



SOUTHERN PACKAGING GROUP LIMITED

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

RESPONSE TO QUERIES FROM SGX-ST ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (THE "ANNUAL REPORT")

The Board of Directors (the "Board") of Southern Packaging Group Limited (the "Company") wishes to announce the following responses to queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in respect of the Annual Report:

Query 1

Guideline 2.4 of the Code of Corporate Governance 2012, the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

As required under Listing Rule 710, an issuer must describe its corporate governance practices with specific reference to the principles of the Code in its annual report. It must disclose any deviation from any guideline of the Code together with an appropriate explanation for such deviation in the annual report.

Company's Response:

The Nominating Committee ("NC") has noted that Mr Yeung Koon Sang @ David Yeung ("Mr Yeung"), the Lead Independent Director, has served on the Board beyond nine years. However, the NC and the Board are of the view that Mr Yeung is considered independent in accordance with the Guideline 2.4 of the Code of Governance 2012 as he is only involved in the Board's strategic matters and did not have any relationship or business dealings with the Management or the major shareholders of the Company. The NC and the Board further noted that Mr Yeung, being the long serving Lead Independent Director, is familiar with the Company's history and business background of the Group and he is still able to contribute positively to the strategic directions of the Company.

Query 2

Guideline 11.3 of the Code states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) regarding the effectiveness of the company's risk management and internal control systems.

As required under Listing Rule 710, please make disclosure as recommended in the Code; in particular, the effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, or otherwise explain the reason(s) for the deviation.

Company's Response:

The AC and the Board reviewed the effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems for financial year ended 31 December 2014.

At the recommendation of Audit Committee, the Board appointed MS Risk Management Pte Ltd as the Group's Internal Auditors to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and effective in the required manner.

The AC and the Board relied on the independent auditors' report as assurance that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances.

The AC and the Board also received assurance from the CEO and Group Financial Controller:

- (a) that the financial records as at 31 December 2014 have been properly maintained and the financial statements for the financial year ended 31 December 2014 give a true and fair view of the Company's operations and finances; and
- (b) regarding the effectiveness of the Company's risk management and internal control systems.

Therefore, the AC and the Board are of the view that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for financial year ended 31 December 2014.

BY ORDER OF THE BOARD

PAN SHUN MING
Executive Chairman
27 April 2015