

Southern Packaging Group Limited

Unaudited Half Year Financial Statements for the Period Ended 30 June 2024

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 2024	Jan-June 2023	
		RMB'000	RMB'000	
Revenue	4	333,694	314,650	6.05%
Cost of sales		(265,882)	(256,166)	3.8%
Gross profit		67,812	58,484	15.9%
Gross profit margin		20.3%	18.6%	
Other operating income		5,655	4,454	27%
Distribution expenses		(23,250)	(20,586)	12.9%
Administrative expenses		(39,388)	(38,736)	1.7%
Finance costs		(10,626)	(10,554)	0.7%
Income/(Loss) before income tax	6	203	(6,938)	NM
Income tax credit	7	300	1,533	(80.4%)
Income/(Loss) for the period		503	(5,405)	NM
Other comprehensive income: <i>Items to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations		62	502	(87.6%)
Total comprehensive Income/(expense) or the period, representing Income/(expense) for the period attributable to owners of the parent.		565	(4,903)	NM
Earnings/(Loss) per share				
- Basic and diluted (RMB)		0.01	(0.08)	NM

B. Condensed interim statements of financial position

		Group	Group	Company	Company
		30.06.2024	31.12.2023	30.06.2024	31.12.2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<u>Current assets:</u>					
Cash and cash equivalents		46,843	90,220	1,180	995
Fixed deposits		11,496	1,441	-	-
Trade receivables	12	152,527	152,902	-	-
Other receivables and prepayments		42,493	42,860	553	1,307
Inventories	13	358,138	362,829	-	-
Total current assets		611,497	650,252	1,733	2,302
<u>Non-current assets:</u>					
Investment in subsidiaries		-	-	465,933	465,933
Property, plant and equipment	10	379,180	395,607	-	-
Investment property	11	90,419	91,515	-	-
Land use rights		35,939	36,478	-	-
Right of use assets		3,118	3,108	-	-
Deferred tax assets	14	18,430	18,430	-	-
Total non-current assets		527,086	545,138	465,933	465,933
Total assets		1,138,583	1,195,390	467,666	468,235

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

		Group	Group	Company	Company
		30.06.2024	31.12.2023	30.06.2024	31.12.2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities:					
Trade payables		175,740	201,677	-	-
Other payables		35,207	34,529	34,101	28,907
Borrowings	16	338,480	329,845	-	-
Current income tax payable		4,130	4,983	-	-
Deferred government subsidies		1,139	1,139	-	-
Lease liabilities	15	2,361	2,349	-	-
Total current liabilities		557,057	574,522	34,101	28,907
Non-current liabilities:					
Deferred government subsidies		8,295	8,295	-	-
Borrowings	16	47,700	87,607	-	-
Deferred tax liabilities	14	1,000	1,000	-	-
Lease liabilities		813	813	-	-
Total non-current liabilities		57,808	97,715	-	-
Total liabilities		614,865	672,237	34,101	28,907
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 reserve		64,124	64,124	-	-
Foreign currency translation account		(946)	(1,008)	-	-
Retained earnings		217,308	216,805	202,972	208,735
Total equity		523,718	523,153	433,565	439,328
Total liabilities and equity		1,138,583	1,195,390	467,666	468,235

C. Condensed interim statements of changes in equity

Group	Share capital RMB'000	Statutory reserve RMB'000	Capital contribution RMB'000	Retained earnings RMB'000	Foreign currency translation account RMB'000	Total equity RMB'000
Balance as at 1.1.2023	230,593	58,546	12,639	235,894	(1,150)	536,522
Loss for the financial period	-	-	-	(5,405)	-	(5,405)
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	502	502
Total comprehensive income for the financial period	-	-	-	(5,405)	502	(6,793)
Balance as at 30.06.2023	230,593	58,546	12,639	230,489	(648)	531,619
Balance as at 1.1.2024	230,593	64,124	12,639	216,805	(1,008)	523,153
Profit for the financial period	-	-	-	503	-	503
Other comprehensive income for the financial period						
- Exchange differences on translation of foreign operations	-	-	-	-	62	62
Total comprehensive expense for the financial period	-	-	-	503	62	565
Balance as at 30.06.2024	230,593	64,124	12,639	217,308	(946)	523,718

