

Issuer: Tat Seng Packaging Group Ltd

Security: Tat Seng Packaging Group Ltd

Meeting details:

Date: 21 April 2017

Time: 14:00H

Venue: 348 Jalan Boon Lay, Singapore 619529

Company Description

Tat Seng Packaging Group Ltd, together with its subsidiaries, manufactures and sells corrugated paper products and other packaging products in Singapore and the People's Republic of China. The company offers regular slotted carton boxes, die-cut carton boxes, offset-printed boxes, corrugated partition pads/layer pads, single face rolls/corrugated boards, heavy duty corrugated products, and other packaging-related or customized products; and wooden, plastic, or paper pallets for storage and transport requirements. It serves multi-national corporations and local manufacturers operating in the food and beverage, electronics and electrical, pharmaceutical and chemical, plastic and metal stamping, and other exporting related industries. The company was formerly known as Tat Seng Paper Containers Pte Ltd. and changed its name to Tat Seng Packaging Group Ltd in 2001. The company was founded in 1968 and is based in Singapore. Tat Seng Packaging Group Ltd is a subsidiary of Hanwell Holdings Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=T12)

Q1. In Note 30 (page 86 – Segment information), the results from operating activities from Singapore was a loss of \$(0.86) million in 2016. The consolidation of the Singapore operations was carried out in early 2014, and the Singapore segment reported a loss of \$(1.4) million in 2014. Following cost savings and productivity initiatives, the segment reported a profit of \$0.639 million in 2015, boosted by \$0.648 million from the gain on disposal of investment securities.

- a) **How strategic is the group’s Singapore operations?** The segment currently accounts for 15% of the group’s revenue but it has not been able to contribute profits from operations even with the re-organisation carried out in 2014.
- b) **Can management elaborate on the cost structure of the Singapore operations? Is it a lack of economies of scale or are the operating costs too high?**
- c) **Can management help shareholders understand the plans for the Singapore operations to turn it profitable?**

In the PRC segment, sales to external customers have hit S\$193.6 million in 2016.

- d) **What is the current utilisation rate of the group’s operations? How much more sales can the group do based on the current plants in Suzhou, Hefei, Nantong and Tianjin?**
- e) **Can management help shareholders understand the specific challenges in the group’s 67% owned subsidiary Tianjin Dansun Packaging Co., Ltd.? Why has it been in “a loss making position for the past few years”? What are management’s plans with regard to Tianjin Dansun?**

Q2. In the Independent Auditors’ Report (page 36), the valuation of trade receivables was one of two key audit matters that were of “most significance in our audit of the financial statements”. As shown in Note 27 (page 76 - Financial risk management: Credit Risk), total trade and bills receivables as at 31 December 2016 were S\$93.9 million, of which \$88.2 million is in the PRC.

At the group level, there is an amount of \$2,166,060 under “No credit term” outstanding as at 31 December 2016.

- a) **Can management explain what is meant by “No credit term”?**
- b) **Why is there such a big amount outstanding under “No credit term” and what caused the jump of about S\$1 million from the previous year (2015)?**

In 2015, an allowance for impairment losses of \$1.22 million was recognised but the group also recognised the reversal of allowance of impairment losses of trade receivables of \$0.214 million in 2016.

- c) **Did the reversal arise from the bad debts that were impaired in 2015 or was it from bad debts provided for earlier?**
- d) **How are bill receivables treated in the ageing of trade and other receivables as shown on page 76? Are bill receivables only aged after their maturity? What is the average maturity period for the group’s bill receivables?**
- e) **Are the bill receivables backed by corporates or are they backed by banks?**

Q3. Dr Allan Yap is retiring pursuant to Regulation 91 of the Constitution of the Company and will be seeking re-election at the Annual General Meeting. As disclosed in the Corporate Governance Statement (page 13 - Board and Board Committee Meetings Held in Financial Year 2016), there had been two scheduled board meetings in 2016. Dr Yap, as Executive chairman, did not manage to attend both meetings.

Dr Yap's responsibilities as Chairman, disclosed on page 18, includes:

- *with the assistance of the Company Secretary, scheduling of meetings to enable the Board to perform its duties while not interfering with the flow of the Group's operations*
- *with the assistance of the Company Secretary, approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;*
- *with the assistance of the Company Secretary, ensuring that Board meetings are held when necessary;*
- *facilitating effective contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and between the Board and the Management;*
- *promoting high standards of corporate governance with full support of the Directors and the Management*

a) Can shareholders understand if there have been any extenuating circumstances that led to Dr Yap's absence at the board meetings?

Based on Dr Yap's profile in the annual report, Dr Yap is also the executive chairman of Hanwell Holdings Limited (SGX), Chairman and Executive Director of Master Glory Group Limited and Rosedale Hotel Holdings Limited (HKEx), Chairman and Non-Executive Director of SMI Holdings Group Limited (HKex), Chairman, Chief Executive Officer and Director of China Enterprises Limited (OTC) and Burcon NutraScience Corporation (Toronto Stock Exchange in Canada, NASDAQ Stock Exchange in the United States of America and the Frankfurt Stock Exchange in Germany.)

In the section "Assessment of the contribution of individual Directors to the effectiveness of the Board", the nominating committee(NC) has implemented a self-assessment by the directors which is then evaluated annually and informally on a continual basis by the NC (page 21).

b) Can Dr Yap share with shareholders his personal self-assessment?

c) Would the nominating committee like to elaborate further on how it has assessed "the contribution of each individual Director to the effectiveness of the Board, in particular when a Director has multiple listed company board representations and having regard to the Director's contribution and performance"?

Separately, Dr Tang Cheuk Chee, Executive director, was also absent at both board meetings.

d) Can shareholders understand if there have been any extenuating circumstances that led to Dr Tang's absence at the board meetings?