

Southern Packaging Group Limited

Unaudited Half Year Financial Statements for the Period Ended 30 June 2021

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-Jun 2021	Jan-Jun 2020	
		RMB'000	RMB'000	
Revenue	4	329,754	259,127	27.3%
Cost of sales		(264,727)	(206,060)	28.5%
Gross profit		65,027	53,067	22.5%
Gross profit margin		19.7%	20.5%	
Other operating income		6,084	4,688	29.8%
Distribution expenses		(23,280)	(17,244)	35%
Administrative expenses		(40,356)	(39,019)	3.4%
Finance costs		(7,439)	(7,907)	(5.9%)
Profit/(Loss) before income tax	6	36	(6,415)	NM
Income tax credit	7	938	1,333	(29.6%)
Profit/(Loss) for the period		974	(5,082)	NM
Other comprehensive income: <i>Items to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations		(177)	23	NM
Total comprehensive income/(loss) for the period, representing profit for the period attributable to owners of the parent.		797	(5,059)	NM
Earnings/(loss) per share				
- Basic and diluted (RMB in cent)		0.01	(0.07)	

B. Condensed interim statements of financial position

		Group	Group	Company	Company
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current assets:</u>					
Cash and cash equivalents		89,516	66,019	1,311	1,002
Fixed deposits		6,418	1,239		
Trade receivables	12	119,484	138,437	-	-
Other receivables and prepayments		38,297	50,780	1,306	1,304
Inventories	13	77,912	75,105	-	-
Property under development	11	267,934	241,444	-	-
Total current assets		599,561	573,024	2,617	2,306
<u>Non-current assets:</u>					
Investment in subsidiaries		-	-	465,933	465,933
Property, plant and equipment	10	451,998	465,734	-	-
Investment property		391	400	-	-
Prepaid lease payments		39,284	39,713	-	-
Right of use assets		2,359	2,373	-	-
Deferred tax assets	14	7,781	5,392	-	-
Total non-current assets		501,813	513,612	465,933	465,933
Total assets		1,101,374	1,086,636	468,550	468,239

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

		Group	Group	Company	Company
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current liabilities:</u>					
Trade payables		109,372	103,242	-	-
Other payables		36,625	34,831	28,633	24,435
Borrowings	16	266,177	250,809	-	-
Current income tax payable		2,369	4,450	-	-
Deferred government subsidies		1,139	1,139	-	-
Lease liabilities	15	2,385	2,400	-	-
Total current liabilities		418,067	396,871	28,633	24,435
<u>Non-current liabilities:</u>					
Deferred government subsidies		11,712	11,712	-	-
Borrowings	16	110,002	116,478	-	-
Deferred tax liabilities	14	1,000	1,000	-	-
Total non-current liabilities		122,714	129,190	-	-
Total liabilities		540,781	526,061	28,633	24,435
<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		58,067	58,067	-	-
Foreign currency translation account		(1,910)	(1,733)	-	-
Retained earnings		261,204	261,009	209,324	213,211
Total equity		560,593	560,575	439,917	443,804
Total liabilities and equity		1,101,374	1,086,636	468,550	468,239

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 1.1.2020	230,593	57,675	12,639	257,559	(1,750)	556,716
Loss for the financial period	-	-	-	(5,082)	-	(5,082)
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	23	23
Total comprehensive loss for the financial period	-	-	-	(5,082)	23	(5,059)
Balance as at 30.06.2020	<u>230,593</u>	<u>57,675</u>	<u>12,639</u>	<u>252,477</u>	<u>(1,727)</u>	<u>551,657</u>
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	<u>230,593</u>	<u>58,067</u>	<u>12,639</u>	<u>261,204</u>	<u>(1,910)</u>	<u>560,593</u>

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 1.1.2020	230,593	203,309	433,902
Net loss for the period, representing total comprehensive loss for the period	-	(4,831)	(4,831)
Balance as at 30.06.2020	<u>230,593</u>	<u>198,478</u>	<u>429,071</u>
Balance as at 1.1.2021	230,593	213,211	443,804
Cash dividends	-	(780)	(780)
Net loss for the period, representing total comprehensive loss for the period	-	(3,107)	(3,107)
Balance as at 30.06.2021	<u>230,593</u>	<u>209,324</u>	<u>439,917</u>