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

	Issued Capital	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000
Company			
Balance as at 1.1.2023	230,593	191,718	422,311
Loss for the financial period, presenting total comprehensive expense for the financial period	-	(6,137)	(6,137)
Balance as at 30.06.2023	<u>230,593</u>	<u>185,581</u>	<u>416,174</u>
Balance as at 1.1.2024	230,593	208,735	439,328
Loss for the financial period, presenting total comprehensive expense for the financial period	-	(5,763)	(5,763)
Balance as at 30.06.2024	<u>230,593</u>	<u>202,972</u>	<u>433,565</u>

D. Condensed interim consolidated statement of cash flows

	Group Jan-Jun 2024 RMB'000	Group Jan-Jun 2023 RMB'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before income tax	203	(6,938)
Adjustments for:		
Depreciation of property, plant and equipment	22,083	26,370
Depreciation of investment property	1,096	1,229
Amortisation of prepaid lease payments	539	539
Interest income	(163)	(155)
Interest expense	10,626	10,554
Unrealised foreign currency exchange (gain)/loss	(383)	2,417
Operating profit before working capital changes	34,001	34,016
Trade receivables	641	(239)
Other receivables and prepayments	675	12,672
Inventories	4,692	6,315
Trade payables	(26,044)	(61,995)
Other payables	650	4,010
Cash generated from /(used in) operations	14,615	(5,221)
Income tax paid	(557)	(2,518)
Net cash generated from/ (used in) operating activities	14,058	(7,739)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(5,656)	(10,857)
Interest received	163	155
Net cash used in investing activities	(5,493)	(10,702)

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

	Group Jan-Jun 2024 RMB'000	Group Jan-Jun 2023 RMB'000
<u>Cash flows from financing activities</u>		
Interest paid	(10,626)	(10,554)
Proceeds from bank borrowings	202,651	237,035
Repayments of bank borrowings	(233,956)	(192,022)
Lease payment	(11)	-
Increase in pledged fixed deposits	(10,055)	(4,156)
Net cash (used in)/generated from financing activities	<u>(51,997)</u>	<u>30,303</u>
(Decrease)/Increase in cash and cash equivalents	(43,432)	11,862
Cash and cash equivalents at the beginning of the financial period	90,220	67,245
Effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies	55	--
Cash and cash equivalents at the end of the financial period (Note A)	<u>46,843</u>	<u>79,107</u>
Note A: Cash and Cash Equivalents	30.06.2024 RMB'000	30.06.2023 RMB'000
Cash and bank balances	58,339	85,924
Less: Fixed deposits pledged	(11,496)	(6,817)
Cash and cash equivalents at the end of the financial period	<u>46,843</u>	<u>79,107</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 30 Cecil Street, #19-08 Prudential Tower Singapore 049712 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 2024 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 2024 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 2023 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 2023.

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

Impact of accounting standards to be applied in future periods

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

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

2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2023.

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:

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 property, plant and equipment and land use rights
- 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 Development	Property Development	Consolidated	Consolidated
RMB'000	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
REVENUE								
External sales	228,446	212,098	105,248	102,552	-	-	333,694	314,650
RESULTS								
Segment gross profit	52,505	43,884	15,307	14,600	-	-	67,812	58,484
Allocated expenses	(40,728)	(36,882)	(14,311)	(15,431)	(1,525)	(1,760)	(56,564)	(54,073)
Allocated income	413	873	382	1,045	20	26	815	1,944
Segment result	12,190	7,875	1,378	214	(1,505)	(1,734)	12,063	6,355
Unallocated expenses							(6,074)	(5,249)
Unallocated income							4,516	2,355
Interest income							324	155
Interest expense							(10,626)	(10,554)
Profit/(Loss) before income tax							203	(6,938)
Income tax credits							300	1,533
Profit/(Loss) for the financial year attributable to owners of the Parent							503	(5,405)
ASSETS								
Segment assets	496,010	514,930	205,571	206,042	365,834	399,464	1,067,415	1,120,436
Unallocated corporate assets							71,168	104,707
Consolidated total assets							1,138,583	1,225,143
Expenditures for segment non-current assets								
Additions to non-current assets	3,265	7,605	2,391	3,252	-	-	5,656	10,857

