

Southern Packaging Group Limited

Unaudited Half Year Financial Statements for the Period Ended 30 June 2022

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

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

	Note	Group	Group	Change
		Jan-June 2022	Jan-June 2021	
		RMB'000	RMB'000	
Revenue	4	275,632	329,754	(16.4%)
Cost of sales		(225,192)	(264,727)	(14.9%)
Gross profit		50,440	65,027	(22.4%)
Gross profit margin		18.3%	19.7%	
Other operating income		2,799	6,084	(54%)
Distribution expenses		(22,795)	(23,280)	(2.1%)
Administrative expenses		(38,764)	(40,356)	(3.9%)
Finance costs		(9,888)	(7,439)	32.9%
(Loss)/Profit before income tax	6	(18,208)	36	NM
Income tax credit	7	3,220	938	243.3%
(Loss)/Profit for the period		(14,988)	974	NM
Other comprehensive income: <i>Items to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations		256	(177)	NM
Total comprehensive (expense)/income for the period, representing (expense)/profit for the period attributable to owners of the parent.		(14,732)	797	NM
(Loss)/Earnings per share				
- Basic and diluted (RMB)		(0.21)	0.01	

B. Condensed interim statements of financial position

		Group	Group	Company	Company
		30.06.2022	31.12.2021	30.06.2022	31.12.2021
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current assets:</u>					
Cash and cash equivalents		102,920	80,464	1,576	1,149
Fixed deposits		5,871	6,165	-	-
Trade receivables	12	114,561	222,614	-	-
Other receivables and prepayments		40,831	42,786	1,304	1,392
Inventories	13	419,914	398,559	-	-
Total current assets		684,097	750,588	2,880	2,541
<u>Non-current assets:</u>					
Investment in subsidiaries		-	-	465,933	465,933
Property, plant and equipment	10	441,196	434,339	-	-
Investment property	11	96,288	96,297	-	-
Land use rights		38,095	38,635	-	-
Right of use assets		2,730	2,730	-	-
Deferred tax assets	14	6,276	6,276	-	-
Total non-current assets		584,585	578,277	465,933	465,933
Total assets		1,268,682	1,328,865	468,813	468,474

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

		Group	Group	Company	Company
		30.06.2022	31.12.2021	30.06.2022	31.12.2021
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current liabilities:</u>					
Trade payables		238,985	306,805	-	-
Other payables		42,572	45,240	38,887	32,653
Borrowings	16	325,224	317,616	-	-
Current income tax payable		1,216	5,160	-	-
Deferred government subsidies		1,139	1,139	-	-
Lease liabilities	15	2,749	2,749	-	-
Total current liabilities		611,885	678,709	38,887	32,653
<u>Non-current liabilities:</u>					
Deferred government subsidies		10,573	10,573	-	-
Borrowings	16	88,082	65,174	-	-
Deferred tax liabilities	14	1,000	1,000	-	-
Total non-current liabilities		99,655	76,747	-	-
Total liabilities		711,540	755,456	38,887	32,653
<u>Equity attributable to equity holders of the Company:</u>					
Share capital	17	230,593	230,593	230,593	230,593
Capital contribution		12,639	12,639	-	-
Statutory reserves		58,546	58,546	-	-
Foreign currency translation account		(1,824)	(2,080)	-	-
Retained earnings		257,188	273,711	199,333	205,228
Total equity		557,142	573,409	429,926	435,821
Total liabilities and equity		1,268,682	1,328,865	468,813	468,474

C. Condensed interim 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
Group						
Balance as at 1.1.2021	230,593	58,067	12,639	261,009	(1,733)	560,575
Profit for the financial period	-	-	-	974	-	974
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	(177)	(177)
Total comprehensive income for the financial period	-	-	-	974	(177)	797
Cash dividends	-	-	-	(779)	-	(779)
Balance as at 30.06.2021	230,593	58,067	12,639	261,204	(1,910)	560,593
Balance as at 1.1.2022	230,593	58,546	12,639	273,711	(2,080)	573,409
Loss for the financial period	-	-	-	(14,988)	-	(14,988)
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	256	256
Total comprehensive expense for the financial period	-	-	-	(14,988)	256	(14,732)
Cash dividends	-	-	-	(1,535)	-	(1,535)
Balance as at 30.06.2022	230,593	58,546	12,639	257,188	(1,824)	557,142

