

**ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2021**

**RESPONSES TO (1) SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM  
SHAREHOLDERS; AND (2) QUESTIONS RECEIVED FROM  
THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

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The Board of Directors of Tat Seng Packaging Group Ltd (the “**Company**”) refers to the publishing of its annual general meeting related documents on SGXNet on 13 April 2021. The Company would like to thank its shareholders and the Securities Investors Association (Singapore) (“**SIAS**”) for submitting their questions in advance of the Company's Annual General Meeting (“**AGM**”) which will be held on 29 April 2021 at 2.00 p.m. (Singapore time).

**Responses to substantial and relevant questions raised by the Company's shareholders**

Please see [Appendix 1](#) for the Company's responses to the substantial and relevant questions received from its shareholders.

**Responses to questions raised by SIAS**

Please see [Appendix 2](#) for the Company's responses to the questions received from SIAS.

It is important to note that these questions and responses should be read in conjunction with the Company's Annual Report for the financial year ended 31 December 2020 (the “**Annual Report**”) and the Company's previous announcements released on SGXNet.

BY ORDER OF THE BOARD

Chew Kok Liang / Siau Kuei Lian  
Joint Company Secretaries

28 April 2021

**APPENDIX 1**  
**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**  
**RECEIVED FROM SHAREHOLDERS**

1. **'The Group's gross profit increased by 24.7% or S\$12.7 million to S\$64.3 million in FY2020. This is mainly attributed to higher margin achieved from rationalising our production workflow, reduction in raw material costs and increased of sales volumes.'**

**May I enquire what is the rough weightage for each factor in contributing to the higher margin? Or perhaps which factor was more prominent?**

The reduction in raw material costs is the major contributing factor to higher margin as compared to the other two factors as above-mentioned.

2. **Any updates on the piece of Hefei Land obtained in 2019?**

The piece of Hefei's land is still awaiting approval from the relevant authority for the transfer of land title. As at to-date, besides the purchase of land at about RMB3.77 million, there is no other capital commitment entered into for the building of new factory.

*(Refer to Company's announcement that published on SGXNet dated on 16 July 2019 and 17 June 2020)*

3. **In terms of maximum output possible, has it increased as of end 2020 compared to end 2019? Would the maximum output in 2020 be highest compared to the past years?**

The Management is of the view that it should not be disclosed in light of the commercial sensitivity. However, the Management will use its best effort to achieve its maximum output possible.

4. **The capital expenditure seems to have been on a much lower side in 2020 compared to 2019. Would the projected Capex in 2021 be more towards the levels of 2020 or 2019 or perhaps the previous years?**

The average Capex (excluding investment of new plant and in year 2020 during COVID-19 pandemic) is approximately in the range of S\$8 million to S\$10 million per year from our past record. It is our business strategies to continue to invest in new machineries with advance technology and upgrade existing machineries in order to enhance our production efficiency and product quality. It will also ensure that we maintain our competitive edge and the long-term sustainability for both Singapore and China's operations.

Given that the ongoing pandemic continues to weigh down the global economy in the face of infection resurgence and variant strains emergence, the Group will continue to reassess its on-going investment proposal and to ensure continuous improvement with the investment of new capital expenditure in 2021.

5. **For the operations in China, what is the largest customer's revenue as a % of the China operations revenue?**

The Management is of the view that it should not be disclosed in light of the commercial sensitivity. Our China entities diversified its customer portfolio and aim to achieve in terms of growth stability and better profitability.

6. **For FY2020, how much of the paper stock is sourced from overseas?**

All paper material of Singapore Segment is imported from overseas as Singapore do not have paper mill manufacturer.

As for China Segment, paper material is mainly procured from domestic market in China while there's about 15% of paper material was imported from overseas during FY2020.

**7. How was the raw material prices in 2020 and what can we expect for 2021?**

The cost of material is lower in FY2020 as compared to FY2019.

As stated in page 5 of AR2020 under the section of “Future Prospects” of Chairman’s Statement, the Chinese government banned all imports of solid waste including waste paper with effect from 1 January 2021, leading to a shortage on supply of waste paper, which gave rise to further inflating prices of paper material. In view of this development, we will continue to expand our raw material network sources in order to ensure sufficient paper stock at reasonable costs.

**8. How did the new Nantong factory perform in 2020? Can we reach new customers with this new facility?**

Our subsidiary, Nantong Tat Seng Packaging Co., Ltd. (“**Nantong**”) has performed better in FY2020 with its commencement of new factory since March 2019.

Nantong has also expanded its customers base with the commencement of the new factory.

**9. Can you share your capex plans for 2021?**

Please refer to our reply as disclosed in Q4.

**10. Do we have plans to build a new plant or to close an old one within the next 3 years?**

As stated in the Company’s announcement that published on SGXNet dated on 16 July 2019 and 17 June 2020, the Company’s subsidiary, Hefei Dansun Packaging Co., Ltd. plans to build a new factory and expanding existing business in the same geography area of Hefei to support the continued growth of its existing business.