4.1. Reportable segments (cont'd)

	Rigid	Rigid	Flexible	Flexible	Property	Property	Consolidat	Consolida
	packagin	packagi	packagin	packagi	Develop	Develop	ed	ted
RMB'000	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
Segment liabilities	106,074	107,546	68,121	70,918	48,765	89,742	222,960	268,206
Unallocated corporate liabilities							391,905	425,318
Consolidated total liabilities							614,865	693,524

4.2. Disaggregation of Revenue

	The Group			
	6 months ended 30 June 2024			
	Rigid packaging	Flexible packaging	Property development	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	228,446	105,248	-	333,694
Total revenue	228,446	105,248	-	333,694
Timing of revenue recognition:				
At a point in time	228,446	105,248	-	333,694
Total revenue	228,446	105,248	-	333,694
Geographical information:				
PRC	211,999	92,739	-	304,738
Australia	8,925	-	-	8,925
America	712	1,500	-	2,212
Philippines	6,069	-	-	6,069
Thailand	-	8,394	-	8,394
Asia(excluding PRC)	741	2,615	-	3,356
Total revenue	228,446	105,248	-	333,694

	The Group			
	6 months ended 30 June 2023			
	Rigid packaging	Flexible packaging	Property development	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service:				
Sales of goods	212,098	102,552	-	314,650
Total revenue	212,098	102,552	-	314,650
Timing of revenue recognition:				
At a point in time	212,098	102,552	-	314,650
Total revenue	212,098	102,552	-	314,650
Geographical information:				
PRC	193,787	92,571	-	286,358
Australia	10,211	-	-	10,211
America	145	1,557	-	1,702
Philippines	5,249	-	-	5,249
Thailand	145	6,237	-	6,382
Asia(excluding PRC)	2,561	2,187	-	4,748
Total revenue	212,098	102,552	-	314,650

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 2024 and 31 December 2023:

	The Group		The Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets				
Cash and bank balances and trade and other receivables (Amortised cost)	221,692	255,022	1,733	2,302
Financial Liabilities				
Trade and other payables and borrowings (Amortised cost)	593,492	638,894	34,101	28,907

6. Profit /(Loss) before taxation

Significant items

	Group	Group
	Jan-Jun 2024	Jan-Jun 2023
	RMB'000	RMB'000
Sales of raw materials and moulds	(1,609)	(2,606)
Interest income	(163)	(155)
Government grants	(1,974)	(592)
Foreign currency exchange (gain)/loss	(383)	2,417
Depreciation on property, plant and equipment	22,083	26,370
Amortisation of prepaid lease payments	539	539
Research and development costs (included R&D staff cost)	14,874	14,661
Interest on borrowings	10,626	10,554
Employee benefits expense	50,600	47,352
Directors' remuneration		
- Director's fees	360	318
- Salaries, bonuses and allowances	1,900	1,858
- Contributions to defined contribution plans	19	16

7. Taxation

	6 months ended 30 June 2024	6 months ended 30 June 2023
	RMB'000	RMB'000
Current income tax expense	-	-
Deferred income tax	(300)	(1,533)
Income tax credit	(300)	(1,533)

8. Dividends

	The Group	
	6 months ended 30 June 2024	6 months ended 30 June 2023
	RMB'000	RMB'000
Ordinary dividends paid relating to prior year	-	-
Interim dividend	-	-
Interim dividend per share(net of tax)	NA	NA

9. Net Asset Value

	Group		Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	RMB	RMB	RMB	RMB
Net asset value per ordinary share	7.45	7.44	6.17	6.25

The NAV per share as at 30 June 2024 was calculated based on the number of shares in issue of 70,319,164 shares (31 December 2023: 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 1.1.2024	1,172,278
Additions for the period	5,656
Balance as at 30.06.2024	1,177,934
Accumulated depreciation	
Balance as at 1.1.2024	776,671
Depreciation for the period	22,083
Balance as at 30.06.2024	798,754
Net book amount	
Balance as at 30.06.2024	379,180

During the half year ended 30 June 2024, the addition of property, plant and equipment amounted to RMB5,656,000 (31 December 2023: RMB11,141,000).

