profit attributable to shareholders (RMB):	(0.52)	0.19

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 decreased by RMB111.5 million (25.4%) from RMB439.4 million in 2H FY2021 to RMB327.9 million in 2H FY2022. The Group's revenue decreased by RMB165.7 million (21.5%) from RMB769.2 million in FY2021 to RMB603.5 million in FY2022. The sales of the Group especially in relation to catering and leisure food were affected by the lockdown in China due to insurgence of Covid-19 cases during FY2022. In addition, the Group's production and delivery plans were affected during the year.

Gross Profit

The Group's gross profit decreased by RMB36.2 million (47.1%) from RMB76.8 million in 2H FY2021 to RMB40.6 million in 2H FY2022. The Group's gross profit decreased by RMB50.8 million (35.8%) from RMB141.8 million in FY2021 to RMB91 million in FY2022. The gross profit margin decreased from 18.4% in FY2021 to 15.1% in FY2022. The gross profit decreased mainly due to the decrease in sales revenue as explained above. The lower profit margin was attributable to the increase in purchase price of raw materials, labour costs and energy costs.

Other operating income

Other operating income decreased by RMB0.2 million to RMB4.8 million in 2H FY2022 compared to RMB4.6 million in the previous corresponding period. Other operating income decreased by RMB3.1 million to RMB7.6 million in FY2022 compared to RMB10.7 million in the previous corresponding period. This is mainly due to decrease in government grant and reduction of sales of raw materials and moulds.

(Loss)/Profit before Income Tax

The Group's net loss before income tax is RMB46.1 million in FY2022 compared to profit before tax of RMB12.5 million in FY2021. The decrease in profit before tax was mainly due to:

- Gross profit decreased by RMB50.8 million as mentioned above;
- Other operating income decreased by RMB3.1 million as mentioned above;
- Distribution expenses decreased by RMB4.8 million mainly due to the decrease in freight charges and other expenses related to decrease of sales. The increase of the rate of freight costs and storage costs is partly offset by the decrease of freight costs caused by the decrease in sales volume during the year.
- Administrative expenses increased by RMB4.8 million mainly due to the foreign exchange loss of RMB3.1 million incurred and the increase of the depreciation cost of RMB2.3 million for the investment property of Apex tower during the year; and
- Finance costs increased by RMB4.7 million mainly because the interest expenses related to the Apex Tower were capitalised in prior years before the construction of the Apex Tower was completed.

The Group's net loss before income tax is RMB27.9 million in 2H FY2022 compared to profit before tax of RMB12.4 million in 2H FY2021. The decrease in profit before tax was mainly due to:

- Gross profit decreased by RMB36.2 million as mentioned above;
- Other operating income increased by RMB0.2 million;
- Distribution expenses decreased by RMB4.3 million mainly due to the decrease in freight charges and other expenses related to decrease of sales. The increase of the rate of freight costs and storage costs is partly offset by the decrease of freight costs caused by the decrease in sales volume during the period;
- Administrative expenses increased by RMB6.3 million mainly due to the foreign exchange loss incurred and the increase of the depreciation cost for the investment property of Apex tower during the period ; and
- Finance costs slightly increased by RMB2.2 million mainly because the interest expenses related to the Apex Tower were capitalised in prior years before the construction of the Apex Tower was completed.

Income Tax credit

Income tax credit of RMB9.9 million in FY2022 is due to the loss incurred during the year.

Current Assets

Current assets decreased by RMB94.4 million when compared to the end of FY2021. This was mainly due to the following:

- a) Cash and bank balances decreased by RMB13.2 million;
- b) Fixed deposits decreased by RMB3.5 million;
- c) Trade receivables decreased by RMB79.9 million due to the collection of receivable from the sales of certain units of the Apex tower in prior year;
- d) Inventories decreased by RMB0.7 million;
- e) Other receivables and prepayments increased by RMB2.9 million.

	Group 31 Dec 2022 RMB'000	Group 31 Dec 2021 RMB'000
(i) Other receivables and deposits	10,379	7,257
(ii) Advances to suppliers and prepayment	18,120	24,759
(iii) Value added tax	17,161	10,770
Total	45,660	42,786

Non-Current Assets

Non-current assets increased by RMB10.5 million to RMB588.8 million from RMB578.3 million mainly due to the increase in deferred tax assets of RMB10 million.

Current Liabilities

Current liabilities decreased by RMB44 million from RMB678.7 million to RMB634.7 million mainly due to the following:

- Trade payables decreased by RMB33.7 million mainly due to the payment of suppliers related to Apex Tower during the year;
- Short-term bank borrowing increased slightly by RMB1.2 million;
- Current income tax payable decreased slightly by RMB0.7 million; and
- Other payables decreased by RMB10.8 million due to the followings:

;

	Group 31 Dec 2022 RMB'000	Group 31 Dec 2021 RMB'000
(i) Accrued expenses	21,511	20,875
(ii) Other payables	8,540	15,151
(iii) Advances to customers	4,345	9,214
Total	34,396	45,240

Long-Term Liabilities

Long-term liabilities decreased by RMB2.9 million from RMB76.7 million to RMB73.8million mainly due to repayment on long term borrowing.

The Consolidated Statement of Cash Flows

In FY2022, the Group recorded cash flows generated from operating activities amounted to RMB72.1 million as compared to RMB47 million in FY2021 mainly due to:

- a) operating cash flows (before working capital changes) amounted to RMB40.5 million;
- b) Cash generated from Inventories amounted to RMB0.6 million;
- c) Cash generated from trade and other receivable amounted to RMB84.5 million
- d) Cash outflows from trade and other payables amounted to RMB52.7 million; and
- e) Cash outflows from income tax paid amounted to RMB0.7 million;

The net cash used in investing activities had increased by RMB34.4 million from RMB24.1 million in FY2021 to RMB58.5 million in FY 2022 mainly due to the increase of purchase of property, plant and equipment during the year.

The Group recorded a net cash outflow in financing activities amounting to RMB28.5 million in FY2022 as compared with a net cash outflow amounting to RMB8 million in FY2021. It was mainly due to the repayment of bank borrowings and additional interest payment during the year.

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.

With most of the world beginning to learn to live with Covid-19, the Group expects that the Chinese economy activities will gradually return to normal. As a result, the Group's performance is expected to improve in FY2023 due to the gradual recovery of the consumer goods market.

Recently, the Group has established strategic partnerships with certain new MNC customers. New products will be continuously developed and achieve mass production in the current and following years. It will provide support for Group's performance in FY2023 and onwards. At the same time, the Group will continuously improve production efficiency and optimize the cost structure with our technology and R&D capability.

The Group managed to dispose of certain parts of Apex Tower during the year. The Group will continue to market Apex Tower and strive to maximize the return of the remaining property portfolio.

10. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

The Group had declared a First and Final dividend of S\$0.0045 per share for the financial year ended 31 December 2021.

(c) Date payable

Not applicable.

(d) Record date

Not applicable.

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

No dividend has been recommended as the Company recorded a loss for the financial year ended 31 December 2022.

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 year ended 31 December 2022 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 December 2022	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 2022
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB2,018,712 (S\$415,159)	-
Mai Shu Ying ,Pan Shun Ming ⁽²⁾	RMB790,206 (S\$162,510)	-

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

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	40	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	66	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 2023