TAT SENG PACKAGING GROUP LTD

POSITIONING FOR THE FUTURE

ANNUAL REPORT 2014

TABLE OF CONTENTS

OUR MISSION

To be the preferred corrugated products supplier.

Tat Seng strives to position ourselves as the first name that comes to mind whenever cartons and other corrugated packaging products are required.

Tat Seng progresses through continuous improvements, so as to remain a key supplier in the paper packaging industry and to maintain our continuous growth in the marketplace.

EXECUTIVE CHAIRMAN'S STATEMENT

The Group is heartened to register continued profitability for FY2014, and achieved revenue and net profit of S$224.5 million and S$9.6 million respectively.

DEAR SHAREHOLDERS,

The Group is heartened to register continued profitability for the full year ended 31 December 2014 (FY2014). Against the backdrop of intense competition and rising business costs in China, as well as space and production constraints in Singapore, we achieved revenue and net profit of S$224.5 million and S$9.6 million respectively.

Despite the Group's sales growth slowed down in the second half of FY2014, overall, the Group still managed to achieve a 4.1% growth in full-year revenue – a reflection of higher sales performance from our China's plants, Nantong Tat Seng and Tianjin Dansun.

In line with revenue growth, cost of sales increased 4.3% to S$179.1 million and gross profit improved 3.7% to S$45.4 million in FY2014. Distribution and selling expenses rose 6.2% to S$13.3 million mainly due to higher revenue achieved by the Group. Other contributing factors to the higher distribution and selling expenses include higher costs incurred on custom clearance and warehouse's storage charge in the "export processing zone" of a new customer in China, and higher transportation costs arising from increased sales with longer delivery distance. Further, general and administrative expenses increased 11.8% to S$15.9 million as a result of higher minimum wage and an increase in all related statutory fund contributions imposed by the government of China.

As at 31 December 2014, the cash and bank balances (excluding bank balances pledged as security) of the Group stood at S$15.6 million, compared to S$23.1 million last year. The dip was due to a loan repayment of S$6.5 million to holding company, Hanwell Holdings Limited and higher dividend payment in FY2014.

BUSINESS REVIEW BY GEOGRAPHICAL SEGMENTS

Singapore

Revenue from Singapore dipped 9.0% to S$36.8 million, accounting for 16.4% of total Group revenue in FY2014. Sales performance was impacted by space and production constraints after the consolidation exercise of two Singapore operations in FY2014. Along with a reduction in sales of lower margin products, revenue in the first half of FY2014 declined by 11.6%. The Group had taken various steps to alleviate the space and production constraints and increase revenue, including but not limited, to build a mezzanine floor and purchase a high-speed six-colour flexo folder gluer machine to replace the two older printing machines, this

new machine has greatly reduced set-up time per job, boost the productivity by increasing printing output (square meter) per minute and solves the congested storage problem from boards to printed boxes. These swift steps taken by the Group has lifted Singapore's revenue in the second half of the year by 7.8% as compared to the first half of FY2014.

China

Revenue from our China operations rose 7.2% to S$187.7 million, representing 83.6% of the total Group revenue. In FY2014, the stronger sales performance validated the Group's strategy to raise productivity and strengthen sales efforts.

To strive and compete more effectively, the Group explored various ways to raise efficiency and reduce business costs. To succeed this, the Group spent the past year raising operational efficiency at the various plants in China, for example, at Nantong Tat Seng, workflow was re-designed and staff training was conducted to ensure that the plant operates at the most optimal level. In Suzhou, a consultant was engaged to raise the skill sets of workers and the middle management. We progressively centralise certain management functions at Suzhou, the headquarters of China subisidiaries to streamline headcount. The production systems were also enhanced and a new and effective management system was implemented to monitor the capacity and performance of printing machines in Suzhou. This move by the Group had proven to be effective and successfully increased the efficiency of Suzhou's printing department by 20%. Plans are underway to implement a similar system to other plants in China. To fend off competition, sales and marketing efforts were intensified during the year to secure higher orders.

DIVIDEND

The Board of Directors has recommended a final dividend of S$0.01 per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting. Including the interim dividend of S$0.01 per ordinary share, total dividend for FY2014 would amount to S$0.02 per ordinary share – a level similar to last year.

LOOKING AHEAD

The road ahead of us will undoubtedly be more challenging. In particular, economic growth in China is expected to slow down. The tightening of borrowings rules and regulations from China's central bank will also impact the Group's overall business landscape. In Singapore, the manufacturing sector

EXECUTIVE CHAIRMAN'S STATEMENT

is shrinking as more multinational corporations relocate their operations elsewhere with a lower cost base, and this trend will in turn affect the demand for our packaging products. Cost of operations in China and Singapore are also expected to continue on an upward trend.

Riding on the Group's capabilities and strong presence in the corrugated packaging industry, we will further penetrate the medium and high-end market with higher value products such as dual art boards. Operational processes will be continually enhanced and appropriate measures will be adopted to drive sustainable growth. Besides initiatives such as centralising certain functions to drive down costs, the Group will continue to invest in efficient machinery and staff training. We believe by continuing to offer excellent service quality, we will set ourselves apart from the competition.

In Singapore, to tackle rising costs brought about by the hiring restriction on foreign workers and more expensive raw materials due to higher US dollar exchange rate, the Group will continue to raise productivity. Over the years, we have built a solid reputation for our capabilities to cater to the growing food and pharmaceutical sectors in Singapore. We will work hard to further cement this foothold and increase our market share in these two growing sectors.

WORDS OF APPRECIATION

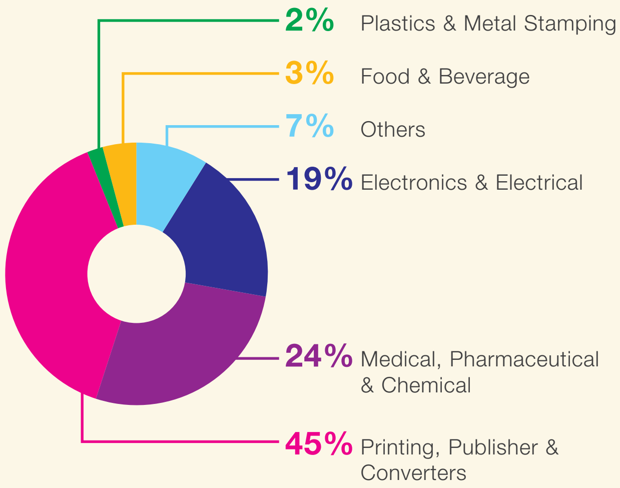
On behalf of the Company, I would like to convey our deepest condolences to the family of the late Mr Kuik See Juan. An Independent Director of the Group for 13 years, Mr Kuik had made invaluable contribution to the Company and we thank him for his dedicated service.

I would also like to take this opportunity to thank the Board of Directors, staff and business associates for their support. I look forward to forging a stronger partnership as we work together to propel the Group's growth. To all shareholders, thank you for placing your trust in us.

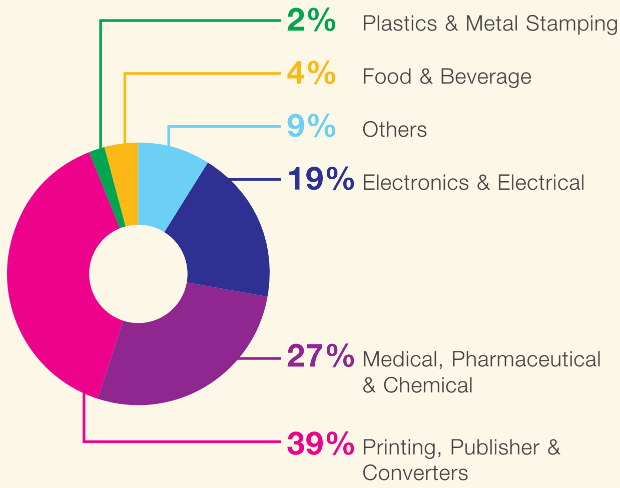
DR ALLAN YAP
Executive Chairman

FINANCIAL HIGHLIGHTS

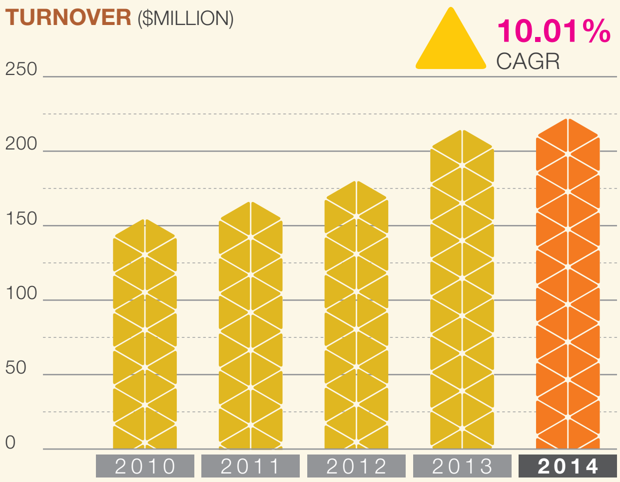
SALES ANALYSIS BY CUSTOMER SECTOR FOR FY2014



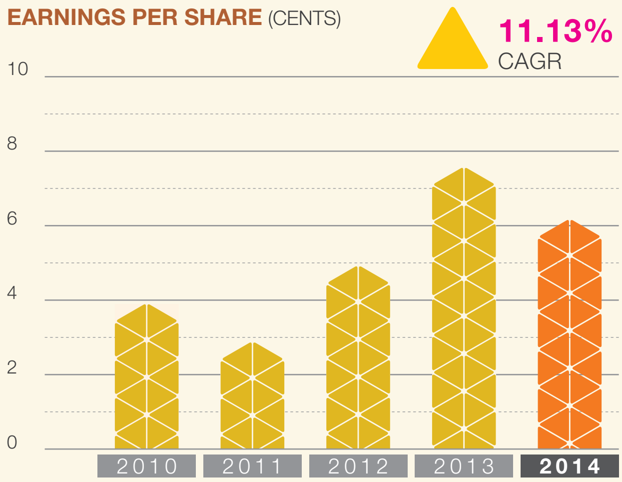
SALES ANALYSIS BY CUSTOMER SECTOR FOR FY2013



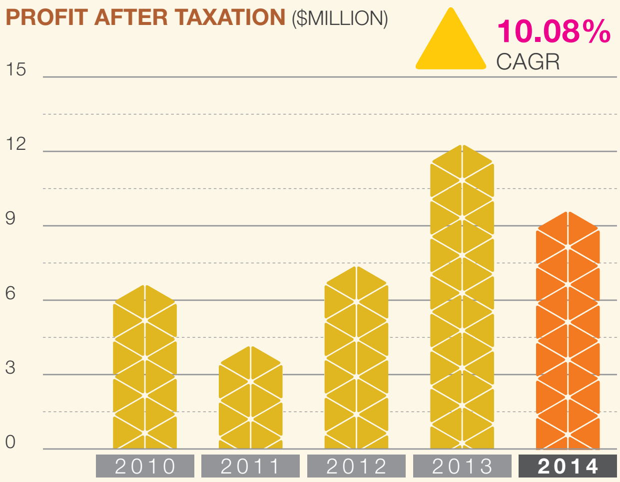
TURNOVER ($MILLION)



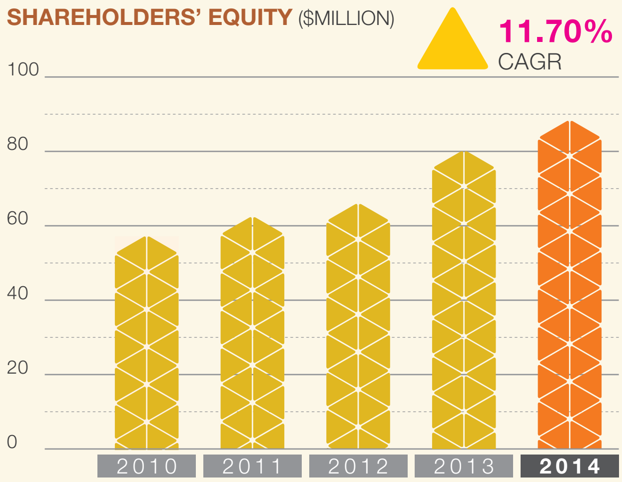
EARNINGS PER SHARE (CENTS)



PROFIT AFTER TAXATION ($MILLION)



SHAREHOLDERS' EQUITY ($MILLION)



BOARD OF DIRECTORS

DR ALLAN YAP, 59 *Executive Chairman*

Dr Allan Yap was first appointed to the Board of Tat Seng Packaging Group Ltd (the "**Company**") on 21 November 2005 as Director and was last re-elected to the Board at the Company's AGM held on 25 April 2014. He is currently the Executive Chairman of the Company. He has drawn over 30 years of experience in finance, investment and banking.