11. Investment property

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

	FY2024
	RMB'000
Cost	
Balance as at 1.1.2024 and 30.06.2024	96,211
Accumulated depreciation	
Balance as at 1.1.2024	4,696
Depreciation for the period	1,096
Balance as at 30.06.2024	5,792
Carrying amount	90,419

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 is as follows:

	Group	
	30.06.2024	30.06.2023
	RMB'000	RMB'000
Balance as at the beginning of the financial year	661	694
Addition recognised in profit or loss	-	-
Balance as at the end of the financial year	661	694

During the six months ended 30 June 2024, the Group has not recognised any loss allowance for trade receivables (31 December 2023: reversal of loss allowance of RMB33,000)

13. Inventories

The breakdown of inventories is as follows:

	Group	
	30.06.2024	31.12.2023
	RMB'000	RMB'000
Properties held for sale	275,755	275,755
Inventories for packaging business	82,383	87,074
Total	358,138	362,829

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 2024 was RMB358,138,000 (31 December 2023: RMB362,829,000).

During the six months ended 30 June 2024, the Group carried out a review of the realisable values of its inventories and has not recognized any allowance for inventories obsolescence. (31 December 2023: Reversal of allowance for slow moving and obsolete inventories by RMB254,000.)

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 2023, the carrying amounts of the Group's deferred tax assets and deferred tax liabilities were RMB18,430,000 (31 December 2023: RMB18,430,000) and RMB1,000,000 (31 December 2023: 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 2024, the weighted average borrowing rate applied to lease liabilities was 5.2% per annum (31 December 2023: 5.2%).

16. Borrowings

Amount repayable in one year or less, or on demand

Group		Group	
As at 30/06/2024		As at 31/12/2023	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
338,480	-	329,845	-

Amount repayable after one year

Group		Group	
As at 30/06/2024		As at 31/12/2023	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
47,700	-	87,607	-

Details of any collateral

The bank loans are secured as follows:

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

17. Share capital

	Group and Company			
	30 June 2024		31 December 2023	
	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 2024.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2024 and 31 December 2023.

18. Related party transactions

During the six months ended 30 June 2024, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	Jan-Jun 2024	Jan-Jun 2023
	RMB	RMB
<u>With certain Director of the Company</u>		
Rental expense	418,952	407,847
<u>With companies in which certain Director have control</u>		
Rental expense	1,081,874	1,000,584
Property management fee	360,000	393,732

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 2024 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 2024	31 December 2023
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 financial statements for the current financial year as compared with those used in the audited financial statements for the year ended 31 December 2023.

- 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 2024 RMB	Group Jan-Jun 2023 RMB
Earnings/(Loss)per ordinary share for the period based on net profit attributable to shareholders	0.01	(0.08)

The calculation of the Earnings/(Loss) 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 RMB19.04 million (6.05%) from RMB314.65 million in the first half of FY2023 to RMB333.69 million in the first half of FY2024. The increase of sales is mainly due to the increase orders of new products during the period.

Gross Profit

The Group's gross profit increased by RMB9.3 million (15.9%) from RMB58.5million for the first half of FY2023 to RMB67.8 million for the first half of FY2024. The higher gross profit were mainly attributable to the increase in sales revenue as explained above and the decrease of unit cost during the period resulting in an improvement of gross margin to 20.3% from 18.6% previous half year 2023.

Other Operating Income

Other operating income increased by RMB1.2 million to RMB5.7 million for the first half of FY2024 compared to RMB4.5 million in the previous corresponding period mainly due to the increase in Government grants during the period.

Income/(Loss) before Income Tax

The Group's net income before income tax increased by RMB7.1 million was mainly due to:

- Gross profit increased by RMB9.3 million as mentioned above;
- Other operating income increased by RMB1.2 million as mentioned above;
- Distribution expenses increased by RMB2.7 million mainly due to the increase of freight costs during the period;
- Administrative expenses slightly increased by RMB0.7 million;
- Finance costs slightly increased by RMB0.1 million during the period.