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

	Issued Capital	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
Company			
Balance as at 1.1.2021	230,593	213,211	443,804
Cash dividends	-	(779)	(779)
Loss for the financial period, presenting total comprehensive expense for the financial period	-	(3,107)	(3,107)
Balance as at 30.06.2021	<u>230,593</u>	<u>209,325</u>	<u>439,918</u>
Balance as at 1.1.2022	230,593	205,228	435,821
Cash dividends	-	(1,535)	(1,535)
Loss for the financial period, presenting total comprehensive expense for the financial period	-	(4,360)	(4,360)
Balance as at 30.06.2022	<u>230,593</u>	<u>199,333</u>	<u>429,926</u>

D. Condensed interim consolidated statement of cash flows

	Group Jan-Jun 2022 RMB'000	Group Jan-Jun 2021 RMB'000
<u>Cash flows from operating activities</u>		
(Loss)/Profit before income tax	(18,208)	36
Adjustments for:		
Depreciation of property, plant and equipment	27,419	29,938
Depreciation of investment property	9	9
Amortisation of prepaid lease payments	539	429
Interest income	(281)	(303)
Interest expense	9,888	7,439
Unrealised foreign currency exchange loss/(gain)	446	(455)
Amortisation of deferred government subsidies	(1,045)	(2,825)
Operating profit before working capital changes	18,767	34,268
Trade receivables	108,053	18,953
Other receivables and prepayments	1,955	12,483
Inventories	(21,355)	(32,297)
Trade payables	(68,890)	7,477
Other payables	(2,668)	1,794
Cash generated from operations	35,862	42,678
Income tax paid	(1,216)	(2,308)
Net cash generated from operating activities	34,646	40,370
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(34,276)	(16,202)
Interest received	281	303
Government grant received	1,045	2,825
Net cash used in investing activities	(32,950)	(13,074)

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

	Group Jan-Jun 2022 RMB'000	Group Jan-Jun 2021 RMB'000
<u>Cash flows from financing activities</u>		
Interest paid	(9,888)	(7,439)
Proceeds from bank borrowings	214,406	184,556
Repayments of bank borrowings	(184,052)	(175,737)
Decrease/(Increase) in pledged fixed deposits	294	(5,179)
Net cash generated/(used in) from financing activities	<u>20,760</u>	<u>(3,799)</u>
Increase in cash and cash equivalents	22,456	23,497
Cash and cash equivalents at the beginning of the financial period	80,464	66,019
Effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies	.	.
Cash and cash equivalents at the end of the financial period (Note A)	<u>102,920</u>	<u>89,516</u>
 Note A: Cash and Cash Equivalents	 30.06.2022 RMB'000	 30.06.2021 RMB'000
Cash and bank balances	108,791	95,934
Less: Fixed deposits pledged	(5,871)	(6,418)
Cash and cash equivalents at the end of the financial period	<u>102,920</u>	<u>89,516</u>

E. Notes to the condensed interim consolidated financial statements

1. General corporate information

Southern Packaging Group Limited (the “Company”) (Registration Number: 200313312N) is a public company limited by shares, incorporated and domiciled in the Republic of Singapore with its registered office at 80 Robinson Road, #02-00, Singapore 068898 and principal place of business at No. 9 Foping Four Road, Gui Cheng, Nanhai, Foshan City, Guangdong 528251, the People’s Republic of China. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”). These condensed interim financial statements as at and for the six months ended 30 June 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 interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the 2020 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 2021.

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

2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 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: Property under 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 Under Develop ment	Property Under Developme nt	Consolidated	Consolidated
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-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
REVENUE								
External sales	173,648	213,581	101,984	116,173	-	-	275,632	329,754
RESULTS								
Segment gross profit	34,372	44,052	16,068	20,975	-	-	50,440	65,027
Allocated expenses	(36,036)	(38,627)	(21,163)	(20,767)	-	(576)	(57,199)	(59,970)
Allocated income	927	655	546	458	-	-	1,473	1,113
Segment result	(737)	6,080	(4,549)	666	-	(576)	(5,286)	6,170
Unallocated expenses							(4,360)	(3,666)
Unallocated income							1,045	4,678
Interest income							281	303
Interest expense							(9,888)	(7,439)
(Loss)/Profit before income tax							(18,208)	36
Income tax credits							3,220	938
(Loss)/Profit for the financial year attributable to owners of the Parent							(14,988)	974
ASSETS								
Segment assets	443,374	516,626	260,394	179,476	406,286	257,934	1,110,054	954,036
Unallocated corporate assets							158,628	147,338
Consolidated total assets							1,268,682	1,101,374
Expenditures for segment non-current assets								
Additions to non-current assets	30,849	10,975	3,427	5,227	-	-	34,276	16,202