Dr Yap is also the Executive Chairman of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited. He also serves as the Chairman and Executive Director of Hanny Holdings Limited, Rosedale Hotel Holdings Limited and an Alternate Director of Television Broadcasts Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

He is also the Chairman and Chief Executive Officer of China Enterprises Limited whose shares are traded on the OTC Securities Market in the United States of America and Burcon NutraScience Corporation, a company listed on the Toronto Stock Exchange in Canada, NASDAQ Stock Exchange in the United States of America and the Frankfurt Stock Exchange in Germany.

Dr Yap is the spouse of Dr Tang Cheuk Chee, the Executive Director of the Company.

Dr Yap holds an Honorary Degree of Doctor of Laws from the University of Victoria, Canada.

DR JOHN CHEN SEOW PHUN, 61 *Deputy Chairman, Non-Executive and Independent Director*

Dr John Chen was first appointed to the Board of the Company on 21 November 2005 as Director and was last re-elected to the Board at the Company's AGM held on 24 April 2012. Dr John Chen has been re-designated from Deputy Chairman/Non-Executive Director to Deputy Chairman, Non-Executive and Independent Director, and appointed as the Chairman of Nominating Committee and a member of the Remuneration Committee of the Company with effect from 27 February 2015. He is also a member of the Audit Committee of the Company.

Dr Chen was a Member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. He was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development.

Dr Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. He taught at the National University of Singapore from 1983 to 1991.

Dr Chen is presently the Deputy Chairman and Non-Executive Director of Hanwell Holdings Limited, Executive Chairman of Pavillon Holdings Ltd and sits on the Board of a number of public listed companies in Singapore. He is also the Chairman of SAC Capital Pte Ltd.

Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.

MR LOH SEE MOON, 63 *Managing Director/Chief Executive Officer*

Mr Loh See Moon was first appointed to the Board of the Company on 22 December 1977 as Director and was appointed as the Company's Managing Director on 21 November 2005. Subsequent to his appointment as the Managing Director of the Company, he is not subject to retirement by rotation. He is currently a member of the Risk Management Committee of the Company. He has more than 40 years of experience in the corrugated paper products industry.

Mr Loh is a Director and Legal Representative of the Company's Chinese subsidiaries in the People's Republic of China namely Tianjin Dansun Packaging Co., Ltd., Hefei Dansun Packaging Co., Ltd., Nantong Hengcheng Paper Industry Co., Ltd., Nantong Tat Seng Packaging Co., Ltd. and Tat Seng Packaging (Suzhou) Co., Ltd. which have been actively involved in the paper product industry in the People's Republic of China.

Mr Loh holds a Bachelor of Science Degree from Nanyang University, Singapore.

DR TANG CHEUK CHEE, 43 *Executive Director*

Dr Tang was first appointed to the Board of the Company on 1 October 2011 as Director and was last re-elected to the Board at the Company's AGM held on 24 April 2012. She has a wealth of management experience and is well versed in marketing, business development and investments in property and securities.

Dr Tang is an Executive Director of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited and serves as a Board member of Richstream Pte Ltd and SingExpress Travel Pte Ltd.

Dr Tang is the spouse of Dr Allan Yap, the Executive Chairman of the Company.

Dr Tang holds an Honorary Doctorate of Management from Lincoln University, United States and awarded Fellowship from the Asian College of Knowledge Management.

MADAM CHEONG POH HUA, 58 *Executive Director*

Madam Cheong was first appointed to the Board of the Company on 1 July 2002 as Director and was last re-elected to the Board at the Company's AGM held on 25 April 2014. She is currently a member of the Risk Management Committee of the Company. She has extensive experience in accounting and finance, corporate management and business administration.

Madam Cheong is a Director of the Company's Chinese subsidiaries in the People's Republic of China namely, Hefei Dansun Packaging Co., Ltd., Nantong Hengcheng Paper Industry Co., Ltd. and Tat Seng Packaging (Suzhou) Co., Ltd. which have been actively involved in the paper product industry in the People's Republic of China.

Madam Cheong holds a Bachelor of Commerce Degree in Accountancy from Nanyang University, Singapore. She is a member of the Institute of Singapore Chartered Accountants.

MR LIEN KAIT LONG, 67 *Non-Executive Director and Lead Independent Director*

Mr Lien was first appointed to the Board of the Company on 24 November 2005 as Director and was last re-elected to the Board at the Company's AGM held on 26 April 2013. Mr Lien has been appointed as the Lead Independent Director with effect from 27 February 2015. He is currently the Chairman of the Audit Committee and Risk Management Committee and is a member of the Nominating and Remuneration Committees of the Company. He has more than 40 years' experience in accounting and finance, corporate management and business investment.

Mr Lien sits on the Board of several Singapore and Chinese companies listed on the Singapore Exchange Securities Trading Limited namely 8Telecom International Holdings Co., Ltd, China Jishan Holdings Limited, Renewable Energy Asia Group Limited, Falcon Energy Group Limited, Hanwell Holdings Limited, Viking Offshore and Marine Ltd, IPC Corporation Limited and Pacific Healthcare Holdings Ltd. He is also a Director of China Enterprise Limited, a company listed on the OTC Securities Market in the United States of America.

Mr Lien holds a degree in Bachelor of Commerce from Nanyang University, Singapore. He is a fellow of the Institute of Singapore Chartered Accountants and Institute of Certified Public Accountants of Australia since July 2004 and May 2004 respectively.

MR CHEE TECK KWONG PATRICK, 60 *Non-Executive Director and Independent Director*

Mr Patrick Chee, PBM, was first appointed to the Board of the Company on 24 November 2005 as Director and was last re-elected to the Board at the Company's AGM held on 26 April 2013. He is currently the Chairman of the Remuneration Committee and is a member of the Nominating and Audit Committees of the Company.

Mr Chee is a Senior Legal Consultant with KhattarWong LLP and a member of Singapore Institute of Arbitrators and Singapore Institute of Directors.

Mr Chee sits on the Board of several public listed companies in Singapore, namely Hanwell Holdings Limited, Hai Leck Holdings Limited, Hengxin Technology Ltd, China International Holdings Limited, Ramba Energy Limited, and is the Chairman of CSC Holdings Limited. He is also an Honorary Legal Adviser to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore.

Mr Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club. Mr Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masyarakat) from the President of Republic of Singapore.

Mr Chee holds a Bachelor of Law (Hons) Degree from the University of Singapore. He has been admitted as a Solicitor of the Senior Courts of England and Wales. Since 1980, he has been an Advocate and Solicitor of the Supreme Court of the Republic of Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Allan Yap	Executive Chairman
Dr John Chen Seow Phun	Deputy Chairman, Non-Executive and Independent Director
Mr Loh See Moon	Managing Director/Chief Executive Officer
Dr Tang Cheuk Chee	Executive Director
Madam Cheong Poh Hua	Executive Director
Mr Lien Kait Long	Non-Executive Director and Lead Independent Director
Mr Chee Teck Kwong Patrick	Non-Executive Director and Independent Director

COMPANY SECRETARY

Mr Chew Kok Liang

AUDIT COMMITTEE

Mr Lien Kait Long (Chairman)

Dr John Chen Seow Phun

Mr Chee Teck Kwong Patrick

REMUNERATION COMMITTEE

Mr Chee Teck Kwong Patrick
(Chairman)

Mr Lien Kait Long

Dr John Chen Seow Phun

NOMINATING COMMITTEE

Dr John Chen Seow Phun
(Chairman)

Mr Chee Teck Kwong Patrick

Mr Lien Kait Long

RISK MANAGEMENT COMMITTEE

Mr Lien Kait Long (Chairman)

Mr Loh See Moon

Madam Cheong Poh Hua

REGISTERED OFFICE

28 Senoko Drive
Singapore 758214
Tel: +65 6257 5555
Fax: +65 6758 0668
Email: admin@tspg.sg
Website: www.tspg.sg
Company Registration Number:
197702806M

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: +65 6227 6660
Fax: +65 6225 1452

AUDITORS

KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Tel: +65 6213 3388
Fax: +65 6225 0984

(Engagement Partner since financial
year ended 31 December 2010:
Ang Fung Fung)

PRINCIPAL BANKERS

Agricultural Bank of China Limited

China Construction Bank Corporation

China Merchants Bank Co., Ltd.

China Minsheng Banking Corp., Ltd.

DBS Bank Ltd

Huishang Bank Co., Ltd.

Industrial Bank Co., Ltd.

KBC Bank N.V.

Shanghai Pudong Development Bank
Co., Ltd.

The Hongkong and Shanghai Banking
Corporation Limited

United Overseas Bank Limited

CORPORATE REPORTS

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "**Board**") and Management of Tat Seng Packaging Group Ltd (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") place great importance on high standard of corporate conduct to uphold good corporate governance. This commitment and continuous support of the Code of Corporate Governance which was revised in May 2012 (the "**Code**") can be seen from the Board and Management efforts to promote and maintain values which emphasize transparency, accountability, integrity and proper conduct at all times in the business operations and dealings of the Group so as to create value for its stakeholders and safeguard the Group's assets.

This Statement describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the Code.

1 BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

1.1 Role of the Board

The Company is headed by an effective Board, comprising individuals with diversified backgrounds and who collectively brings with them a wide range of experience, to lead and control the Group. The Board is responsible for the overall management and success of the Group.

The primary role of the Board is to oversee the Group's business performance and affairs, and to protect and enhance long-term shareholder value. To fulfil this, apart from its statutory responsibilities, the Board performs the following roles and functions:

- providing entrepreneurial leadership, sets strategic directions and objectives for the Group;
- approving major funding proposals, investment and divestment proposals of the Company;
- reviewing the performance of management by establishing management's goals and monitoring the achievement of those goals;
- reviewing and endorsing the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee;
- supervising executive management, ensures that the Company has the necessary resources to meet its goals and establish a framework of prudent and effective controls to assess and manage risks;
- overseeing the processes of risk management financial reporting and compliance and evaluates the adequacy of internal controls;
- considering sustainability issues, such as environmental and social factors, as and when necessary, as part of its strategic formulation; and
- assuming the responsibilities for corporate governance.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.

CORPORATE GOVERNANCE STATEMENT

1.2 Board Processes

The Board has established a number of Board Committees to assist the Board in carrying out more effectively its oversight function. These Board Committees consist of Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Risk Management Committee ("**RMC**"). These Board Committees function within clear Board-approved written terms of reference. Such terms of reference will be reviewed by the Board on a regular basis to enhance the effectiveness of these Board Committees. The minutes of all Board Committee meetings which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meeting are circulated within the Board. The roles and responsibilities of these Board Committees are provided for in the latter sections of this Statement on Corporate Governance.

The yearly schedule of the Board and Board Committee meetings is usually given to all Directors well in advance. Besides the scheduled half-yearly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's business operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Articles of Association provide for the convening of the Board meetings by way of telephonic, video conferencing or other similar means of communication. The Board also approves transactions through written resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for meetings is prepared in consultation with the Executive Chairman and the Executive Directors. The Agenda and submissions are circulated in advance of the scheduled meetings.

1.3 Directors' Meetings Held in Financial Year 2014

The Board held two (2) meetings during the financial year. The number of meetings attended by each member of the Board during the financial year is as follows:

Name of Director	Board Meetings attended
Allan Yap	2
John Chen Seow Phun	2
Loh See Moon	2
Tang Cheuk Chee	1
Cheong Poh Hua	2
Lien Kait Long	2
Chee Teck Kwong Patrick	2
Kuik See Juan[1]	2

[1] *Passed away on 31 December 2014*

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committee meetings.

