

Issuer: Tat Seng Packaging Group Ltd

Security: Tat Seng Packaging Group Ltd

Meeting details:

Date: 20 April 2018

Time: 2.00 p.m.

Venue: 348 Jalan Boon Lay, Singapore 619529

Company Description

Tat Seng Packaging Group Ltd, together with its subsidiaries, designs, 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, and heavy duty corrugated products; other packaging-related products, such as tapes, stretch films, foams, and edgeboard protectors; 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)

1. On 20 March 2018, local media reported that the group was fined \$12,000 for illegally discharging copper-tainted water into the sewers system in September 2016. Prior to this, the group had been caught four times for polluting the sewers system with its used industrial water.

The company released a statement on SGXNet stating that it has “previously taken steps to ensure the Company’s practices comply with environmental regulations and will continue to do so on a proactive basis... the Company has also recently acquired and installed advanced equipment to enhance our waste water management practices and to comply with regulatory requirements.”

- (i) **Can the board disclose what were its collective efforts in guiding and providing oversight of management and the company in meeting the regulatory requirements?**

Based on the reports in the local media, the group has been caught five times, including the most recently reported event that took place in 2016.

- (ii) **Can the board restate the group’s commitment to the environment?**
- (iii) **Can the board confirm that the group has complied with all the environmental regulations in both Singapore and China?**

2. Can the board/management help shareholders better understand the operations of the group? Specifically:

- (i) **New factory:** There are plans by the subsidiary, Nantong Tat Seng Packaging Co., Ltd., to build a new factory with a built-up area of 35,000 sqm on a newly acquired land with area of 74,115 sqm situated in Tongzhou District, Nantong, Jiangsu Province. **What is the expected capital expenditure for this new factory? When will the new factory be operational?**
- (ii) **Inventory:** As at 31 December 2017, the group has raw material amounting to \$22.3 million, up from \$16.3 million a year ago. The group has also recognised an impairment of \$0.72 million as the group stocked up on its raw material supply in anticipation of higher prices but raw material prices soften. **Does the group have a robust framework to manage inventory so as to optimise inventory risks, operational needs and profitability?**
- (iii) **Cash flow from operating activities:** Despite the group reporting profit before tax of \$27.5 million in 2017(2016: \$21.5 million), the cash flow from operating activities was \$(7.1) million (2016: \$18.8 million). The main use of cash is the increase in trade and other receivables of \$(36.6) million. **Has the audit committee (AC) considered the need to review the group’s credit risk framework and policy to ensure that the group does not take on excessive credit risk or is exposed to credit risks concentrated in a single customer?**

3. At the Annual General Meeting on 20 April 2018, the company is seeking shareholders’ approval for the re-election of Dr John Chen Seow Phun who is retiring pursuant to Regulation 91 of the constitution of the company.

As seen in the profile of the director, Dr Chen was first appointed on 21 November 2005 and is the non-executive independent Deputy Chairman of the company.

Dr Chen is also the chairman of Nominating and Remuneration Committees and a member of Audit Committee.

Dr Chen has seven directorships in other listed companies, as shown in the table below.

Present Directorships in other listed companies – Dr Chen	
Fu Yu Corporation Limited	Non-Executive Chairman and Independent Director
Hiap Seng Engineering Ltd	Independent Director

HLH Group Limited	Independent Director
Matex International Limited	Non-Executive Chairman and Independent Director
OKP Holdings Limited	Lead Independent Director
Pavillon Holdings Ltd	Executive Chairman
Hanwell Holdings Limited	Deputy Chairman, Non-Executive and Independent Director

(Source: Company annual report)

- (i) **Can the nominating committee (NC) explain if it had 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?**
- (ii) Dr Chen is also the executive chairman of Pavillon Holdings, the deputy chairman at Hanwell Holdings Limited, the Lead independent director at OKP and 4 other directorships excluding Tat Seng. **Can Dr Chen tell shareholders how he is able to devote sufficient time, energy and attention to the company’s matters given his multiple commitments?**
- (iii) **As two of the independent directors, including Dr Chen, were first appointed to the board more than 9 years ago, what are the company’s near-term plans to ensure the progressive refreshing of the board?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Tat%20Seng%20Packaging%20Group%20Ltd>

The company’s response could be found here: -----