4.1. Reportable segments (cont'd)

	Rigid	Rigid	Flexible	Flexible	Property	Property	Consolidat ed	Consolida ted
	packagin g	packagi ng	packagin g	packagi ng	Develop ment	Develop ment		
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-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
Segment liabilities	79,370	99,615	46,615	56,034	143,000	90,000	268,985	245,649
Unallocated corporate liabilities							442,555	295,132
Consolidated total liabilities							711,540	540,781

4.2. Disaggregation of Revenue

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

	The Group			
	6 months ended 30 June 2021			
	Rigid packaging	Flexible packaging	Property under development	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	213,581	116,173	-	329,754
Total revenue	213,581	116,173	-	329,754
Timing of revenue recognition:				
At a point in time	213,581	116,173	-	329,754
Total revenue	213,581	116,173	-	329,754
Geographical information:				
PRC	200,501	113,381	-	313,882
Australia	8,851	-	-	8,851
America	714	-	-	714
Netherlands	185	-	-	185
Asia(excluding PRC)	3,330	2,792	-	6,122
Total revenue	213,581	116,173	-	329,754

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	The Group		The Company	
	30 June 2022	30 June 2021	30 June 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)	264,183	352,029	2,880	2,541
Financial Liabilities				
Trade and other payables and borrowings (Amortised cost)	697,612	737,584	38,887	32,653

6. Profit before taxation

Significant items

	Group	Group
	Jan-Jun 2022	Jan-Jun 2021
	RMB'000	RMB'000
Sales of raw materials	(674)	(1,964)
Interest income	(281)	(303)
Government grants	(1,045)	(2,825)
Foreign currency exchange loss/(gain)	446	(455)
Depreciation on property, plant and equipment	27,419	29,938
Amortisation of prepaid lease payments	539	429
Research and development costs (included R&D staff cost)	16,150	16,078
Interest on borrowings	9,888	7,439
Employee benefits expense	42,749	42,518
Directors' remuneration		
- Director's fees	298	300
- Salaries, bonuses and allowances	1,751	2,031
- Contributions to defined contribution plans	18	17

7. Taxation

	6 months ended 30 June 2022	6 months ended 30 June 2021
	RMB'000	RMB'000
Current income tax expense	-	598
Deferred income tax	(3,220)	(1,536)
Income tax credit	(3,220)	(938)

8.Dividends

	The Group	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	RMB'000	RMB'000
Ordinary dividends paid relating to prior year (2022: S\$0.45 cents per share (2021: S\$0.25 cents per share) *)	1,535	849
Interim dividend	-	-
Interim dividend per share(net of tax)	NA	NA

*Ordinary dividends paid is relating to the dividends of the previous financial year.

9. Net Asset Value

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	7.92	8.15	6.11	6.20

The NAV per share as at 30 June 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:

	Group RMB'000
Cost	
Balance as at 1.1.2022	1,109,122
Additions for the period	34,276
Balance as at 30.06.2022	1,143,398
Accumulated depreciation	
Balance as at 1.1.2022	674,572
Depreciation for the period	27,419
Balance as at 30.06.2022	701,991
Accumulated impairment loss	
Balance as at 1.1.2022 and 30.06.2022	211
Net book amount	
Balance as at 30.06.2022	441,196

During the half year ended 30 June 2022, the addition of property, plant and equipment amounted to RMB34, 276,000 (31 December 2021: RMB16, 202,000)

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
Accumulated depreciation	
Balance as at 1.1.2022	350
Depreciation for the period	9
Balance as at 30.06.2022	359
Carrying Amount	96,288

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	
	30.06.2022	30.06.2021
	RMB'000	RMB'000
Balance as at the beginning of the financial year	375	551
Addition recognised in profit or loss	-	-
Balance as at the end of the financial year	<u>375</u>	<u>551</u>

During the six months ended 30 June 2022, the Group has not recognised any loss allowance for trade receivables (31 December 2021: RMB375,000)

13. Inventories

The breakdown of inventories is as follows:

	Group	
	30.06.2022	31.12.2021
	RMB'000	RMB'000
Properties held for sale	310,373	310,373
Inventories for packaging business	109,541	88,185
Total	419,914	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 30 June 2022 was RMB419,914,000 (31 December 2021: RMB398,558,000).