CORPORATE GOVERNANCE STATEMENT

1.4 Matters Requiring Board Approval

The Directors have identified a few areas for which the Board has direct responsibility for decision making (which are embodied in its internal guidelines) such as the following:

- annual budgets and financial plans of the Group;
- approval of the annual and half-yearly results announcements;
- approval of the annual report and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;
- approval of Board changes and appointments to Board Committees;
- investments and divestments decisions including the Group's capital commitment; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

1.5 Board Development

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The NC ensures all Directors are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for continuous development programmes on Board processes and best practices as well as updates on relevant new laws and regulations.

The Company and external consultants have been providing regular accounting updates, key governance changes to the Singapore Stock Exchange Listing Rules, key update to the Code, key changes to the Companies Act (Chapter 50), rules and regulations and duties and responsibilities on Directors from time to time. The Directors also have the opportunity to visit the Group's operational facilities and meet with the Management for further explanations, briefing or informal discussions on any aspect, to gain a better understanding of the business operations.

The Company has set up a formal procedure for the issuance of appointment letters setting out directors' duties and obligations. Newly appointed Directors are also briefed on the business and organisational structure of the Group and its strategic directions and are encouraged to visit the sites of the Group's operating units to familiarise themselves with the Group's business practices.

In addition, the Directors of the Company are encouraged to attend relevant training programmes, courses, conferences and seminars on new laws, regulations and updates on commercial areas conducted by relevant professional organisations. The Company will fund the appropriate training and development programmes for the Directors from time to time. The Board has received updates on changes in listing rules, laws, regulations, accounting standards, regulatory requirements, corporate governance guidelines and best practices on regular basis.

CORPORATE GOVERNANCE STATEMENT

1.6 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The present Board of the Company consists of seven (7) members comprising the Executive Chairman, one (1) Managing Director/Chief Executive Officer, two (2) Executive Directors and three (3) Independent Directors. All Directors exercise independent judgement and make decisions objectively in the best interest of the Company. The assessment criteria in the Chairman's assessment of Directors include intensity of participation at meetings, quality of interventions and special contribution.

Taking into account the Board's diverse expertise and experience in business and management, accounting, finance, human resources and law, the Board considers that its Directors possesses the necessary competencies to lead and guide the Group and to facilitate effective decision making.

As at the date of this report, the Board comprises seven (7) suitably qualified members:

Name of Director	Date of appointment/ Date of last re-election	Functions	Directorships in other listed companies and other principal commitments	Past directorships in other listed companies and other principal commitments over the preceding three (3) years
Allan Yap	21 Nov 2005/ 25 April 2014	Executive Chairman	Chairman and Executive Director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited Chairman, CEO and Director of China Enterprises Limited Chairman, CEO and Director of Burcon NutraScience Corporation Executive Chairman of Hanwell Holdings Limited Alternate Director of Television Broadcast Limited	Executive Chairman of Intraco Limited
John Chen Seow Phun	21 Nov 2005/ 24 Apr 2012	Deputy Chairman, Non-Executive and Independent Director Chairman of Nominating Committee and Member of Audit and Remuneration Committees	Executive Chairman of Pavillon Holdings Ltd (formerly known as Thai Village Holdings Ltd) Non-Executive Chairman and Independent Director of Matex International Limited and Fu Yu Corporation Limited Non-Executive Deputy Chairman of Hanwell Holdings Limited Independent Director of OKP Holdings Limited, Hiap Seng Engineering Ltd and HLH Group Limited	Independent Director of HLYNX Pte Ltd

CORPORATE GOVERNANCE STATEMENT

Name of Director	Date of appointment/ Date of last re-election	Functions	Directorships in other listed companies and other principal commitments	Past directorships in other listed companies and other principal commitments over the preceding three (3) years
Loh See Moon	Date of appointment as Director: 22 Dec 1997 Date of appointment as Managing Director: 21 Nov 2005	Managing Director/ Chief Executive Officer Member of Risk Management Committee	Nil	Nil
Tang Cheuk Chee	1 Oct 2011/ 24 Apr 2012	Executive Director	Executive Director of Hanwell Holdings Limited	Executive Director of Intraco Limited
Cheong Poh Hua	1 Jul 2002/ 25 April 2014	Executive Director Member of Risk Management Committee	Nil	Nil
Lien Kait Long	24 Nov 2005/ 26 Apr 2013	Non-Executive Director and Lead Independent Director Chairman of Audit and Risk Management Committees and Member of Nominating and Remuneration Committees	Director of China Enterprises Limited Independent Director of Hanwell Holdings Limited, 8Telecom International Holdings Co., Ltd, China Jishan Holdings Limited, Falcon Energy Group Limited, Renewable Energy Asia Group Limited, IPC Corporation Limited, Viking Offshore and Marine Ltd and Pacific Healthcare Holdings Ltd	Independent Director of CMZ Holdings Ltd, Intraco Limited and Youyue International Limited
Chee Teck Kwong Patrick	24 Nov 2005/ 26 Apr 2013	Non-Executive Director and Independent Director Chairman of Remuneration Committee, Member of Audit and Nominating Committees	Independent, Non-Executive Chairman of CSC Holdings Limited Independent Director of Ramba Energy Limited, Hanwell Holdings Limited, Hengxin Technology Ltd, China International Holdings Limited and Hai Leck Holdings Limited	Independent Director of Singapore Windsor Holdings Limited

Please also refer to the "Board of Directors" section of the annual report for information relating to the Directors.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise seven (7) to ten (10) Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- to form a strong independent element on the Board, it should comprise at least half of non-executive independent Directors;
- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities;

CORPORATE GOVERNANCE STATEMENT

- the Board should comprise Directors with a broad range of competencies and expertise both nationally and internationally; and

- Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting ("**AGM**") and thereafter, Directors are subject to re-election according to the provisions in the Articles of Association. Article 91 of the Articles of Association of the Company states that one-third of the Directors shall retire from office by rotation with the exception of the Director holding office as Managing Director.

The Board regularly examines its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself taking into account the scope and nature of the Company's operations. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective of issues that are brought before the Board. The NC is of the view that the Board comprises Directors capable of exercising objective judgment on the corporate affairs of the Company independently of Management and that no individual or small group of individuals dominate the Board's decision-making process.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Particulars of interests of Directors who held office at the end of the financial year in shares and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

1.7 Independent Members of the Board of Directors

The Board has three (3) Independent Directors, representing at least one-third of the Board: Dr John Chen Seow Phun, Mr Lien Kait Long and Mr Chee Teck Kwong Patrick. The criteria for independence are based on the definition given in the Code, which considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view of the best interest of the Company. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. For FY 2014, the NC has determined that all the three (3) Independent Directors are independent. Although the independent directors of the Company do not make up half of the Board, there is a strong and independent element. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. All major decisions are based on collective decisions without any individual influencing or dominating the decision making process.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the Non-Executive and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also help to develop proposals on strategy, various policies and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance.

The Non-Executive and Independent Directors meet periodically without the presence of Management to discuss and facilitate a more effective check on the Management.

CORPORATE GOVERNANCE STATEMENT

1.8 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a distinct separation of responsibilities between the Chairman and the Chief Executive Officer ("**CEO**"), which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. These posts are held by Dr Allan Yap and Mr Loh See Moon respectively.

The Executive Chairman leads the Board and is responsible for the effective working of the Board including:

- scheduling of meetings (with the support of the Company Secretary and the Management) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;
- 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;
- exercising control over the quality, quantity and timeliness of information flow from Management to the Board, promoting effective communication with the Company's shareholders;
- ensuring, fostering constructive and effective communication with shareholders; and
- promoting high standards of corporate governance with full support of the Directors and Management.

The Board has appointed Mr. Lien Kait Long, the Chairman of the AC, RMC and a member of RC and NC of the Company as the Lead Independent Director of the Company. Shareholders with any concern may contact the Lead Independent Director directly, in the event contact through the normal channels of the Chairman or the Managing Director/CEO has failed to resolve or is inappropriate.

Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the AC, whose members comprise solely Independent and Non-Executive directors of the Company. Both performance and appointment to the Board are reviewed periodically by NC and their remuneration packages are reviewed periodically by the RC. Members of the AC, NC and RC are all Independent and Non-Executive Directors, The Board believes that there are sufficiently strong and adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance. In addition, all Directors take decisions objectively in the interests of the Company.

1.9 Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

In appointing Directors, the Board considers the range of skills and experience required in the light of:

- geographical spread and diversity of the Group's businesses;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- the need for independence.

CORPORATE GOVERNANCE STATEMENT

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.

Following the re-designation of Dr John Chen Seow Phun from Deputy Chairman/Non-Executive Director to Deputy Chairman, Non-Executive and Independent Director and, his appointment as the Chairman of NC and a member of RC with effect from 27 February 2015, the NC now comprises three (3) members, all of whom (including the Chairman) are independent – Dr John Chen Seow Phun (Deputy Chairman, Non-Executive and Independent Director), Mr Chee Teck Kwong Patrick (Non-Executive Director and Independent Director) and Mr Lien Kait Long (Non-Executive Director and Lead Independent Director). The NC Chairman is also a Director who has no relationship with the Company, its related corporation, its 10% shareholder or its officer and is not directly associated[1] with a 10% shareholder.

The principal responsibilities of the NC are set out in the terms of reference and its key functions include:

- reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the directors as a group;
- reviewing, assessing and recommending nominees or candidates for appointment or election to the Board and the various Board Committees;
- assessing the effectiveness and contributions of the Board as a whole;
- assessing 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;
- reviewing the independence of the Directors on an annual basis;
- reviewing the performance of the Directors and recommending on the re-election and re-appointments of the Board at the Annual General Meetings;
- conducting a rigorous review and determining whether an Independent Director who has served on the Board for a period exceeding nine (9) years from date of his first appointment, can still consider as independent;
- deciding a Director is able to and has been adequately carrying out his duties as Director of the Company based on internal guidelines such as attendance, contractibility and responsiveness; and
- reviewing the training and development programmes for the Board.

The Company's Articles of Association provide that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Provided that no Director holding office as Managing or Joint Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and 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.

Besides that, the Board and the NC had developed a process of evaluation of performance of the Board and Board Committees and individual Directors through establishment of quantifiable performance criteria.

Despite some of the Directors having multiple Board representations, the NC had reviewed the Directorship of the Directors and is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. The NC and Board agreed that as a guide, the maximum number of the listed Company board representation which any Independent Director may hold should not exceed eleven (11), and both the NC and the Board will review and determine the maximum number of listed company Board representations as and when they deem appropriate.

CORPORATE GOVERNANCE STATEMENT

The NC is also responsible to determine the independence of Directors annually by taking into account the circumstances set forth in Guidelines 2.3 and 2.4 of the Code and any other salient factors. In considering the independence of an Independent Director who has served on the Board beyond nine (9) years, the Board has taken into consideration the following factors:

(i) There was a change of the composition of the Executive Directors in 2012;

(ii) The extensive knowledge and experience contributed by the Independent Directors to the Company;

(iii) The attendance, preparedness, participation and contribution in the meetings of the Board and Board Committees;

(iv) Provision of continuity and stability to the new Management at the Board level by facilitating smooth communication between old and new Management;

(v) Provision of reasonable checks and balances for the Management;

(vi) The Independent Directors have devoted adequate attention and sufficient time to the affairs of the Group; and

(vii) The Independent Directors provide overall guidance to Management and acts as safeguard for the protection of Company's assets and shareholders' interests.

Based on the above, the NC is satisfied that Dr John Chen Seow Phun, Mr Chee Teck Kwong Patrick and Mr Lien Kait Long being Independent Directors having served on the Board beyond nine (9) years are considered independent. They will abstain from voting on any resolution related to their re-election.

Taking into account, among others, these Directors' participation during and outside the formal Board and Board Committees meetings as well as other contributions. The Board has accepted the NC's nomination of retiring Directors, who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors are Dr Tang Cheuk Chee and Dr John Chen Seow Phun who will retire pursuant to Article 91 of the Articles of Association of the Company.

The NC held one (1) meeting during the financial year. The number of meeting attended by each member of the NC is as follows:

Name of Director	Appointment	Number of Meeting attended
Kuik See Juan (Chairman)[1]	Non-Executive and Independent	1
Chee Teck Kwong Patrick	Non-Executive and Independent	1
Lien Kait Long	Non-Executive and Independent	1

[1] *Passed away on 31 December 2014*

Note:

(1) Under the Code, a Director would be considered to be "directly associated" with a 10% shareholder when the Director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

CORPORATE GOVERNANCE STATEMENT

1.10 Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

We believe that Board performance is ultimately reflected in the performance of the Group and the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interest of the Group and the shareholders. In addition to these fiduciary duties, the Board is charged with two (2) key responsibilities of setting strategic direction and ensuring that the Group is ably led. The Board, through the delegation of its authority to the NC, will review the Board's composition annually to ensure that the Board has the appropriate mix of expertise and experience to lead the Group.