D. Condensed interim consolidated statement of cash flows

	Group Jan-Jun 2021 RMB'000	Group Jan-Jun 2020 RMB'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before income tax	36	(6,415)
Adjustments for:		
Depreciation of property, plant and equipment	29,938	33,354
Depreciation of investment property	9	9
Amortisation of prepaid lease payments	429	606
Interest income	(303)	(678)
Interest expense	7,439	7,907
Unrealised foreign currency exchange (gain)/loss	(455)	218
Amortisation of deferred government subsidies	(2,825)	-
Operating profit before working capital changes	34,268	35,001
Working capital changes:		
Property under development	(29,490)	(27,413)
Trade receivables	18,953	32,470
Other receivables and prepayments	12,483	1,024
Inventories	(2,807)	(12,698)
Trade payables	7,477	(26,340)
Other payables	1,794	(964)
Cash generated from operations	42,678	1,080
Income tax paid	(2,308)	(4,516)
Net cash generated from /(used in) operating activities	40,370	(3,436)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(16,202)	(14,795)
Interest received	303	678
Government grant received	2,825	-
Net cash used in investing activities	(13,074)	(14,117)

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

	Group Jan-Jun 2021 RMB'000	Group Jan-Jun 2020 RMB'000
<u>Cash flows from financing activities</u>		
Interest paid	(7,439)	(7,907)
Proceeds from bank borrowings	184,556	174,369
Repayments of bank borrowings	(175,737)	(157,030)
(Increase)/decrease in pledged fixed deposits	(5,179)	1,322
Net cash (used in)/generated from financing activities	<u>(3,799)</u>	<u>10,754</u>
Increase/(Decrease) in cash and cash equivalents	23,497	(6,799)
Cash and cash equivalents at the beginning of the financial period	66,019	126,319
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>89,516</u>	<u>119,520</u>
 Note A: Cash and Cash Equivalents	 30.06.2021 RMB'000	 30.06.2020 RMB'000
Cash and bank balances	95,934	120,261
Less: Fixed deposits pledged	(6,418)	(741)
Cash and cash equivalents at the end of the financial period	<u>89,516</u>	<u>119,520</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 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 interim financial statements for the six months ended 30 June 2021 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 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 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 2020.

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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
REVENUE								
External sales	213,581	172,342	116,173	86,785	-	-	329,754	259,127
RESULTS								
Segment gross profit	44,052	39,432	20,975	13,635	-	-	65,027	53,067
Allocated expenses	(38,627)	(34,313)	(20,767)	(17,087)	(576)	-	(59,970)	(51,400)
Allocated income	655	1,172	458	670	-	-	1,113	1,872
Segment result	6,080	6,291	666	(2,782)	(576)	-	6,170	3,539
Unallocated expenses							(3,666)	(4,863)
Unallocated income							4,678	2,182
Interest income							303	634
Interest expense							(7,439)	(7,907)
Profit before income tax							36	(6,415)
Income tax credits							938	1,333
Profit for the financial year attributable to owners of the Parent							974	(5,082)
ASSETS								
Segment assets	516,626	569,215	179,476	172,277	257,934	198,109	954,036	939,601
Unallocated corporate assets							147,338	163,239
Consolidated total assets							1,101,374	1,102,840
Expenditures for segment non-current assets								
Additions to non-current assets	10,975	10,356	5,227	4,439			16,202	14,795

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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
Segment liabilities	99,615	101,693	56,034	52,388	90,000	114,000	245,649	268,081
Unallocated corporate liabilities							295,132	283,102
Consolidated total liabilities							540,781	551,183

