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

RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the "**Board**") of Southern Packaging Group Limited (the "**Company**") refers to the queries from Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 10 March 2021 in relation to the Company's unaudited financial statements for the year ended 31 December 2020 released on 1 March 2021 as follows:

Query 1 from SGX-ST

(a) It is noted that the Company has a net cash outflow from operating activities of RMB7,931,000 and a net profit of RMB4,731,000 for the financial year ended 31 Dec 2020. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

Company's Response

In FY2020, the Group has a net cash outflows from operating activities of RMB7.9 million mainly due to increase in investment of property under development of RMB64.7 million.

Query 2 from SGX-ST

(b) Given the Group's significant current liabilities of RMB396,871,000 and cash and bank balance of only RMB67,258,000, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RMB396,871,000, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response

The Group's current assets of RMB573,025,000 are adequate to meet the short term liabilities of RMB396,871,000 due to the followings:

1. The short term borrowings of RMB250,809,000 consists of revolving loans of RMB218,860,000. These revolving loans are secured by charges over certain of the Group's property, plant and equipment, land use right and supported by a corporate guarantee by the holding company. The banks provide the Group a total revolving loan limit of RMB433 million for the purpose of the Group's daily operation. These revolving loan facilities have been reviewed by the banks on annual basis and expected to be continued as evidenced by past year experiences.

2. The remaining current liabilities are expected to be covered by the Group's operating cashflows during the year.

BY ORDER OF THE BOARD

PAN SHUN MING
Executive Chairman and Chief Executive Officer
12 March 2021