The Board has an annual performance evaluation process, carried out by the NC, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment forms to the Directors annually for their evaluation of various Board issues and processes such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders.

In line with the Code, the NC has also implemented a process to be carried out by the NC to assess the effectiveness of the Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. The results of the Board and Board Committees assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken.

The individual Director's assessments implemented by the NC are based on the Director's self-assessment which is evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. The evaluations are discussed by the NC and any appropriate action taken. Such assessments by the Directors are useful and constructive and this collective process has provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

The financial indicators set out in the Code for the evaluation of Directors are in our opinion more of a measure of Management's performance and hence, less applicable to Directors. Moreover, the financial indicators provide snapshots of the Group's performance and do not reflect a complete measure of long-term creation of shareholders' wealth.

1.11 Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive a regular supply of information from Management about the Group so that they are equipped to play as full a part as possible in the meetings. As a general rule, comprehensive Board papers prepared for each meeting are normally circulated in advance to all Directors prior to the scheduled meetings. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. The Board papers provided include background or explanatory information relating to matters to be brought before the Board. A presentation is made to the Directors at the Board meeting on budgets, forecasts and variances from the budget disclosed. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. The Board and Board Committees have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

CORPORATE GOVERNANCE STATEMENT

All Directors have separate and independent access to the advice and services of the Company Secretary and Management at all times. The Company Secretary or at least one of his representative attends the Board and Board Committees meetings and assists the Chairman of the Board and Board Committees meetings in ensuring that the appropriate procedures are followed and that applicable rules and regulations are complied with as well as ensuring good information flow within the Board and its committees, between Management and the Non-Executive Directors, facilitating orientation and assisting with professional development as required. The Company Secretary and Management also facilitate the orientation of new Directors and professional development of Directors as required. The appointment and removal of the Company Secretary is a matter which is approved by the Board.

Each Director has the right, at the Company's expense, to seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings when necessary in order to discharge their duties and responsibilities, as Directors.

2 REMUNERATION MATTERS

2.1 Procedure for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

Following the re-designation of Dr John Chen Seow Phun from Deputy Chairman/Non-Executive Director to Deputy Chairman, Non-Executive and Independent Director and, his appointment as the Chairman of NC and a member of RC with effect from 27 February 2015, the RC comprises solely of Non-Executive Directors, the all of whom, including the Chairman, are independent, the three (3) members of RC are namely, Mr Chee Teck Kwong Patrick (Chairman, Non-Executive Director and Independent Director), Mr Lien Kait Long (Non-Executive and Lead Independent Director) and Dr John Chen Seow Phun (Non-Executive and Independent Director).

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel (including the CEO and other persons having authority and responsibility for planning, directing and controlling activities of the Company and Group), and the specific remuneration packages and terms of employment (where applicable) for each Director as well as key management personnel. The RC's recommendations should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;

- carrying out its duties in the manner that it deem expedient, subject always to any regulations or restriction that may be imposed upon the RC by the Board from time to time;

- ensuring that all aspects of remuneration are covered, taking into consideration Principle 8 of the Code. The remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and are commensurate with their respective job scopes and levels of responsibility; and

- reviewing and recommending to the Board, the terms of renewal of service agreements of Directors and/or key management personnel and ensuring the service agreements contain fair and reasonable termination clauses which are not overly generous in the event of termination.

The RC members are knowledgeable in the field of executive compensation and also have access to independent expert advice from external consultants, where necessary.

CORPORATE GOVERNANCE STATEMENT

The RC meets at least once each year and at other times as required. During the financial year, the RC held one (1) meeting. The number of meetings attended by each member during the financial year is as follows:

Name of Director	Appointment	Number of Meeting attended
Chee Teck Kwong Patrick (Chairman)	Non-Executive and Independent	1
Kuik See Juan[1]	Non-Executive and Independent	1
Lien Kait Long	Non-Executive and Independent	1

[1] *Passed away on 31 December 2014*

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and key management personnel which is submitted to the whole Board for endorsement. The RC reviews and approves recommendations on remuneration policies and packages for Directors and key management personnel in the interests of improved corporate performance.

The RC's review of remuneration packages takes into consideration the long term interests of the Group and ensures that the interests of the Directors align with that of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, profit sharing (where applicable) and benefits-in-kind.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The RC's recommendations are submitted to the entire Board. Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

2.2 Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration packages of the Executive Directors are determined based on the framework recommended by the RC. In doing so, the RC reviews the length of the fixed appointment period, the notice period for termination and the terms of the compensation package in the event of the termination of any Executive Directors' service agreements to ensure that the terms of such clauses are not onerous to the Company. The Executive Directors' framework of remuneration includes a fixed element as well as a variable element in the form of a bonus and a profit sharing incentive which is linked to the Company's performance. In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

All Non-Executive Directors and Independent Directors are paid Directors' fees, with additional fees paid for serving as the Chairman or members of Board Committees as well as attendance at Board and Board Committees meetings. These fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting. The remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE STATEMENT

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. The service agreements entered into with the four (4) Executive Directors, namely Dr Allan Yap, Mr Loh See Moon, Dr Tang Cheuk Chee and Madam Cheong Poh Hua are for a period of three (3) years. These service agreements are subject to review by the RC and provide for termination by either party giving to other not less than six (6) months' prior written notice.

The RC is of the view that the variable component of the remuneration packages of the Executive Directors and key management personnel, where applicable are moderate. At present, there is no necessity for the Company to institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Directors and key management personnel, where applicable in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

2.3 Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Summary compensation table of the Directors receiving remuneration from the Company for the financial year ended 31 December 2014 is set out below:

Directors	Base Salary	Bonus	Profit Sharing	Director's Fee[2]	Allowance[1]	TOTAL
Range $250,000 and below						
John Chen Seow Phun	–	–	–	100.00%	–	**100.00%**
Lien Kait Long	–	–	–	100.00%	–	**100.00%**
Chee Teck Kwong Patrick	–	–	–	100.00%	–	**100.00%**
Kuik See Juan[3]	–	–	–	100.00%	–	**100.00%**
Range $250,001 to $500,000						
Tang Cheuk Chee	50.72%	4.23%	39.80%	–	5.25%	**100.00%**
Cheong Poh Hua	58.33%	6.49%	29.85%	–	5.33%	**100.00%**
Range $500,001 to $750,000						
Allan Yap	52.45%	4.37%	41.82%	–	1.36%	**100.00%**
Range $1,500,000 to $1,750,000						
Loh See Moon	37.51%	3.13%	57.00%	–	2.36%	**100.00%**

(1) Employer's CPF contribution and other benefits are included here.
(2) Director's Fee is subject to the approval of the shareholders at the forthcoming AGM.
(3) Passed away on 31 December 2014.

The Company has decided not to disclose information on the remuneration of the Directors in dollars terms because of the confidentiality and prevention of upward pressure or remuneration due to market competition.

CORPORATE GOVERNANCE STATEMENT

2.4 Remuneration of Top Five (5) Key Management Personnel & Employees Related to Directors

The Company has no key management personnel who is not a director or the CEO during the financial year ended 31 December 2014 and there are no employees of the Group who are immediate family members of any Director or the CEO of the Company and whose remuneration exceed S$50,000 for the financial year ended 31 December 2014.

The Company adopts a remuneration policy for staff comprising both a fixed and variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the Company and each individual's performance.

3 ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board aims to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

In line with the SGX Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors have provided assurance to the Board on the integrity of the Group's financial statements.

The Board provides to shareholders, on a half-yearly basis, the financial statements of the Company and the Group for the half-year and full year, as applicable, together with a balanced review of the Company's performance, position and prospects. These financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET and posted on the Company's website. The Company's Annual Report is sent to all shareholders and which is also accessible from the Company's website.

The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge its duties. The Board is also updated from time to time on any significant events that have occurred or material to the Group during the year.

3.1 Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that it is responsible for the overall risk management and internal control framework, but acknowledges that no cost effective risk management and internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The AC will:

- satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the effectiveness of the Group's material internal controls, including financial, operating and compliance controls and risk management, is conducted at least annually. Such reviews can be carried out by internal auditors/external auditors;

CORPORATE GOVERNANCE STATEMENT

- ensure that the internal control recommendations made by internal and external auditors have been implemented by the Management; and

- ensure the Board is in a position to comment on the adequacy of the risk management and internal controls of the Group.

The Group has in place a RMC which is chaired by Mr Lien Kait Long (Lead Independent Director) and members comprising two (2) directors namely Mr Loh See Moon (Managing Director/CEO) and Madam Cheong Poh Hua (Executive Director) to assist the Board in its oversight of risk governance, risk management framework and policies of the Group. The Group has introduced and implemented Investment Management Policies and Procedures.

The RMC is regulated by its terms of reference. The meetings of the RMC are attended by Management of the Group's business divisions, and serve as a forum to review and discuss material risks and exposures of the Group's business and the strategy to mitigate risks in general.

The risk management process in place covers, *inter alia*, financial, operational and compliance risks faced by the Group. The key risks identified are deliberated by Management, and reported to the RMC on an annual basis or such other period as may be determined by RMC.

The Group has in place a system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. The Group has engaged Ernst & Young Advisory Pte. Ltd. to assess annually the effectiveness of internal controls and review the identified key process risks for the areas of review.

To ensure that the risk management and internal controls and risk management processes are adequate and effective, the AC has accessed to independent professional service providers. The assistance of the RMC, internal and external auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were regularly reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

For FY2014, the Board has received assurances from Mr Loh See Moon (Managing Director/CEO) and Madam Cheong Poh Hua (Executive Director), that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems. As the Company does not appoint Chief Financial Officer, Madam Cheong Poh Hua, an Executive Director of the Company oversees the finance function of the Group.

Based on the internal control weaknesses noted during the course of audit by the internal and external auditors and their recommendation, the various management controls put in place and the reports from the internal and external auditors, the Board, with the concurrence of the AC is of the opinion that the internal controls maintained by the Group in addressing critical and significant risks relating to financial, operational, compliance and information technology controls and risk management systems are adequate and effective as at 31 December 2014.

The Board will also continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

CORPORATE GOVERNANCE STATEMENT

3.2 Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) members, all of whom are Independent Directors. The AC members are, Mr Lien Kait Long (Chairman and Lead Independent Director), Mr Chee Teck Kwong Patrick (Non-Executive Director and Independent Director) and Dr John Chen Seow Phun (Non-Executive and Independent Director). At least two (2) members have relevant accounting or financial management expertise or experience.

The AC's main objective is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, overseeing the external audit process, reviewing the financial information to be disclosed to the public and ensuring that arrangements are in place for the independent investigation and follow up of reports by staff of improprieties in financial reporting and other matters. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

The principal responsibilities of the AC are set out in the terms of reference and its key functions include:

(a) reviewing the audit plans of the external and internal auditors;

(b) reviewing the external and internal auditors' reports;

(c) reviewing the co-operation given by the Company's officers to the external and internal auditors;

(d) reviewing the adequacy of the internal audit function;

(e) evaluating the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, information technology control and risk management, by reviewing written reports from internal and external auditors, and Management responses and actions to correct any deficiencies;

(f) reviewing the financial statements of the Company and the Group before their submission to the Board;

(g) reviewing non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;

(h) nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditor;

(i) reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual issued by SGX-ST, and by such amendments made thereto from time to time;

(j) reviewing interested person transactions (as defined in Chapter 9 of the Listing Manual issued by SGX-ST) to ensure that they are on normal commercial terms and arms' length basis and not prejudicial to the interests of the Company or its shareholders in any way; and

(k) reviewing whistleblowing policy and arrangements.