4.2. Disaggregation of Revenue

	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

	The Group			
	6 months ended 30 June 2020			
	Rigid packaging	Flexible packaging	Property under development	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	172,342	86,785	-	259,127
Total revenue	172,342	86,785	-	259,127
Timing of revenue recognition:				
At a point in time	172,342	86,785	-	259,127
Total revenue	172,342	86,785	-	259,127
Geographical information:				
PRC	159,309	83,496	-	242,805
Australia	7,469	-	-	7,469
America	671	-	-	671
Netherlands	808	-	-	808
Asia(excluding PRC)	4,085	3,289	-	7,374
Total revenue	172,342	86,785	-	259,127

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 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
Financial Assets				
Cash and bank balances and trade and other receivables (Amortised cost)	220,172	212,674	2,617	2,306
Financial Liabilities				
Trade and other payables and borrowings (Amortised cost)	514,561	500,276	28,633	24,435

6. Profit before taxation

Significant items

	Group	Group
	Jan-Jun 2021	Jan-Jun 2020
	RMB'000	RMB'000
Sales of raw materials	(1,964)	(1,700)
Interest income	(303)	(678)
Government grants	(2,825)	(2,314)
Foreign currency exchange (gain)/loss	(455)	218
Depreciation on property, plant and equipment	29,938	33,354
Amortisation of prepaid lease payments	429	606
Research and development costs (included R&D staff cost)	16,078	14,919
Interest on borrowings	7,439	7,907
Employee benefits expense	42,518	40,907
Directors' remuneration		
- Director's fees	300	311
- Salaries, bonuses and allowances	2,031	2,069
- Contributions to defined contribution plans	17	17

7. Taxation

	6 months ended 30 June 2021	6 months ended 30 June 2020
	RMB'000	RMB'000
Current income tax expense	598	767
Deferred income tax	(1,536)	(2,100)
Income tax credit	(938)	(1,333)

8.Dividends

	The Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
Ordinary dividends paid:	RMB'000	RMB'000
Interim exempt 2021 dividend of S\$0.25 cents per share (2020: no Interim exempt 2020 dividend)	779	-
	RMB'	RMB'
Dividend per share(net of tax)	0.01	-

9. Net Asset Value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	7.97	7.97	6.26	6.31

The NAV per share as at 30 June 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	(29,938)
Plus: purchases	<u>16,202</u>
Property, plant and equipment, 30 June 2021	<u><u>451,998</u></u>

During the half year ended 30 June 2021, the addition of property, plant and equipment amounted to RMB16,202,000 (31 December 2020: RMB28,386,000)

11. Property under development

	Group	
	30.06.2021	31.12.2020
	RMB'000	RMB'000
Land use right	15,933	15,933
Development costs	237,177	213,871
Interest capitalised	14,824	11,640
	<u>267,934</u>	<u>241,444</u>

The Group has exercised judgement in determining whether the property under development qualifies as property held for sale, investment property, or property, plant and equipment. The classification of property under development is dependent on the outcomes of the project plan, taking into consideration of various consultations, customers demand and market condition. Management is unable to determine reliably the actual proportion of the property under development that will be own-use or to earn rentals upon completion. Hence, the entire development is classified as property under development

As at 30 June 2021, property under development amounted to RMB267,934,000 (31 December 2020: RMB241,444,000) are expected to be recovered within its operating cycle. On completion, the properties will be transferred to properties held for sale.

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	
	30.06.2021	31.12.2020
	RMB'000	RMB'000
Balance as at the beginning of the financial year	551	158
Addition recognised in profit or loss	-	393
Balance as at the end of the financial year	<u>551</u>	<u>551</u>

During the six months ended 30 June 2021, the Group has not recognised any loss allowance for trade receivables (31 December 2020: RMB393,000)

13. Inventories

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 saleability 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 2021 was RMB77,912,000 (31 December 2020: RMB75,105,000).

During the six months ended 30 June 2021, the Group carried out a review of the realisable values of its inventories and have not recognised any allowance for inventories obsolescence (31 December 2020: RMB17,000)

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 2021, the carrying amounts of the Group's deferred tax assets and deferred tax liabilities were RMB7,781,000 (31 December 2020: RMB5,392,000) and RMB1,000,000 (31 December 2020: 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 2021, the weighted average incremental borrowing rate applied to lease liabilities was 5.01% per annum (31 December 2020: 5.01%).

