



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)

RESPONSES 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 4 October 2023 in relation to the Company’s Half Yearly Results for the financial period ended 30 June 2023 released on 14 August 2023 as follows:

SGX Query 1

It is disclosed in the unaudited financial statements that there is an increase in total borrowings from RMB 382,196,000 as at 31 Dec 2022 to RMB 427,551,000 as at 30 June 2023.

Please disclose:

- (i) details of the borrowings, including the terms of the loans, interest on loans and maturity dates; and
- (ii) the use of proceeds from the borrowings.

Company’s response

(i) The borrowings of RMB 427,551,000 as at 30 June 2023 have average effective interest rates ranging from 3% to 7.19% with maturity dates ranging from 14 July 2023 to 18 January 2028. The borrowings are secured by corporate guarantee of the Group, charge over a certain of the Group’s property, plant and equipment, investment properties, properties held for sales and land use right and personal guarantee provided by a director / shareholder.

(ii) The use of proceeds from the borrowing are mainly for working capital of the Group and repayment of suppliers.

SGX Query 2

It is disclosed on page 16 of the unaudited financial statements that, during the six months ended 30 June 2023, the Group carried out a review of the realisable values of its inventories and has not recognized any allowance for inventories obsolescence.

With regard to the Group’s properties held for sale of RMB 305,570,000, please disclose:

- (i) details regarding the Group’s review of the realizable value of its properties held for sale and how the realizable value is being arrived at; and
- (ii) the Board’s assessment of the reasonableness of the methodologies and assumptions used to determine if any allowance for inventories obsolescence is required.

Company's Response

The properties were valued by the independent professional valuer at the end of the last financial year. The independent valuer holds recognized and relevant professional qualifications and is experienced in the location and category of the properties. Based on the independent valuer's recent valuation report in December 2022 and the information from the current market conditions, the group has determined that the realizable value of the properties available for sale exceeds their book value, and therefore, no impairment provision is required at the moment.

SGX Query 3

It is noted on page 18 of the unaudited financial statements that the Group recorded RMB 407,847 worth of transactions with certain director of the Company. Such transactions relate to rental expense. In this regard, please reconcile note 18 of the unaudited financial statements on related party transactions with paragraph 13 on interested person transactions.

Company's Response

The rental expense of RMB407, 847 with certain director of the company is not included in the interested person transaction as it is less than S\$100,000 as at 30 June 2023. The detail disclosures of the interested person transactions during the financial period ended 30 June 2023 are as followings:

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 Rule 920) 30 June 2023	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) 30 June 2023
Guangdong Xing Hua Health Drink Co. Ltd ⁽¹⁾	RMB1,000,584 (S\$194,160)	-
Mai Shu Ying and Pan Shun Ming ⁽²⁾	RMB407,847 (S\$79,194)	-

- (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. (This transaction is less than S\$100,000)

SGX Query 4

Given the Group's significant short-term liabilities of RMB632,643,000 and cash and bank balance of only RMB79,107,000 and noting that the Company incurred losses of RMB5,405,000 for the financial period ended 30 June 2023, please disclose the Board's assessment on 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

Although the Company incurred losses of RMB5,405,000 for the first half of FY2023, a cash inflow of RMB34,106,000 is generated from operating activities before working capital changes mainly due to the depreciation cash flow. The short term borrowings of RMB377,104,000 mainly consist of revolving loans 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. 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
10 October 2023