Apart from the duties listed above, the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

CORPORATE GOVERNANCE STATEMENT

The AC meets from time to time with the Group's external and internal auditors and the executive management to review accounting, auditing and financial reporting matters so as to provide the necessary checks and balances to ensure that an effective control environment is maintained in the Group. The AC also studies proposed changes in accounting policies, examines the internal audit functions and discusses the accounting implications of major transactions. Furthermore, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its interim and annual reports. Based on the information provided to the AC, nothing has come to the AC's attention indicating that the system of internal controls and risk management is inadequate.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC meets annually with the internal auditors and the external auditors, without the presence of the Company's Management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors. The AC has recommended the re-appointment of KPMG LLP as external auditors at the forthcoming AGM of the Company.

The AC had reviewed all the non-audit services provided by the external auditors to the Group and confirmed that such services would not, in its opinion prejudice the independence and objectivity of the external auditors. The fees that are charged to the Group by the external auditors for audit and non-audit services were approximately S$216,000 and S$7,000 respectively for the financial year ended 31 December 2014.

The AC is satisfied that KPMG LLP is able to meet the audit requirements and statutory obligation of the Company. In view of their requisite qualification and independence status, the AC is satisfied that Rule 712 of the Listing Manual of SGX-ST is complied with. Accordingly, KPMG LLP is recommended for re-appointment at the forthcoming AGM.

The AC has also noted that in appointing the audit firms for the Company, its subsidiaries and significant associates, the AC is satisfied that the appointment of auditors did not compromise the standard and effectiveness of the audit of the Group. Therefore, the Company has complied with the Rule 715 of the Listing Manual of the SGX-ST.

In October 2008, the Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore. SGX-ST has distributed the said Guidebook to all members of the Board. Where appropriate, the AC will adopt relevant best practices set out in the said Guidebook including any of its amendments thereto from time to time, which will be used as references to assist the AC in performing its functions.

During the financial year, the AC held two (2) meetings. The number of meetings attended by each member during the financial year is as follows:

Name of Director	Appointment	Number of Meetings attended
Lien Kait Long (Chairman)	Non-Executive and Independent	2
Chee Teck Kwong Patrick	Non-Executive and Independent	2
Kuik See Juan[1]	Non-Executive and Independent	2
John Chen Seow Phun	Non-Executive	2

[1] *Passed away on 31 December 2014*

3.3 *Whistle-Blowing Policy*

The Group has adopted a constructive whistle-blowing policy and guideline in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statements, financial reports and records of the Company.

Demonstrating its pledge to good corporate governance, the Group provides an avenue for employees to raise their concerns to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the AC or any other committees established by the AC for such purpose without fear of reprisal. The establishment of the whistle-blowing structure also augments the Group's ability to detect potential fraud, providing another level of comfort and assurance to investors.

CORPORATE GOVERNANCE STATEMENT

3.4 *Internal Audit*

Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Ernst & Young Advisory Pte. Ltd. (the "**Internal Audit**"). The Internal Audit serves to provide the Board and Management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by Management. Its aim is to promote internal control in the Group and to monitor the performance and the effective application of internal audit procedures. It supports the Directors in assessing key internal controls through a structured review programme. The Internal Audit has unfettered access to the Board, the AC and Management, where necessary, and has the right to seek information and explanations. The internal audit function is aligned with the standard set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Internal Audit reports functionally to the Chairman of the AC. The AC ensures that the Internal Audit has adequate resources and has appropriate standing within the Group. The AC, on an annual basis, assesses the effectiveness of the internal auditors by examining:

- the scope of the internal auditors' work;
- the quality of the reports;
- the relationship with the external auditors; and
- the independence of the areas reviewed.

During the year, the Internal Audit's summary of key audit findings, recommendations and Management's related responses were discussed in the AC meetings. The AC ensures that procedures are in place to follow up on the recommendations by Internal Audit in a timely manner and to monitor any outstanding issues. The AC has reviewed the annual internal audit plan FY2014 and is satisfied that the Internal Audit has been adequately carried out.

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS AND RESPONSIBILITIES – SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDERS MEETINGS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relation policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of SGX-ST, the Company is committed that all shareholders should be equally informed of all major developments of the Group which would be likely to materially affect the price or value of the Company's shares.

CORPORATE GOVERNANCE STATEMENT

The Company does not practice selective disclosure as all material and price-sensitive information is released through SGXNET and the Company recognises that regular, effective, timely and fair communication with shareholders is essential to enable its shareholders to make informed decisions about the Company.

The information is disseminated to shareholders of the Company on a timely basis through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;
- half-yearly announcements containing a summary of the financial information and affairs of the Group for that period;
- notices of and explanatory memoranda for AGMs and Extraordinary General Meetings;
- disclosure to the SGX-ST; and
- the Company's website at http://www.tspg.sg at which our shareholders can access information on the Group.

Moreover, our shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. The Company's Articles allow a shareholder to appoint up to two (2) proxies to attend a shareholder's meeting on his behalf. The notice of the AGM is sent to our shareholders, together with explanatory notes, appendices or a circular on items of special business, at least fourteen (14) days before the meeting. The Chairmen of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders.

Every matter requiring shareholders' approval is proposed as a separate resolution at the general meeting to address each distinct issue and all the resolutions to vote by poll and the Company announced the details results showing the number of votes cast for and against each resolution and the respective percentages to public.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company does not have a fixed policy on payment of dividends at present. The frequency, form and amount of dividends declare depend on the Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate.

CORPORATE GOVERNANCE STATEMENT

5 DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal Code of Conduct to provide guidance to all officers of the Company and its subsidiaries with regard to dealings in the Company's securities.

The Directors and key management personnel of the Company and of the Group are advised, and periodically reminded, not to deal in the Company's shares for the period commencing one (1) month before the announcement of the Company's half-yearly and full year results during the year ("**close window period**"). The Company will notify Directors and employees of the commencement date for each close window period.

The Company has also issued a policy on Insider Trading to all employees which sets out the principles of relevant laws relating to insider trading which are applicable at all times.

Directors and key management personnel are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

6 INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual issued by SGX-ST for interested person transactions. To ensure compliance with Chapter 9, the AC meets half-yearly to review if the Company will be entering into an interested person transaction in order to ensure that the interested person transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the shareholders. There are no interested person transactions for the FY2014.

7 MATERIAL CONTRACTS

Save as disclosed in the audited financial statements of this Annual Report, there are no material contracts of the Company or its subsidiaries involving the interests of the directors or controlling shareholders subsisting at the end of the FY2014 or have been entered into since the end of the previous financial year.

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

DIRECTORS

The directors in office at the date of this report are as follows:

Allan Yap
John Chen Seow Phun
Loh See Moon
Tang Cheuk Chee
Cheong Poh Hua
Lien Kait Long
Chee Teck Kwong Patrick
Kuik See Juan*

* *Passed away on 31 December 2014*

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "**Act**"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants or share options in the Company and in related corporations are as follows:

	Direct Interest		Deemed Interest	
Name of director	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Ordinary shares of the Company				
Loh See Moon	23,580,000	23,580,000	–	–
Cheong Poh Hua	516,000	516,000	260,000	260,000
Ordinary shares of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap#	1,000,000	1,000,000	97,947,500	97,947,500
Loh See Moon	403,000	403,000	–	–
Tang Cheuk Chee*	49,449,500	49,449,500	48,498,000	48,498,000
Lien Kait Long	5,530	5,530	–	–

\# Allan Yap has a direct and deemed interest of 1,000,000 and 97,947,500 shares held by his spouse, Tang Cheuk Chee in the capital of Hanwell Holdings Limited respectively.

* Tang Cheuk Chee has a direct and deemed interest of 49,449,500 and 48,498,000 shares collectively held by Sino Diamond International Co., Ltd and Widelead International Limited and 1,000,000 shares held by her spouse, Allan Yap in the capital of Hanwell Holdings Limited respectively.

	Direct Interest		Deemed Interest	
Share options of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap	10,000,000	10,000,000	–	–

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2015.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in notes 24 and 29 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

- Lien Kait Long (Chairman), Non-Executive Director and Lead Independent Director
- John Chen Seow Phun, Non-Executive Director and Independent Director
- Kuik See Juan*, Non-Executive Director and Independent Director
- Chee Teck Kwong Patrick, Non-Executive Director and Independent Director

* *Passed away on 31 December 2014*

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 2 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

DIRECTORS' REPORT

AUDIT COMMITTEE (CONTINUED)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- half yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Loh See Moon
Director

Cheong Poh Hua
Director

27 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 35 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Loh See Moon
Director

Cheong Poh Hua
Director

27 March 2015

INDEPENDENT AUDITORS' REPORT

Members of the Company

Tat Seng Packaging Group Ltd and its Subsidiaries

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tat Seng Packaging Group Ltd ("the Company") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 81.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2015

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Assets					
Property, plant and equipment	4	**56,300,818**	53,978,385	**556,723**	859,483
Intangible assets	5	**1,196,116**	1,176,652	**24,000**	27,000
Investment in subsidiaries	6	**–**	–	**29,320,868**	29,320,868
Investment securities	7	**832,000**	736,000	**832,000**	736,000
Deferred tax assets	8	**1,638,716**	1,752,393	**451,887**	218,289
Non-current assets		**59,967,650**	57,643,430	**31,185,478**	31,161,640
Inventories	9	**14,750,048**	17,100,419	**–**	1,406,417
Trade and bills receivables	10	**99,315,842**	99,136,858	**3,427,702**	3,234,571
Prepaid operating expenses		**1,250,530**	1,341,161	**19,041**	42,763
Other receivables and deposits	11	**2,488,490**	2,051,066	**13,363**	94,491
Amounts due from related parties	12	**–**	–	**–**	3,620,227
Cash and cash equivalents	13	**18,812,221**	26,125,996	**3,852,556**	6,686,004
Current assets		**136,617,131**	145,755,500	**7,312,662**	15,084,473
Total assets		**196,584,781**	203,398,930	**38,498,140**	46,246,113
Equity					
Share capital	14	**31,440,000**	31,440,000	**31,440,000**	31,440,000
Retained earnings		**42,843,453**	37,318,766	**2,337,370**	2,273,215
Other reserves	15	**13,935,954**	11,422,916	**457,600**	361,600
Equity attributable to owners of the Company		**88,219,407**	80,181,682	**34,234,970**	34,074,815
Non-controlling interests		**5,410,075**	5,354,401	**–**	–
Total equity		**93,629,482**	85,536,083	**34,234,970**	34,074,815
Liabilities					
Deferred income	16	**1,153,119**	1,174,811	**68,072**	105,202
Deferred tax liabilities	8	**–**	97,675	**–**	–
Loans and borrowings	17	**1,217,952**	5,993,734	**61,278**	3,500,000
Non-current liabilities		**2,371,071**	7,266,220	**129,350**	3,605,202
Deferred income	16	**120,660**	110,238	**37,130**	37,130
Income tax payable		**172,010**	1,329,853	**–**	11,931
Loans and borrowings	17	**20,198,426**	22,366,749	**16,008**	3,000,000
Bills payable to banks	18	**11,535,975**	15,091,474	**–**	–
Trade and other payables	19	**57,054,455**	60,630,462	**199,883**	959,597
Other liabilities	20	**11,286,839**	10,908,894	**3,314,766**	4,398,481
Amounts due to related parties	12	**215,863**	158,957	**566,033**	158,957
Current liabilities		**100,584,228**	110,596,627	**4,133,820**	8,566,096
Total liabilities		**102,955,299**	117,862,847	**4,263,170**	12,171,298
Total equity and liabilities		**196,584,781**	203,398,930	**38,498,140**	46,246,113

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Note	2014 $	2013 $
Revenue		**224,545,010**	215,600,904
Cost of sales		**(179,105,371)**	(171,777,448)
Gross profit		**45,439,639**	43,823,456
Other income	21	**939,038**	857,063
Distribution and selling expenses		**(13,263,524)**	(12,492,424)
General and administrative expenses		**(15,910,743)**	(14,236,635)
Other expenses	22	**(1,330,313)**	(498,271)
Results from operating activities		**15,874,097**	17,453,189
Finance costs	23	**(2,443,173)**	(2,562,314)
Profit before income tax	24	**13,430,924**	14,890,875
Income tax expense	25	**(3,874,525)**	(2,691,200)
Profit for the year		**9,556,399**	12,199,675
Profit attributable to			
Owners of the Company		**9,489,943**	11,836,989
Non-controlling interests	33	**66,456**	362,686
Profit for the year		**9,556,399**	12,199,675
Earnings per share attributable to owners of the Company (cents per share)			
Basic and diluted	26	**6.04**	7.53

