南方包装集团有限公司
Southern Packaging Group Limited

SOUTHERN PACKAGING GROUP LIMITED
(Company Registration No.: 200313312N)
(Incorporated in Singapore on 30 December 2003)

MATERIAL VARIANCE BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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1. INTRODUCTION

The board of directors ("**Board**") of Southern Packaging Group Limited ("**Company**", together with its subsidiaries, the "**Group**") refers to the announcement of the unaudited financial statements for the financial year ended 31 December 2018 ("**FY2018**") released on 1 March 2019 ("**Unaudited FY2018 Results**").

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to announce the material variances between the audited financial statements of the Company for FY2018 ("**Audited FY2018 Results**") and the Unaudited FY2018 Results, following the finalisation of audit.

2. DETAILS AND EXPLAINATION

The details and explanations of the variances between the Unaudited FY2018 Results and the Audited FY2018 Results are set out below:

Consolidated Statement of Financial Position	Audited FY2018 Results RMB'000	Unaudited FY2018 Results RMB'000	Difference RMB'000	Remarks
Current assets:				
Cash and cash equivalents	78,727	78,727	-	
Trade receivables	164,093	164,094	(1)	
Other receivables and prepayments	28,889	28,889	-	
Inventories	82,164	82,164	-	
Property under development	65,126	65,126	-	
Contract assets	-	9,149	(9,149)	**(i)**
Total current assets	418,999	428,149	(9,150)	
Non-current assets:				
Property, plant and equipment	523,703	496,191	27,512	**(i)**
Investment property	435	435	-	
Contract assets	-	18,362	(18,362)	**(i)**
Prepaid lease payments	41,828	41,828	-	
Deferred tax assets	2,546	2,546	-	
Total non-current assets	568,512	559,362	9,150	
Total assets	987,511	987,511	-	
Current liabilities:				
Trade payables	109,633	92,554	17,079	**(ii)**
Other payables	31,900	48,980	(17,080)	**(ii)**
Borrowings	254,929	254,929	-	
Current income tax payable	5,161	5,161	-	
Deferred government subsidy	915	916	(1)	
Total current liabilities	402,538	402,540	(2)	

	Audited FY2018 Results RMB'000	Unaudited FY2018 Results RMB'000	Difference RMB'000	Remarks
Non-current liabilities:				
Deferred government subsidy	12,239	12,239	-	
Borrowings	24,767	24,767	-	
Deferred tax liabilities	1,000	1,000	-	
Total non-current liabilities	38,006	38,006	-	
Equity:				
Share capital	230,593	230,593	-	
Capital contribution	12,639	12,639	-	
Statutory reserves	56,938	56,937	1	
Foreign currency translation account	(2,274)	(2,275)	1	
Retained earnings	249,071	249,071	-	
Total equity	546,967	546,965	2	
	987,511	987,511	-	

Consolidated Statement of Cash Flows	Audited FY2018 Results RMB'000	Unaudited FY2018 Results RMB'000	Difference RMB'000	Remarks
Operating activities				
Loss before income tax	(2,421)	(2,421)	-	
Adjustments for:				
Reversal of loss allowance for trade receivables	(534)	(534)	-	
Amortisation of deferred government subsidy	(915)	(916)	1	
Amortisation of prepaid lease payments	1,288	1,288	-	
Amortisation of contract assets	-	10,796	(10,796)	**(iii)**
Depreciation of investment property	17	17	-	
Depreciation of property, plant and equipment	58,874	48,085	10,789	**(iii)**
Interest expense	18,236	18,236	-	
Interest income	(453)	(453)	-	
Loss on disposal of property, plant and equipment	465	465	-	
Loss on property, plant and equipment written off	678	678	-	
Unrealised foreign currency exchange (gain)/loss	(422)	1,335	(1,757)	**(iv)**
Write-back of inventories	(200)	(200)	-	
Operating cash flows before working capital changes	74,613	76,376	(1,763)	
Working capital changes:				
Property under development	(48,057)	(48,056)	(1)	
Inventories	(6,771)	(6,803)	32	
Trade receivables	7,393	5,166	2,227	**(iv)**
Other receivables and prepayments	4,587	3,538	1,049	**(iv)**
Contract assets	-	(8,183)	8,183	**(iv),(v)**
Trade payables	(37,827)	(44,525)	6,698	**(ii),(iv),(v)**
Other payables	(801)	16,722	(17,523)	**(ii),(iv)**
Cash used in operations	(6,863)	(5,765)	(1,098)	
Income tax paid	(435)	(634)	199	
Net cash used in operating activities	(7,298)	(6,399)	(899)	

	Audited FY2018 Results RMB'000	Unaudited FY2018 Results RMB'000	Difference RMB'000	Remarks
Investing activities				
Purchase of property, plant and equipment	(23,488)	(23,485)	(3)	
Proceeds from disposal of property, plant and equipment	422	422	-	
Interest received	453	453	-	
Net cash used in investing activities	(22,613)	(22,610)	(3)	
Financing activities				
Interest paid	(18,236)	(18,236)	-	
Proceeds from borrowings	246,981	246,981	-	
Repayment of borrowings	(248,801)	(248,801)	-	
Decrease in pledged fixed deposits	790	790	-	
Dividends paid	(1,212)	(1,212)	-	
Net cash used in financing activities	(20,478)	(20,478)	-	
	-			
Net change in cash and cash equivalents	(50,389)	(49,487)	(902)	**(iv)**
Cash and cash equivalents as at the beginning of the financial year	116,338	116,338	-	
Effect of exchange rate changes on the balance of cash held in foreign currencies	527	(376)	903	**(iv)**
Cash and cash equivalents as at the end of the financial year	66,476	66,475	1	

Notes:

The above differences are not material except for the following mainly due to:

(i) Contract assets

Upon adopting of SFRS(I) 15 *Revenue from Contracts with Customers,* the Group disclosed costs incurred on the purchase of moulds and tooling as contracts assets. Subsequent to the release of unaudited announcement, such costs were reclassified to property, plant and equipment as these costs are within the scope of SFRS(I) 1-16 *Property, Plant and Equipment*.

(ii) Trade and other payables

Trade-related balances are now classified within trade payables to better reflect the nature of transactions.

Notes:

The above differences are not material except for the following mainly due to:

(iii) Amortisation of contract assets

As a result of (i) above, the amortisation of contract assets has now been included as part of depreciation of property, plant and equipment.

(iv) Unrealised foreign currency exchange (gain)/loss

The calculation on the unrealised foreign currency gain has been updated and its impacts reflected in the respective line items under the consolidated statement of cash flows.

(v) Amount payable on purchase of plant and equipment

Purchase of plant and equipment, including moulds and tooling which remained unpaid at the end of the financial year are now reflected in Trade Payable instead of contract assets as part of changes in working capital in the consolidated statement of cash flows.

BY ORDER OF THE BOARD

PAN SHUN MING
Executive Chairman and Chief Executive Officer
12 April 2019