16. Borrowings

Amount repayable in one year or less, or on demand

As at 30/06/2021		As at 31/12/2020	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
261,177	5,000	234,125	16,684

Amount repayable after one year

As at 30/06/2021		As at 31/12/2020	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
80,002	30,000	86,478	30,000

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

	The Group and the Company			
	30 June 2021		31 December 2020	
	Number of shares	Amount	Number of shares	Amount
	'000	RMB'000	'000	RMB'000
Beginning of Interim period	70,319	230,593	70,319	230,593
Issue of ordinary shares by virtue of exercise of share options	-	-	-	-
End of interim period	70,319	230,593	70,319	230,593

The Company did not hold any treasury shares as at 30 June 2021.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

18. Related party transactions

During the six months ended 30 June 2021, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	Jan-Jun 2021	Jan-Jun 2020
	RMB	RMB
<u>With certain Director of the Company</u>		
Rental expense	385,046	412,183
<u>With companies in which certain Director have control</u>		
Rental expense	1,000,470	916,470
Sale of goods	(7,527,295)	(919,801)

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 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 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 2021	31 December 2020
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.

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, whether there are any modifications, disclaimer of opinion, adverse opinion or emphasis of a matter (including material uncertainties on going concern). Also, where the figures have been audited or reviewed, whether the auditor's report is announced using the Financial Statements and Related Announcement template with appropriate subject sub-heading.

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 condensed financial statements for the period ended 30 June 2021 as compared with those used in the audited financial statements for the year ended 31 December 2020.

- 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 2021 RMB	Group Jan-Jun 2020 RMB
Earnings/(loss) per ordinary share for the period based on net profit attributable to shareholders (RMB):	0.01	(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.

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

Review of Group Performance

Revenue

The Group's revenue increased by RMB70.7 million (27.3%) from RMB259.1 million in the first half of FY2020 to RMB329.8 million in the first half of FY2021. The sales demand has recovered back to normal as the spread of covid-19 is effectively under control compared to FY2020.

Sales of rigid packaging increased by RMB41.7 million (24.3%) from RMB171.9 million in the first half of FY2020 to RMB213.6 million in the first half of FY2021. The sales of flexible packaging increased by RMB29 million (33.3%) from RMB87.2 million in the first half of FY2020 to RMB116.2 million in the first half of FY2021.

Gross Profit

The Group's gross profit increased by RMB11.9 million (22.4%) from RMB53.1 million for the first half of FY2020 to RMB65 million for the first half of FY2021. The gross profit margin decreased slightly from 20.5% in the first half of FY2020 to 19.7% in the first half of FY2021.

The gross profit increased mainly due to the increase in sales revenue as explained above. The gross profit margin decreased due to the followings:

1. The raw material cost increased, but it is partly offset by the decrease in fixed factory overhead unit costs.
2. The government subsidies policies for workers' social security insurance and electricity charges had expired in FY2020.

Other operating income

Other operating income increased by RMB1.4 million to RMB6.1 million for the first half of FY2021 compared to RMB4.7 million in the previous corresponding period mainly due to increase in government grants and foreign exchange gain.

Profit/(Loss) before Income Tax

The Group's net profit/(loss) before income tax increased by RMB6.4 million was mainly due to:

- Gross profit increased by RMB11.9 million as mentioned above;
- Other operating income increased by RMB1.4 million as mentioned above;
- Distribution expenses increased by RMB6 million mainly due to the increase in freight charges and the sales staff expenses;
- Administrative expenses increased by RMB1.4 million mainly due to the increase of production volumes during the period;
- Finance costs slightly decreased by RMB0.5 million.

Income Tax credit

Income tax credit slightly decreased by RMB0.4 million.

Current Assets

Current assets increased by RMB26.6 million when compared to the end of FY2020. This was mainly due to the following:

- a) Cash and bank balances increased by RMB28.6 million;
- b) Trade receivables decreased by RMB18.9 million due to improvement in collection from a major customer;
- c) Inventories increased by RMB2.8 million due to the increase in production volumes during the period;
- d) Property under development increased by RMB26.5 million due to the construction costs incurred for APEX tower during the period;
- e) Other receivables and prepayments decreased by RMB12.5 million.