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 $	2013 $
Profit for the year	**9,556,399**	12,199,675
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**1,582,132**	4,244,627
Net change in fair value of available-for-sale financial assets	**96,000**	192,000
Tax on available-for-sale financial assets	**–**	–
Other comprehensive income for the year, net of tax	**1,678,132**	4,436,627
Total comprehensive income for the year	**11,234,531**	16,636,302
Total comprehensive income attributable to:		
Owners of the Company	**11,178,857**	15,957,612
Non-controlling interests	**55,674**	678,690
Total comprehensive income for the year	**11,234,531**	16,636,302

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital $	Retained earnings $	Other reserves (Note 15) $	Total $	$	$
At 1 January 2013		31,440,000	27,653,008	6,701,346	65,794,354	4,675,711	70,470,065
Total comprehensive income for the year							
Profit for the year		–	11,836,989	–	11,836,989	362,686	12,199,675
Other comprehensive income							
Foreign currency translation differences		–	–	3,928,623	3,928,623	316,004	4,244,627
Net change in fair value of available-for-sale financial assets		–	–	192,000	192,000	–	192,000
Total other comprehensive income		–	–	4,120,623	4,120,623	316,004	4,436,627
Total comprehensive income for the year		–	11,836,989	4,120,623	15,957,612	678,690	16,636,302
Transaction with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Unclaimed dividend reversed		–	1,716	–	1,716	–	1,716
Dividends to owners of the Company	27	–	(1,572,000)	–	(1,572,000)	–	(1,572,000)
Total contributions by and distributions to owners of the Company		–	(1,570,284)	–	(1,570,284)	–	(1,570,284)
Transfers between reserves							
Appropriation to statutory reserve fund		–	(600,947)	600,947	–	–	–
At 31 December 2013		31,440,000	37,318,766	11,422,916	80,181,682	5,354,401	85,536,083

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Share capital $	Retained earnings $	Other reserves (Note 15) $	Total $	Non-controlling interests $	Total equity $
		Attributable to owners of the Company					
At 1 January 2014		31,440,000	37,318,766	11,422,916	80,181,682	5,354,401	85,536,083
Total comprehensive income for the year							
Profit for the year		–	9,489,943	–	9,489,943	66,456	9,556,399
Other comprehensive income							
Foreign currency translation differences		–	–	1,592,914	1,592,914	(10,782)	1,582,132
Net change in fair value of available-for-sale financial assets		–	–	96,000	96,000	–	96,000
Total other comprehensive income		–	–	1,688,914	1,688,914	(10,782)	1,678,132
Total comprehensive income for the year		–	9,489,943	1,688,914	11,178,857	55,674	11,234,531
Transaction with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Unclaimed dividend reversed		–	2,868	–	2,868	–	2,868
Dividends to owners of the Company	27	–	(3,144,000)	–	(3,144,000)	–	(3,144,000)
Total contributions by and distributions to owners of the Company		–	(3,141,132)	–	(3,141,132)	–	(3,141,132)
Transfers between reserves							
Appropriation to statutory reserve fund		–	(824,124)	824,124	–	–	–
At 31 December 2014		31,440,000	42,843,453	13,935,954	88,219,407	5,410,075	93,629,482

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Profit before income tax		**13,430,924**	14,890,875
Adjustments for:			
Amortisation of deferred income	16	**(112,039)**	(103,712)
Depreciation of property, plant and equipment	4	**5,912,259**	5,404,890
Reversal of impairment loss on property, plant and equipment	4	**–**	(204,862)
Inventories written off		**–**	100,389
Finance costs	23	**2,310,083**	2,562,314
Interest income	21	**(238,072)**	(179,350)
Net (gain)/loss on disposal of property, plant and equipment	21/22	**(169,508)**	202,830
Net effect of exchange differences		**(58,039)**	108,962
Property, plant and equipment written off	22	**81,727**	77,839
Reversal of allowance for inventory obsolescence	9	**(32,715)**	(62,435)
Amortisation of intangible assets	5	**3,000**	3,000
Allowance for/(reversal of) doubtful debts on trade receivables	31	**512,415**	(103,873)
		21,640,035	22,696,867
Change in inventories		**2,571,349**	(651,580)
Change in trade and other receivables and prepaid operating expenses		**817,844**	(20,350,966)
Change in trade and other payables and other liabilities		**(6,737,338)**	15,049,951
Cash generated from operating activities		**18,291,890**	16,744,272
Interest paid		**(2,260,395)**	(2,566,205)
Income tax paid		**(4,996,533)**	(3,051,850)
Net cash from operating activities		**11,034,962**	11,126,217
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**796,059**	678,231
Acquisition of property, plant and equipment		**(9,061,408)**	(10,711,668)
Interest received		**239,113**	178,511
Net cash used in investing activities		**(8,026,236)**	(9,854,926)
Cash flows from financing activities			
Dividends paid		**(3,144,000)**	(1,572,000)
Proceeds from loans and borrowings		**30,669,949**	28,950,752
Repayment of loans and borrowings		**(30,859,762)**	(30,283,425)
Payment of finance lease liabilities		**(679,139)**	(2,664,926)
Repayment of loans with holding company		**(6,500,000)**	–
(Increase)/decrease in pledged deposits		**(111,505)**	1,040,824
Net cash used in financing activities		**(10,624,457)**	(4,528,775)
Net decrease in cash and cash equivalents		**(7,615,731)**	(3,257,484)
Cash and cash equivalents at 1 January		**23,124,848**	25,566,382
Effect of exchange rate fluctuations on cash held		**126,963**	815,950
Cash and cash equivalents at 31 December	13	**15,636,080**	23,124,848

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 March 2015.

1 DOMICILE AND ACTIVITIES

Tat Seng Packaging Group Ltd (the "Company") is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 28 Senoko Drive Singapore 758214.

The financial statements of the Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is primarily involved in the manufacture and sales of corrugated paper products and other packaging products. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

The immediate and ultimate holding company is Hanwell Holdings Limited, incorporated in the Republic of Singapore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 4 – measurement of recoverable amounts relating to impairment of property, plant and equipment
- Note 5 – measurement of recoverable amounts relating to goodwill impairment and key assumption used in discounted cash flow projections
- Note 31 – measurement of impairment loss relating to financial assets

In the process of applying the Group's accounting policies, management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as described above.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies

(i) Subsidiaries

As a result of the adoption of FRS 110, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

The Group re-assessed the control conclusion for its investees at 1 January 2014. The application of the standard had no significant impact on the control conclusion for all the group's investees.

(ii) Joint Arrangements

FRS 111 *Joint Arrangements*, which establishes the principles for classification and accounting of joint arrangements. The adoption of this standard required the Group to re-assess and classify its joint arrangements as either joint operations or joint ventures based on its rights and obligations arising from the joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method, whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations.

The application of the standard has no impact to the Group's financial statements.

(iii) FRS 112 Disclosure of Interests in Other Entities

FRS 112 *Disclosure of Interests in Other Entities*, which sets out the disclosures required to be made in respect of all forms of an entity's interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard resulted in more extensive disclosures being made in the Group's financial statements in respect of its interests in other entities; as FRS 112 is primarily a disclosure standard, there was no financial impact on the results and financial position of the Company and Group when the Group adopted FRS 112 in 2014. This has been presented in Note 33.

(iv) FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the Balance Sheet.

Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event, and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The application of the standard had no significant impact to the Group's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in note 3.4. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/ other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Construction and installation in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	50 years
Leasehold buildings	20 years
Plant and machinery	5 – 10 years
Furniture and fittings	3 – $13^1/_3$ years
Motor vehicles	5 – 8 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (Continued)

Club membership

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 29 years.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured on a specific identification basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.6 Financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. Purchases and sales of financial assets are accounted for at trade date, that is, the date that the Group commits itself to purchase or sell the asset.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and bills receivables, other receivables and deposits and amounts due from related parties.

Cash and cash equivalents comprise cash balances and bank deposits.

Available-for-sale financial assets

The Group's investment securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income and presented within equity in the fair value reserve is transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group has the following non-derivative financial liabilities: trade and other payables, bills payable to banks, other liabilities, amounts due to related parties and loans and borrowings.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Intra-group financial guarantees

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3.7 Impairment

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset is recognised by transferring the cumulative loss that has been recognised in other comprehensive income, to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

Impairment of financial assets *(Continued)*

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt security are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised. Impairment losses once recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised directly in other comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated annually, and as and when indicators of impairment are identified.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent from other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro-rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.9 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.11 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Retirement benefits

In accordance with the regulations of the People's Republic of China (the "PRC") Government, the subsidiaries are required to contribute employee retirement benefits to the relevant authority. The contributions are calculated based on directives issued by the relevant authority and are charged to profit or loss when incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the Group's rights to receive payment is established.

3.14 Finance income and finance costs

Finance income comprises interest income earned from loans extended to related corporations. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.15 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

3.16 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax expense (Continued)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.18 Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the balance sheet of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements.

Except as otherwise indicated below, those new standards, amendments to standards, and interpretations are not expected to have a significant effect on the financial statements of the Group. The Group does not plan to adopt these standards early.

- FRS 115 *Revenue from Contracts with Customers*

  FRS 115 *Revenue from Contracts with Customers* will replace FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements.

  The Group is currently assessing the impact upon adoption of this standard in financial year ending 31 December 2017.

- FRS 109: *Financial Instruments*

  The standard replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

  The Group is currently assessing the impact on adoption of this standard in financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings $	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Construction in progress $	Installation in progress $	Total $
Cost							
At 1 January 2013	24,956,736	53,716,520	2,146,398	1,379,221	6,961,170	3,067,683	92,227,728
Additions	51,182	3,215,899	619,562	456,807	3,640,179	1,430,965	9,414,594
Disposals/written off	–	(10,567,227)	(617,403)	(76,380)	–	–	(11,261,010)
Reclassification	9,575,815	3,526,019	224,623	–	(9,713,159)	(3,613,298)	–
Effect of movements in exchange rates	1,959,640	2,311,962	70,029	81,674	200,452	88,791	4,712,548
At 31 December 2013	36,543,373	52,203,173	2,443,209	1,841,322	1,088,642	974,141	95,093,860
At 1 January 2014	36,543,373	52,203,173	2,443,209	1,841,322	1,088,642	974,141	95,093,860
Additions	168,029	4,658,967	549,456	1,075,978	199,338	1,298,820	7,950,588
Disposals/written off	–	(2,513,508)	(106,128)	(800,260)	–	–	(3,419,896)
Reclassification	187,163	1,516,713	1,028,166	–	(1,286,583)	(1,445,459)	–
Effect of movements in exchange rates	737,719	794,955	36,460	35,034	(1,397)	93,058	1,695,829
At 31 December 2014	37,636,284	56,660,300	3,951,163	2,152,074	–	920,560	101,320,381
Accumulated depreciation and impairment losses							
At 1 January 2013	6,333,800	36,133,119	1,361,949	697,082	–	–	44,525,950
Depreciation charge for the year	1,393,077	3,475,548	283,688	252,577	–	–	5,404,890
Impairment loss reversed	–	(204,862)	–	–	–	–	(204,862)
Disposals/written off	–	(9,653,693)	(585,537)	(62,880)	–	–	(10,302,110)
Effect of movements in exchange rates	460,070	1,166,282	32,897	32,358	–	–	1,691,607
At 31 December 2013	8,186,947	30,916,394	1,092,997	919,137	–	–	41,115,475
At 1 January 2014	8,186,947	30,916,394	1,092,997	919,137	–	–	41,115,475
Depreciation charge for the year	1,517,264	3,674,524	442,736	277,735	–	–	5,912,259
Disposals/written off	–	(2,025,139)	(97,891)	(588,588)	–	–	(2,711,618)
Effect of movements in exchange rates	215,963	457,165	18,739	11,580	–	–	703,447
At 31 December 2014	9,920,174	33,022,944	1,456,581	619,864	–	–	45,019,563
Carrying amounts							
At 1 January 2013	18,622,936	17,583,401	784,449	682,139	6,961,170	3,067,683	47,701,778
At 31 December 2013	28,356,426	21,286,779	1,350,212	922,185	1,088,642	974,141	53,978,385
At 31 December 2014	27,716,110	23,637,356	2,494,582	1,532,210	–	920,560	56,300,818

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Total $
Cost				
At 1 January 2013	17,519,872	1,121,056	320,988	18,961,916
Additions	175,229	329,911	–	505,140
Disposals/written off	(7,831,960)	(558,670)	–	(8,390,630)
At 31 December 2013	9,863,141	892,297	320,988	11,076,426
At 1 January 2014	9,863,141	892,297	320,988	11,076,426
Additions	–	–	454,988	454,988
Disposals/written off	(9,863,141)	(746,141)	(320,988)	(10,930,270)
At 31 December 2014	–	146,156	454,988	601,144
Accumulated depreciation and impairment losses				
At 1 January 2013	17,106,914	853,336	272,840	18,233,090
Depreciation charge for the year	169,378	86,346	48,147	303,871
Disposals/written off	(7,770,460)	(549,558)	–	(8,320,018)
At 31 December 2013	9,505,832	390,124	320,987	10,216,943
At 1 January 2014	9,505,832	390,124	320,987	10,216,943
Depreciation charge for the year	–	15,823	15,166	30,989
Disposals/written off	(9,505,832)	(376,692)	(320,987)	(10,203,511)
At 31 December 2014	–	29,255	15,166	44,421
Carrying amounts				
At 1 January 2013	412,958	267,720	48,148	728,826
At 31 December 2013	357,309	502,173	1	859,483
At 31 December 2014	–	116,901	439,822	556,723

During the year, the Group acquired property, plant and machinery with an aggregate cost of $7,950,588 (2013: $9,414,594), of which $78,800 (2013: $Nil) was acquired through finance leases and $1,197,132 (2013: $2,386,752) remains unsettled as of year end.