Income Tax credit

Income tax credit decreased by RMB1.2 million due to the decrease of loss incurred during the period.

Current Assets

Current assets decreased by RMB38.8 million when compared to the end of FY2023. This was mainly due to the following:

- a) Cash and bank balances decreased by RMB43.4 million;
- b) Trade receivables decreased by RMB0.4 million;
- c) Inventories decreased by RMB4.7 million due to the increase of delivery of products during the period;
- d) Other receivables and prepayments decreased by RMB0.4 million.

	Group 30 June 2024 RMB'000	Group 31 Dec 2023 RMB'000
(i) Other receivables and deposits	10,826	10,460
(ii) Advances to suppliers and prepayment	27,703	25,047
(iii) Value added tax	3,964	7,353
Total	42,493	42,860

Non-Current Assets

Non-current assets decreased by RMB18 million to RMB527.1 million from RMB545.1 million mainly due to the decrease in purchase of PPE and depreciation charges during the year.

Current Liabilities

Current liabilities decreased by RMB17.4 million from RMB574.5 million to RMB557.1 million mainly due to the following:

- Trade payables decreased by RMB26 million mainly due to the repayment of suppliers;
- Short-term bank borrowing increased by RMB8.7 million mainly due to the repayment of suppliers during the period;
- Current income tax payable decreased by RMB0.9 million.
- Other payables increased by RMB0.7 million due to the followings:

	Group 30 June 2024 RMB'000	Group 31 Dec 2023 RMB'000
(i) Accrued expenses	19,731	22,615
(ii) Other payables	8,667	6,303
(iii) Advances to customers	6,809	5,611
Total	35,207	34,529

Long-Term Liabilities

Long-term liabilities decreased by RMB31.2 million from RMB97.7 million to RMB57.8 million mainly due to the decrease of the long term borrowing during the period.

The Consolidated Statement of Cash Flows

In the first half of FY2024, the Group recorded cash inflows in operating activities amounted to RMB14.1 million as compared to cash used from operating activities of RMB8.3 million in the first half of FY2023 mainly due to:

- a) operating cash flows (before working capital changes) amounted to RMB34 million;
- b) Cash inflows from Inventories amounted to RMB4.7 million;
- c) Cash inflows from trade and other receivable amounted to RMB1.3 million
- d) Cash outflows from trade and other payables amounted to RMB26 million; and
- e) Cash outflows from income tax paid amounted to RMB0.6 million.

The net cash used in investing activities had decreased by RMB5.2 million from RMB10.7 million in the first half of FY2023 to RMB5.5 million in the first half of FY2024 mainly due to the decrease of new investment of PPE during the period.

The Group recorded a net cash outflow in financing activities amounting to RMB52 million in the first half of FY2023 as compared to cash inflow of RMB30.3million in the first half of FY2023. It was mainly due to the decrease 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.

Over the past year 2023 and into the first half of 2024, Southern Packaging Group Limited has managed to achieve steady continuous revenue and profit growth with improved gross profit margins despite facing challenges such as slow market consumption and industry overcapacity. By enhancing core competitiveness, developing new products, the group has performed well, reporting a 6.05% increase in revenue and a significant turnaround in net profit compared to first half of 2023.

Looking ahead, we expect the group to see continued growth. The focus will be on innovation, investing in R&D and sustainable production methods to comply with ever stricter environmental regulations and manage rising costs. Balancing these factors will be crucial for maintaining competitiveness and achieving further growth.

Visitor numbers at the Apex Tower have increased, and efforts to achieve sales targets continue. However, the Apex Tower in the real estate development segment has yet to see any sales this year, indicating a need to broaden our marketing efforts to wider pool of potential investors.

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 has just made a profit for the half year ended 30 June 2024.

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 2024 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 2024	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 2024
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB1,081,874 (S\$204,857)	-
Pan Shun Ming, Mai Shu Ying ⁽²⁾	RMB418,954 (S\$79,330)	-

Foshan Jia Bei Le property management Co. Ltd ⁽³⁾	RMB360,000 (S\$68,167)	-
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- (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.
- (3) Property management fee of Apex Tower.

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 2024 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, 2024