	Group 30 June 2021 RMB'000	Group 31 Dec 2020 RMB'000
(i) Other receivables and deposits	4,754	6,979
(ii) Advances to suppliers and prepayment	15,980	25,580
(iii) Value added tax	17,563	18,221
Total	38,297	50,780

Non-Current Assets

Non-current assets decreased by RMB11.8 million to RMB501.8 million from RMB513.6 million mainly due to the decrease in purchase of PPE and depreciation charges during the year.

Current Liabilities

Current liabilities increased by RMB21.2 million from RMB396.9 million to RMB418.1 million mainly due to the following:

- Trade payables increased by RMB6.2 million mainly due to the increase in purchase volumes coupled with the increase in sales orders;
- Short-term bank borrowing increased by RMB15.4 million mainly due to the increase in working capital requirements coupled with the increase in purchase volumes;
- Current income tax payable decreased by RMB2.1 million;
- Other payables increased by RMB1.8 million due to the followings:

	Group 31 Dec 2021 RMB'000	Group 31 Dec 2020 RMB'000
(i) Accrued expenses	19,263	18,779
(ii) Other payables	10,113	8,568
(iii) Advances to customers	7,249	7,484
Total	36,625	34,831

Long-Term Liabilities

Long-term liabilities decreased by RMB6.5 million from RMB129.2 million to RMB122.7 million mainly due to repayment on long term borrowing.

The Consolidated Statement of Cash Flows

In the first half of FY2021, the Group recorded cash flows generated from operating activities amounted to RMB40.4 million as compared with net cash flows used of RMB3.4 million in the first half of FY2020 mainly due to:

- a) operating cash flows (before working capital changes) amounted to RMB34.3 million;
- b) Cash outflows from property under development amounted to RMB29.5 million;
- c) Cash outflows from Inventories amounted to RMB2.8million;
- d) Cash generated from trade and other receivable amounted to RMB31 million;
- e) Cash generated from trade and other payables amounted to RMB9.3 million;
- f) Cash outflows from income tax paid amounted to RMB2.3 million.

The net cash used in investing activities had decreased by RMB1 million from RMB14.1 million in the first half of FY2020 to RMB13.1 million in the first half of FY 2021 mainly due to the government grant received on purchase of PPE.

The Group recorded a net cash outflow in financing activities amounting to RMB3.8 million in the first half of FY2021 as compared with a net cash inflow amounting to RMB10.8 million in the first half of FY2020. It was mainly due to increase in pledged fixed deposit and proceed from bank borrowing which offset by the repayment of 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 COVID-19 in mainland China was largely under control during the first half of FY2021. As a result, the Group's revenue managed to recover to the FY2019 level. On the other hand, due to the price increases of raw materials and the fierce competitions in the consumer goods market, the packaging manufacturing industry faced significant challenges on profitability. We expect this economic trend to continue for a period of time in the future.

During the first half of FY2021, the Group has made progress on several new product projects for our existing and new potential major customers. 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.

From July 2021, many new COVID-19 cases were reported in Guangdong province and many parts of China. Strict measures have been reactivated to combat this pandemic. This will no doubt result in loss of revenue and higher operating costs of the Group.

The Apex Tower is in progress and is expected to complete construction in the third quarter of FY2021. The Group will closely monitor the COVID-19 situation and the property market conditions to develop the marketing plan relating to this property development.

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 in view of the operational and financial requirements of the Group.

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 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>) 30 June 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) 30 June 2021
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB1,000,470 (S\$205,435)	-
Shan Shine Asset Management Co., Limited ⁽²⁾	RMB7,527,295 (S\$1,545,645)	

(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) 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 Southern Packaging (HK) Packaging Company Limited, 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 2021 to be materially false or misleading.

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

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

BY ORDER OF THE BOARD

Mr Pan Shun Ming
Executive Chairman and Chief Executive Officer
August 14, 2021