The carrying amount of plant and machinery and motor vehicles held under finance leases at the balance sheet date were $439,822 (2013: $4,893,972). Leased assets are pledged as security for the related finance leases liabilities (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following property, plant and equipment are pledged to banks to secure banking facilities granted to subsidiaries (Note 17, 18).

	Group	
	2014	**2013**
	$	**$**
Leasehold land and buildings	**24,988,342**	21,137,167
Plant and machinery	**5,318,133**	5,002,891
	30,306,475	26,140,058

Impairment losses

During 2013, certain CGU whose financial performance had improved, had shown indication that impairment losses which were recognised in prior periods may no longer exist or may have decreased. This resulted in the Group reassessing the recoverable amount of the property, plant and equipment. These CGUs were defined as separate business operations. The review led to the net reversal of impairment loss in profit or loss for 2013.

The recoverable amounts of the property, plant and equipment were based on their value-in-use, and the pre-tax discount rates of 18% and 17-21% were used for Singapore segment and PRC segment respectively.

5 INTANGIBLE ASSETS

	Group			Company
	Goodwill	**Club membership**	**Total**	**Club membership**
	$	**$**	**$**	**$**
Cost				
At 1 January 2013	1,080,733	95,000	1,175,733	95,000
Effect of movements in exchange rates	68,919	–	68,919	–
At 31 December 2013	1,149,652	95,000	1,244,652	95,000
At 1 January 2014	1,149,652	95,000	1,244,652	95,000
Effect of movements in exchange rates	22,464	–	22,464	–
At 31 December 2014	1,172,116	95,000	1,267,116	95,000
Accumulated amortisation and impairment losses				
At 1 January 2013	–	65,000	65,000	65,000
Amortisation	–	3,000	3,000	3,000
At 31 December 2013	–	68,000	68,000	68,000
At 1 January 2014	–	68,000	68,000	68,000
Amortisation	–	3,000	3,000	3,000
At 31 December 2014	–	71,000	71,000	71,000
Carrying amounts				
At 1 January 2013	1,080,733	30,000	1,110,733	30,000
At 31 December 2013	1,149,652	27,000	1,176,652	27,000
At 31 December 2014	1,172,116	24,000	1,196,116	24,000

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONTINUED)

Annual impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU identified as included in the following reportable segment:

	Group	
	2014 $	2013 $
Singapore	**17,684**	17,684
People's Republic of China		
– Hefei Dansun Packaging Co., Ltd	**656,024**	643,258
– Nantong group of entities	**498,408**	488,710
	1,172,116	1,149,652

The recoverable amount of a CGU is determined annually based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years.

For the purpose of analysing each CGU, management used the following key assumptions:

Group	Revenue Growth rate %
2014	
Singapore	**3**
People's Republic of China	**7**
2013	
Singapore	3
People's Republic of China	7-8

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments relevant to each of the CGU. Discount rates reflect the current market assessment of the risks specific to each CGU. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital. The pre-tax discount rates for each CGU in the Singapore and People's Republic of China segments are 12% (2013: 18%) and 13% (2013: 20%) respectively. Gross margins are based on average values achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. The Group believes that any reasonably possible change in the above key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

6 INVESTMENT IN SUBSIDIARIES

	Company	
	2014 $	2013 $
Equity investments at cost	**29,320,868**	29,320,868

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Principal activities	Ownership interest 2014 %	Ownership interest 2013 %
Held by the Company:				
United Packaging Industries Pte. Ltd.(i)	Singapore	Manufacture and sales of corrugated boards, corrugated cartons and other packaging products	**100**	100
Tat Seng Packaging (Suzhou) Co., Ltd (ii)	People's Republic of China	Manufacture and sales of corrugated boards, corrugated cartons and other packaging products	**100**	100
Hefei Dansun Packaging Co., Ltd (ii)	People's Republic of China	Manufacture and sales of corrugated cartons and other packaging products	**94.4**	94.4
Tianjin Dansun Packaging Co., Ltd (iii)	People's Republic of China	Manufacture and sales of corrugated cartons and other packaging products	**67**	67
Held through Tat Seng Packaging (Suzhou) Co., Ltd:				
Nantong Hengcheng Paper Industry Co., Ltd (iii)	People's Republic of China	Manufacture and sales of corrugated boards	**70**	70
Held through Nantong Hengcheng Paper Industry Co., Ltd:				
Nantong Tat Seng Packaging Co., Ltd (ii)	People's Republic of China	Manufacture and sales of corrugated boards	**100**	100

(i) Audited by KPMG LLP, Singapore
(ii) Audited by KPMG Huazhen for group consolidation purposes
(iii) The subsidiaries are not considered significant subsidiaries of the Group. For this purpose, a subsidiary is considered significant, as defined under the Singapore Exchange Limited Listing Manual, if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profit accounts for 20% or more of the Group's consolidated pre-tax profit.

7 INVESTMENT SECURITIES

	Group and Company 2014 $	Group and Company 2013 $
Available-for-sale financial assets		
Quoted equity instruments	**832,000**	736,000

Quoted equity instruments and their dividends receivable are denominated in Singapore dollar. Quoted equity instruments are stated at market value determined on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2014 $	2013 $	2014 $	2013 $
Group				
Property, plant and equipment	**(98,868)**	(258,888)	**664,182**	635,365
Provisions	**(940,756)**	(858,791)	**–**	–
Investment in subsidiaries	**–**	–	**102,959**	–
Trade and other receivables	**(238,003)**	(144,642)	**–**	–
Tax loss carry-forwards	**(1,128,230)**	(1,027,762)	**–**	–
Deferred tax (assets)/liabilities	**(2,405,857)**	(2,290,083)	**767,141**	635,365
Set off of tax	**767,141**	537,690	**(767,141)**	(537,690)
Net deferred tax (assets)/liabilities	**(1,638,716)**	(1,752,393)	**–**	97,675
Company				
Property, plant and equipment	**–**	–	**11,633**	86,441
Provisions	**(209,356)**	(219,242)	**–**	–
Tax loss carry-forwards	**(254,164)**	(85,488)	**–**	–
Deferred tax (assets)/liabilities	**(463,520)**	(304,730)	**11,633**	86,441
Set off of tax	**11,633**	86,441	**(11,633)**	(86,441)
Net deferred tax assets	**(451,887)**	(218,289)	**–**	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014 $	2013 $
Unutilised tax losses	**4,647,631**	184,452

The unutilised tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries concerned can utilise the benefit. Tax losses of the subsidiaries concerned amounting to $4,647,631 (2013: $184,452) will expire between 2017 and 2019 (2013: 2017).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2014, a deferred tax liability of $1,996,831 (2013: $1,515,043) for temporary differences of $39,936,617 (2013: $30,300,860) related to undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised temporary differences relating to investments in subsidiaries (Continued)

Movements in deferred tax assets and liabilities during the year:

	At 1 January 2013 $	Recognised in profit or loss $	Exchange differences $	At 31 December 2013 $	Recognised in profit or loss $	Exchange differences $	At 31 December 2014 $
Group							
Property, plant and equipment	303,629	68,730	4,118	376,477	181,446	7,391	**565,314**
Provisions	(689,675)	(136,883)	(32,233)	(858,791)	(67,375)	(14,590)	**(940,756)**
Investment in subsidiaries	–	–	–	–	102,959	–	**102,959**
Trade and other receivables	(131,448)	(4,512)	(8,682)	(144,642)	(87,409)	(5,952)	**(238,003)**
Tax loss carry-forwards	(93,834)	(898,971)	(34,957)	(1,027,762)	(107,746)	7,278	**(1,128,230)**
Total	(611,328)	(971,636)	(71,754)	(1,654,718)	21,875	(5,873)	**(1,638,716)**

	At 1 January 2013 $	Recognised in profit or loss $	At 31 December 2013 $	Recognised in profit or loss $	At 31 December 2014 $
Company					
Property, plant and equipment	101,910	(15,469)	86,441	(74,808)	**11,633**
Provisions	(200,322)	(18,920)	(219,242)	9,886	**(209,356)**
Tax loss carry-forwards	–	(85,488)	(85,488)	(168,676)	**(254,164)**
Total	(98,412)	(119,877)	(218,289)	(233,598)	**(451,887)**

9 INVENTORIES

	Group		Company	
	2014 $	2013 $	2014 $	2013 $
Raw materials	**12,382,363**	14,452,054	**–**	1,010,648
Work-in-progress	**374,509**	392,052	**–**	79,718
Finished goods	**1,711,407**	1,961,557	**–**	316,051
Goods-in-transit	**43,413**	204,558	**–**	–
Machinery parts	**238,356**	90,198	**–**	–
	14,750,048	17,100,419	**–**	1,406,417

	Group	
	2014 $	2013 $
Inventories recognised in cost of sales	**177,728,872**	170,883,903
Reversal of allowance for inventory obsolescence	**(32,715)**	(62,435)

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND BILLS RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade receivables	**47,992,232**	49,576,946	**3,427,702**	3,234,571
Bills receivables	**51,323,610**	49,559,912	**–**	–
	99,315,842	99,136,858	**3,427,702**	3,234,571

11 OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Other receivables	**804,399**	383,516	**7,077**	16,832
Deposits	**263,344**	547,716	**3,614**	77,659
	1,067,743	931,232	**10,691**	94,491
Advance to suppliers	**1,420,747**	1,119,834	**2,672**	–
	2,488,490	2,051,066	**13,363**	94,491

12 AMOUNTS DUE FROM/TO RELATED PARTIES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Amounts due from subsidiaries				
– trade	**–**	–	**–**	164,960
– non trade	**–**	–	**–**	3,455,267
	–	–	**–**	3,620,227
Amounts due to subsidiaries				
– trade	**–**	–	**345,620**	–
– non trade	**–**	–	**4,550**	–
	–	–	**350,170**	–
Amounts due to holding company				
– non trade	**215,863**	158,957	**215,863**	158,957
Amounts due to related parties	**215,863**	158,957	**566,033**	158,957

Non-trade balances due from/to related parties are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Fixed deposits	**1,000,000**	4,500,000	**1,000,000**	4,000,000
Cash at banks and in hand	**17,812,221**	21,625,996	**2,852,556**	2,686,004
	18,812,221	26,125,996	**3,852,556**	6,686,004

Cash and bank balances totalling $12,662,330 (2013: $16,173,339) are held in a country which operates foreign exchange controls. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following as at 31 December:

	Note	Group	
		2014	2013
		$	$
Fixed deposits		**1,000,000**	4,500,000
Cash at banks and in hand		**17,812,221**	21,625,996
		18,812,221	26,125,996
Cash and bank balances pledged as security for bills payable granted to the Group	18	**(3,176,141)**	(3,001,148)
Cash and cash equivalents		**15,636,080**	23,124,848

14 SHARE CAPITAL

	Group and Company	
	2014	2013
	No. of shares	No. of shares
Fully paid ordinary shares, with no par value		
At 1 January and 31 December	**157,200,000**	157,200,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

15 OTHER RESERVES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Fair value adjustment reserve	**457,600**	361,600	**457,600**	361,600
Foreign currency translation reserve	**4,974,453**	3,381,539	**–**	–
Statutory reserve fund	**4,938,207**	4,114,083	**–**	–
Capital reserve	**3,565,694**	3,565,694	**–**	–
	13,935,954	11,422,916	**457,600**	361,600

NOTES TO THE FINANCIAL STATEMENTS

15 OTHER RESERVES (CONTINUED)

(i) Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(ii) The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(iii) In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, wholly-owned subsidiaries are required to make appropriation to statutory reserve fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders. Appropriation to SRF for subsidiaries that are not wholly-owned are at the discretion of the Board of Directors.