During the six months ended 30 June 2022, the Group carried out a review of the realisable values of its inventories and has not recognized any allowance for inventories obsolescence. (31 December 2021: RMB495,000)

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 30 June 2022, the carrying amounts of the Group's deferred tax assets and deferred tax liabilities were RMB6,276,000 (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 six months ended 30 June 2022, the weighted average incremental borrowing rate applied to lease liabilities was 5.01% per annum (31 December 2021: 5.01%).

16. Borrowings

Amount repayable in one year or less, or on demand

Group		Group	
As at 30/06/2022		As at 31/12/2021	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
295,224	30,000	287,616	30,000

Amount repayable after one year

Group		Group	
As at 30/06/2022		As at 31/12/2021	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
88,082	-	65,174	-

Details of any collateral

The bank loans are secured as follows:

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

17. Share capital

	Group and Company			
	30 June 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 30 June 2022.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 31 December 2021.

18. Related party transactions

During the six months ended 30 June 2022, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	Jan-Jun 2022	Jan-Jun 2021
	RMB	RMB
<u>With certain Director of the Company</u>		
Rental expense	383,704	383,704
<u>With companies in which certain Director have control</u>		
Rental expense	1,000,470	1,000,470
Sale of goods	-	(7,527,295)

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 interim financial statements.

Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of Southern Packaging Group Limited and its subsidiaries as at 30 June 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 six-month period then ended and certain explanatory notes have not been audited or reviewed.

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

Nil

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

	30 June 2022	31 December 2021
Total number of issued shares	70,319,164	70,319,164

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

Not applicable.

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

Not applicable.

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

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

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

Not applicable.

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

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

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as compared with those used in the audited financial statements for the year ended 31 December 2021.

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

Not applicable.

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

	Group Jan-Jun 2022 RMB	Group Jan-Jun 2021 RMB
(Loss)/Earning per ordinary share for the period based on net profit attributable to shareholders	(0.21)	0.01

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

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

Review of Group Performance

Revenue

The Group's revenue decreased by RMB54.2 million (16.4%) from RMB329.8 million in the first half of FY2021 to RMB275.6 million in the first half of FY2021. The sales of the Group were affected by the lockdown in Shanghai and surrounding areas due to the recent resurgence of the Covid-19 cases. As a result, the Group's production and delivery plans were affected during the period.

Gross Profit

The Group's gross profit decreased by RMB14.6 million (22.5%) from RMB65 million for the first half of FY2021 to RMB50.4 million for the first half of FY2022. The gross profit margin decreased from 19.7% in the first half of FY2021 to 18.3% in the first half of FY2022. The lower profit margin was attributable to the decrease in sales revenue as explained above and the increase in purchase price of raw materials, labour costs and energy costs.

Other Operating Income

Other operating income decreased by RMB3.3 million to RMB2.8 million for the first half of FY2022 compared to RMB6.1 million in the previous corresponding period mainly due to decrease in government grants and sales of raw materials.

(Loss)/ Profit before Income Tax

The Group's net (loss)/ profit before income tax decreased by RMB18.2 million was mainly due to:

- Gross profit decreased by RMB14.6 million as mentioned above;
- Other operating income decreased by RMB3.3 million as mentioned above;
- Distribution expenses decreased by RMB0.5 million due to the increase of the rate of freight costs and storage costs has offset the decrease of freight costs caused by the decrease in sales volume during the period.
- Administrative expenses decreased by RMB1.6 million. The majority parts of the Administrative expenses are fixed expenses. As a result, it did not decreased proportional to the decrease in production volumes.
- Finance costs increased by RMB2.5 million mainly because the interest expenses related to the Apex Tower were capitalised in prior year before the constructions of the Apex Tower were completed.

