SOUTHERN PACKAGING GROUP LIMITED
(Company Registration No.: 200313312N)
(Incorporated in the Republic of 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 30 August 2021 in relation to the Company’s unaudited financial statements for the period ended 30 June 2021 released on 14 August 2021 as follows:

Query 1 from SGX-ST

(a) Given the Group’s significant current liabilities of RMB 418,067,000 and cash and bank balance of only RMB 89,516,000, please disclose the Board’s assessment on (i) whether the Group’s current assets are adequate to meet the Group’s short term liabilities of RMB 418,067,000, including its bases of assessment; and (ii) how the Group 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 RMB599,561,000 are adequate to meet the short term liabilities of RMB418,067,000 due to the followings:

1. The short term borrowings of RMB266,177,000 mainly consists of revolving loans which 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 RMB314 million as at 30 June 2021 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.

Query 2 from SGX-ST

(b) Please disclose the ageing profile of the Group's trade receivables.

Company's Response

The table below is an analysis of trade receivables and its loss allowance at the end of the financial year:

	2021 Jan-Jun	2020 Jan-Dec
Not past due and not impaired	103,951,899.00	121,233,305.00
Past due but not impaired	15,533,043.00	17,204,186.00
Less:Loss allowance for trade receivables	550,886.00	550,886.00
	119,484,942.00	138,437,491.00

Aging of trade receivables which are past due but not impaired:

	2021 Jan-Jun	2020 Jan-Dec
<90 days	10,851,386.00	8,625,799.00
91 to 180 days	4,319,807.00	8,132,584.00
181 to 365 days	245,656.00	296,792.00
>365 days	136,194.00	149,011.00
	15,553,043.00	17,204,186.00

Query 3 from SGX-ST

(c) Please explain the factors which resulted in a decrease in advances to suppliers and prepayment from RMB 25,580,000 as at 31 December 2020 to RMB 15,980,000 as at 30 June 2021.

Company's Response

During the second half of FY2020, the Group has increased the strategy purchases of raw materials to cope with the rising pressure of raw materials cost. As the price of raw materials become stable during the second quarter of FY2021, the strategy purchases of raw materials of the Group has recovered back to normal.

BY ORDER OF THE BOARD

PAN SHUN MING
Executive Chairman and Chief Executive Officer
1 September 2021