Besides the above-mentioned investment, the Company will make the necessary announcement to update the Shareholders, if any.

**APPENDIX 2**  
**RESPONSES TO QUESTIONS RECEIVED FROM SIAS**

**1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:**

**(i) Manpower: Can management help shareholders understand the challenges in staff recruitment, especially in China? Is staff retention a significant problem in the past year with the pandemic?**

It is challenging in recruiting new staff while we have employed temporary staff to resolve workforce shortage during this critical period. We always seek to implement automation for our manufacturing process in order to ease our labour crunch.

Staff retention is not a significant problem for the Group in FY2020.

**(ii) Safe management measures: What are the safe management measures put in place in the group's plants in China? How is management ensuring compliance with the health and safety practices required by the local governments?**

In compliance with the government's regulations related to the COVID-19 pandemic, we took all necessary precautionary measures to safeguard the health and safety of our employees, including enforcing safe distancing measures, regular temperature screening, use of masks, and providing IT infrastructure to enable split team and work from home arrangements. In addition, we modified our operational procedures to adapt to the new norms stipulated by the local governments as part of the pandemic control framework. During the year, we placed emphasis on promoting and adhering to stringent occupational safety and health standards to safeguard our employees. Besides promptly implementing all necessary precautionary measures to comply with government directives, we also keep our employees informed of any new changes or requirements to ensure business continuity.

*(Refer to page 2 and 4 of AR2020)*

**(iii) Raw material: From what other sources is the group importing its paper sources/raw material? Should raw material costs increase significantly due to China's import ban of solid waste, does the group have the ability to pass on cost increases to its customers to protect the profit margin?**

The imported paper material is mainly procured from reliable supplier with FSC certification.

It is very challenging in passing on the increase of material cost to our customers due to the nature of competition in corrugated packaging industry and the strong bargaining power of MNC customers. However, we will pass on partial of the increase of material cost to our customers progressively.

**(iv) Utilisation: Does management have an estimate of the utilisation of the group's plants? Does the addition of new machines increase the capacity of the plants?**

The Management is of the view that the utilisation should not be disclosed in light of the commercial sensitivity.

Yes, the addition of new machines will increase the capacity of the plants.

**(v) Sales volume: It is noted that total sales volume increased for operations in both Singapore and China. Were the increases in sales volume due to the pent-up demand by customers? Does management expect sales volume to be sustained over time?**

Yes, the increase in sales volume was partially due to the pent-up demand by customers. It is challenging to predict the sales volume given that the ongoing pandemic continues to weigh down the global economy in the face of infection resurgence and variant strains emergence.

**(vi) Capital investments: What are the other major capital expenditure planned for the group?**

Please refer to our reply as stated in Q4 and Q10 that disclosed in APPENDIX 1: RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS.

**(vii) Net foreign exchange loss: The group recognised a relatively large net foreign exchange loss of \$1.03 million in FY2020. What was the reason for this loss? Did the group engage in any foreign currency speculation?**

As disclosed in page 112 of AR2020, the Group's exposures to foreign currencies are mainly in US Dollars. The net foreign exchange loss of S\$1.03 million in FY2020 is mainly due to weakening of USD against RMB.

The Group does not engage in any foreign currency speculation activities.

**2. On 25 February 2021, the company announced that it was evaluating the feasibility of a possible spin-off and listing of Tat Seng Packaging (Suzhou) Co., Ltd. and the other subsidiaries of the group on a suitable stock exchange to be determined by the company.**

The company stated that the proposed spin-off and listing will, *inter alia*:

- (a) Enable management's focus on the businesses in the respective geographical segments;
- (b) Reduce the impact of market and economic conditions in the PRC on the Group's operating businesses in Singapore; and
- (c) Allow the PRC Business to be financially independent and have direct access to capital markets, without relying on the Group for financing or financial support.

**(i) Can management help shareholders understand the capital needs to support Tat Seng Packaging (Suzhou) and other subsidiaries in China?**

As stated in the announcement dated 25 February 2021 (the "**Spin-off Announcement**"), the Company believes that the Proposed Spin-off and Listing will, *inter alia*, allow the PRC Business to be financially independent and have direct access to capital markets, without relying on the Group for financing or financial support. As stated in the Spin-off Announcement, the Company has appointed professional advisers to advise on the Proposed Spin-off and will announce any material developments on the Proposed Spin-off as and when appropriate.

**(ii) Given that the Singapore business environment has been extremely challenging and stagnant for years, would the spin-off of the Chinese operations impair the growth prospects of the company?**

As stated in the Spin-off Announcement, the Company believes that Proposed Spin-off and Listing will, *inter alia*, enable management's focus on the businesses in the respective geographic segments and reduce the impact of market and economic conditions in the PRC on the Group's operating businesses in Singapore.