Income Tax credit

Income tax credit increased by RMB2.3 million due to the increase of loss incurred during the period.

Current Assets

Current assets decreased by RMB66.5 million when compared to the end of FY2021. This was mainly due to the following:

- a) Cash and bank balances increased by RMB22.4 million;
- b) Trade receivables decreased by RMB108 million due to the collection of receivable from the customer of the Apex tower;
- c) Inventories increased by RMB21.3 million due to the delay of delivery of our products to the customers located in Shanghai and surrounding areas during the period;
- d) Other receivables and prepayments decreased by RMB2 million.

	Group 30 June 2022 RMB'000	Group 31 Dec 2021 RMB'000
(i) Other receivables and deposits	7,715	7,749
(ii) Advances to suppliers and prepayment	16,339	10,770
(iii) Value added tax	16,777	24,267
Total	40,831	42,786

Non-Current Assets

Non-current assets increased by RMB6.3 million to RMB584.6 million from RMB578.3 million mainly due to the increase in purchase of PPE and depreciation charges during the year.

Current Liabilities

Current liabilities decreased by RMB66.8 million from RMB678.7 million to RMB611.9 million mainly due to the following:

- Trade payables decreased by RMB67.8million mainly due to the repayment of suppliers relating to the Apex Tower;
- Short-term bank borrowing increased by RMB7.6 million mainly due to the increase in working capital requirements during the period;
- Current income tax payable decreased by RMB4 million.
- Other payables decreased by RMB2.6 million due to the followings:

	Group 30 June 2022 RMB'000	Group 31 Dec 2021 RMB'000
(i) Accrued expenses	20,118	20,875
(ii) Other payables	13,730	15,152
(iii) Advances to customers	8,724	9,213
Total	42,572	45,240

Long-Term Liabilities

Long-term liabilities increased by RMB23 million from RMB76.7 million to RMB99.7 million mainly due to the increase of the long term borrowing relating to the new investment of the PPE during the period.

The Consolidated Statement of Cash Flows

In the first half of FY2022, the Group recorded cash flows generated from operating activities amounted to RMB34.6 million as compared to RMB40.4 million in the first half of FY2021 mainly due to:

- a) operating cash flows (before working capital changes) amounted to RMB18.8 million;
- b) Cash outflows from Inventories amounted to RMB21.4 million;
- c) Cash generated from trade and other receivable amounted to RMB110 million
- d) Cash outflows from trade and other payables amounted to RMB68.9 million;
- e) Cash outflows from income tax paid amounted to RMB1.2 million;

The net cash used in investing activities had increased by RMB19.9 million from RMB13.1 million in the first half of FY2021 to RMB33 million in the first half of FY 2022 mainly due to the new investment of PPE during the period.

The Group recorded a net cash inflow in financing activities amounting to RMB20.8 million in the first half of FY2022 as compared with a net cash outflow amounting to RMB3.8 million in the first half of FY2021. It was mainly due to the changes in bank borrowing during the period.

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

Not applicable.

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

The Group's production and delivery plans are back to normal progressively as the Covid-19 cases were under control in June 2022.

During the 1H of FY2022, the Group has made considerable progress on the developments of several new products in partnership with our customers. We envisage that more customers will make use of our R&D capability and develop new products jointly to meet their rising expectation. At the same time, the Group will continue to pursue its proven policy of production automation, R&D and intelligent information operation to improve the operation efficiency.

The sales of the Apex Tower were also affected by the recent resurgence of Covid-19 cases. The Group will closely monitor the COVID-19 situation and the property market conditions to maximize the return of the remaining property portfolio.

11. Dividend

(a) Current Financial Period Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended as the Company recorded a loss for the half year ended 30 June 2022.

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

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

The IPTs entered into by the Company or the Group during the financial period 30 June 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 June 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) 30 June 2022
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB1,000,470 (S\$205,435)	-

(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.

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

The Board of Directors confirms that to the best of its knowledge, nothing has come to the attention of the Board of Directors of Southern Packaging Group Limited which may render these interim financial results for the half year ended 30 June 2022 to be materially false or misleading.

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

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

BY ORDER OF THE BOARD

Mr Pan Shun Ming
Executive Chairman and Chief Executive Officer
August 13, 2022