**(iii) Are there plans for the company to diversify into new businesses?**

The Company will consider the options if opportunity arises and it will make the necessary announcement in accordance with the SGX listing rules.

**(iv) What would be left in the Singapore listed company if the company successfully spins off the China subsidiaries?**

It is currently contemplated that if the Company successfully spins-off the China subsidiaries, the Singapore listed ground will comprise the Company and its subsidiary, United Packaging Industries Pte. Ltd., which principal activities comprise the manufacture and sales of corrugated boards, corrugated cartons and other packaging products.

As stated in the Spin-off Announcement, the Company would like to highlight that the Proposed Spin-off including the final structure of the PRC Business to be listed, is in its preliminary stages and is dependent on and subject to, *inter alia*, the results of preparatory work to be undertaken, the requisite approvals and consents from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), other relevant regulatory authorities and any other parties being obtained, compliance with the Listing Manual of the SGX-ST and the then prevailing market conditions. Further, the Directors may, notwithstanding that all requisite approvals and consents have been obtained, decide not to proceed with the Proposed Spin-off if, having regard to investors’ interests and response at the material time and any other relevant factors, deem it not in the best interests of the Company to proceed with the Proposed Spin-off. The Proposed Spin-Off is also expected to be subject to the approval of the shareholders of the Company. Accordingly, there is no assurance that the Proposed Spin-off will materialise. This announcement is given by way of update and does not constitute an offer of securities nor is it intended to draw attention to a possible offer of securities.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

**3. On 24 September 2020, the company announced the cessation of Dr Allan Yap as executive chairman.**

**The holding company informed the Company that Dr Allan Yap has been adjudged a bankrupt by the High Court of Hong Kong on 3 August 2020. The holding company added that Dr Allan Yap expressed his apology on his oversight to notify his updated status to the Company since he has been extremely busy engaged on his other personal commitments. He also offered his resignation as executive chairman of both the holding company, Hanwell Holdings Limited, and Tat Seng Packaging Group Ltd with immediate effect.**

**Dr Allan Yap also confirmed that he has no disagreement with the board and there are no matters to be brought to the attention of shareholders.**

**(i) Can the company, the company secretary and the directors help shareholders understand their communications with Dr Allan Yap prior to 3 August 2020 and from 3 August 2020 to 24 September 2020? Prior to his resignation, Dr Allan Yap held the executive chairman appointment.**

As stated in the announcement dated 24 September 2020, the Company was not aware of the bankruptcy of Dr Allan Yap and the announcement made by Master Glory Limited on 24 August 2020 until the Company received the notification from its holding company, Hanwell Holdings Limited on 23 September 2020. Dr Allan Yap had not provided details to the Company concerning any unsatisfied judgement against him. However, Dr Allan Yap informed the Company that he has no knowledge of any unsatisfied judgement which may impact the Company’s business, financials and operations. Therefore, the Company was not aware of any unsatisfied judgment against Dr Allan Yap (if any) that may have implications on the Company’s business, financials and operations.

**At the annual general meeting scheduled to be held on 29 April 2021, Dr Tang Cheuk Chee is retiring pursuant to Regulation 91 of the company's constitution and Dr Tang will be seeking her re-election.**

**(ii) How did the board, especially the nominating committee, review the nomination of Dr Tang for re-election?**

As stated in the FY2020 annual report of the Company (the "**Annual Report**"), the Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independent status of each Director. Prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation, candour and any other factors as may be determined by the NC. The NC also takes into account, among others, these Directors' participation during and outside the formal Board and Board Committees meetings as well as other contributions.

As further stated in the Annual Report, the Board of Directors has accepted the NC's recommendation, who has reviewed and considered Dr Tang's performance as Executive Director of the Company. During FY2020, all of the NC members are independent directors. The Board and the NC have reviewed the circumstances surrounding the resignation of Dr Allan Yap as Executive Chairman and Director of the Company, and have confirmed that there was no breach of fiduciary duties as a director of the Company by Dr Tang.

**(iii) Did Dr Tang discharge her fiduciary duties to the company as a director in the above-mentioned matter relating to Dr Allan Yap who is her spouse (as reported in the annual report)?**

As stated above, the Board and the NC have reviewed the circumstances surrounding the resignation of Dr Allan Yap as Executive Chairman and Director of the Company, and have confirmed that there was no breach of fiduciary duties to the Company as a director by Dr Tang.

**(iv) Was Dr Tang in a position to know that Dr Allan Yap was adjudged a bankrupt by the High Court of Hong Kong on 3 August 2020? If so, did Dr Tang have a duty to inform the company and the company secretary?**

The Board wishes to clarify that at the material time, Dr Tang and Dr Allan Yap had been separated. As stated in the announcement on the disclosure of interest / changes in interest of director who is also a substantial shareholder by Hanwell Holdings Limited dated 22 April 2021, following the completion of the divorce proceedings with effect from 12 April 2021, Dr Tang is no longer the spouse of Dr Allan Yap.