(iv) The capital reserve represents the capitalisation of retained earnings of a subsidiary of the Group. The subsidiary capitalised its retained earnings in 2002 and 2005 in view of its expansion plans.

Capital reserve also arises from acquisition of non-controlling interests in a subsidiary. The difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid was recognised directly in capital reserve accordingly.

16 DEFERRED INCOME

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Cost				
At 1 January	**1,473,318**	1,394,920	**185,650**	185,650
Movement during the year	**77,982**	–	**–**	–
Exchange differences	**28,304**	78,398	**–**	–
At 31 December	**1,579,604**	1,473,318	**185,650**	185,650
Amortisation				
At 1 January	**188,269**	77,566	**43,318**	6,188
Amortisation	**112,039**	103,712	**37,130**	37,130
Exchange differences	**5,517**	6,991	**–**	–
At 31 December	**305,825**	188,269	**80,448**	43,318
Current	**120,660**	110,238	**37,130**	37,130
Non-current	**1,153,119**	1,174,811	**68,072**	105,202
	1,273,779	1,285,049	**105,202**	142,332

Included in deferred income are deferred capital grants relating to subsidies received for the acquisition of factory building and plant and machinery by subsidiaries. The grant is amortised to match the depreciation of the related property, plant and equipment acquired and is presented in other income. There are no unfulfilled conditions or contingencies attached to this grant.

NOTES TO THE FINANCIAL STATEMENTS

17 LOANS AND BORROWINGS

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Non-current				
Unsecured loan from holding company	–	3,500,000	–	3,500,000
Secured loans*	**1,156,674**	2,493,734	–	–
Secured obligations under finance lease*	**61,278**	–	**61,278**	–
	1,217,952	5,993,734	**61,278**	3,500,000
Current				
Unsecured loan from holding company	–	3,000,000	–	3,000,000
Unsecured loan from non-controlling interests	**639,535**	627,092	–	–
Unsecured loans	**8,795,420**	9,881,857	–	–
Secured loans*	**10,747,463**	8,169,751	–	–
Secured obligations under finance lease*	**16,008**	688,049	**16,008**	–
	20,198,426	22,366,749	**16,008**	3,000,000

* See Note 4 for securities pledged.

Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment. These leases have options to purchase the property, plant and equipment at an agreed price which is stated in the agreement.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payment 2014	Present value of payment 2014	Minimum lease payment 2013	Present value of payment 2013
	$	$	$	$
Group				
Within 1 year	**17,832**	16,008	**695,717**	688,049
After 1 year but within 5 years	**68,270**	61,278	–	–
Total minimum lease payments	**86,102**	77,286	**695,717**	688,049
Less: Amounts representing finance charges	**(8,816)**	–	**(7,668)**	–
Present value of minimum lease payments	**77,286**	77,286	**688,049**	688,049
Company				
Within 1 year	**17,832**	16,008	–	–
After 1 year but within 5 years	**68,270**	61,278	–	–
Total minimum lease payments	**86,102**	77,286	–	–
Less: Amounts representing finance charges	**(8,816)**	–	–	–
Present value of minimum lease payments	**77,286**	77,286	–	–

NOTES TO THE FINANCIAL STATEMENTS

17 LOANS AND BORROWINGS (CONTINUED)

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate per annum	Maturity	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Obligation under finance leases (secured)	4.80 – 7.35%	2014	**–**	688,049	**–**	–
Obligation under finance leases (secured)	4.48%	2019	**77,286**	–	**77,286**	–
Renminbi ("RMB") loan A (secured)	6.16 – 7.80%	2015	**7,744,245**	–	**–**	–
RMB loan B (secured)	7.38%	2015	**–**	4,384,206	**–**	–
RMB loan B (secured)	7.20%	2015	**2,543,222**	–	**–**	–
SGD loan C (secured)	3.40%	2018	**1,616,670**	–	**–**	–
Loan with non-controlling interests (unsecured)	6.60%	2014	**–**	627,092	**–**	–
Loan with non-controlling interests (unsecured)	6.44%	2015	**639,535**	–	**–**	–
RMB loan D (secured)	6.44 – 7.20%	2014	**–**	6,279,279	**–**	–
RMB loan E (unsecured)	5.60 – 6.90%	2014	**–**	9,881,857	**–**	–
RMB loan F (unsecured)	5.60 – 6.60%	2015	**8,795,420**	–	**–**	–
Loan with holding company (unsecured)	4.00%	2015	**–**	6,500,000	**–**	6,500,000
			21,416,378	28,360,483	**77,286**	6,500,000

18 BILLS PAYABLE TO BANKS

The bills payable of the Company were unsecured and non-interest bearing. The bills payable of the subsidiaries are secured by the leasehold land, certain leasehold buildings, certain plant and machinery, cash and bank balances of the subsidiaries, and are non-interest bearing and mature within 6 months from the financial year end.

19 TRADE AND OTHER PAYABLES

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Trade payables	**53,488,493**	55,710,260	**62,134**	660,993
Other payables	**3,565,962**	4,920,202	**137,749**	298,604
	57,054,455	60,630,462	**199,883**	959,597

20 OTHER LIABILITIES

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Accrued operating expenses	**5,272,675**	5,041,877	**1,439,063**	1,774,155
Accrued staff remuneration	**5,867,148**	5,642,798	**1,729,166**	2,462,773
Others	**147,016**	224,219	**146,537**	161,553
	11,286,839	10,908,894	**3,314,766**	4,398,481

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER INCOME

The following items have been included in arriving at other income:

	Group	
	2014	2013
	$	$
Reversal of impairment loss on property, plant and equipment	**–**	204,862
Interest income from fixed deposit and others	**238,072**	179,350
Government grants	**245,430**	165,799
Gain on disposal of property, plant and equipment	**169,508**	–

22 OTHER EXPENSES

The following items have been included in arriving at other operating expenses:

	Group	
	2014	2013
	$	$
Net foreign exchange loss	**122,630**	38,052
Property, plant and equipment written off	**81,727**	77,839
Loss on disposal of property, plant and equipment	**–**	202,830
Allowance for/(reversal of) impairment losses for trade receivables recognised	**512,415**	(103,873)
Bad debts directly written off	**185,057**	–
Inventories written off	**–**	100,389

23 FINANCE COSTS

	Group	
	2014	2013
	$	$
Interest expense on loans and borrowings	**2,310,083**	2,394,648
Bank charges	**133,090**	167,666
	2,443,173	2,562,314

24 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	Group	
	2014	2013
	$	$
Audit fees paid to:		
– auditors of the Company	**113,160**	111,400
– other auditors	**125,848**	120,510
Non-audit fees paid to:		
– auditors of the Company	**7,000**	17,000
– other auditors	**75,500**	46,000
Directors' fees	**214,000**	230,000
Staff costs	**29,985,276**	28,637,050
Contributions to defined contribution plans, included in staff costs	**1,574,724**	1,423,455
Operating lease expenses	**3,056,829**	3,678,776
Grant income, offset against relocation expenses	**–**	(322,305)

NOTES TO THE FINANCIAL STATEMENTS

25 INCOME TAX EXPENSE

	Group	
	2014	2013
	$	$
Current tax expense		
Current year	**3,759,862**	3,495,171
Underprovision in respect of previous years	**92,788**	167,665
	3,852,650	3,662,836
Deferred tax expense		
Movement in temporary differences	**(812,675)**	(574,479)
Change in tax rate	**146,488**	(5,376)
Write-down of deferred tax asset	**688,062**	–
Underprovision in respect of previous years	**–**	6,233
Recognition of tax effect of previously unrecognised tax losses	**–**	(398,014)
	21,875	(971,636)
Total income tax expenses	**3,874,525**	2,691,200

Reconciliation of effective tax rate

	2014	2013
Profit before income tax	**13,430,924**	14,890,875
Tax at applicable rate of 17% (2013: 17%)	**2,283,257**	2,531,449
Non deductible expenses	**181,616**	120,726
Income not subject to tax	**(10,544)**	(31,515)
Change in tax rate	**146,488**	(5,376)
Effect of different tax rates in other countries	**610,866**	549,236
Underprovision in respect of previous years	**92,788**	173,898
Write-down of deferred tax asset	**688,062**	–
Tax rebate	**(682,096)**	(200,615)
Deferred tax assets not recognised	**474,571**	–
Recognition of tax effect of previously unrecognised tax losses	**–**	(398,014)
Others	**89,517**	(48,589)
	3,874,525	2,691,200

A foreign subsidiary was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from 2011 to 2013. The subsidiary renewed its HNTE qualification in 2014, and will be entitled to the preferential tax rate of 15% for another three years retrospectively from 2014 to 2016 upon approval by the tax authority and subject to the subsidiary's compliance with the conditions imposed by the tax authority.

26 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

26 EARNINGS PER SHARE (CONTINUED)

The following tables reflect the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2014	2013
	$	$
Profit, net of tax, attributable to owners of the Company	**9,489,943**	11,836,989
	No. of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**157,200,000**	157,200,000

As there are no share options and warrants in issue as at the financial year end, the basic and fully diluted earnings per share are the same.

27 DIVIDENDS

	Group and Company	
	2014	2013
	$	$
Declared and paid during the financial year:		
Interim exempt (one-tier) dividend at $0.01 (2013: $0.01) per ordinary share	**1,572,000**	1,572,000
Final exempt (one-tier) dividend at $0.01 (2013: $0.01) per ordinary share	**1,572,000**	–
	3,144,000	1,572,000

A final exempt (one-tier) dividend at $0.01 per ordinary share has been proposed by the Directors after the reporting date. The dividends have not been provided for.

28 BANKING FACILITIES

The amounts of credit facilities granted by the banks to the Group and the Company at the balance sheet date were as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Loan and trade financing facilities	**97,997,050**	92,149,090	**6,100,000**	6,500,000
Overdraft facilities	**2,100,000**	3,600,000	**–**	1,500,000
Foreign exchange contracts	**12,750,000**	14,250,000	**4,000,000**	8,000,000

The banking facilities of its subsidiaries are secured by the leasehold land, certain leasehold buildings and certain plant and machinery of its subsidiaries (Note 4).

NOTES TO THE FINANCIAL STATEMENTS

29 RELATED PARTIES

During the year, other than disclosed elsewhere in the financial statements, there were the following significant transactions with related parties:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Holding company:				
Interest expense	**156,877**	260,000	**156,877**	260,000
Corporate service fee	**48,000**	48,000	**48,000**	48,000
Subsidiaries:				
Sales	**–**	–	**–**	409,303
Sale of assets	**–**	–	**2,140,145**	–
Management fee income	**–**	–	**475,316**	938,074
Dividend income	**–**	–	**4,424,557**	2,926,173
Purchases	**–**	–	**14,028,210**	579,051
Related parties:				
Sales	**20,539**	27,025	**20,539**	27,025

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2014	2013
	$	$
Short-term employee benefits	**2,882,849**	3,234,716
Central Provident Fund contributions	**38,776**	37,400
Other short-term benefits	**20,394**	53,179
Total compensation paid to Executive Directors of the Company, included in staff costs	**2,942,019**	3,325,295

The management considers that there were no key management personnel other than the Executive Directors.

30 COMMITMENTS

Lease commitments

The Group has entered into commercial leases on certain factory equipment, office equipment and leasehold land and properties. These non-cancellable leases have remaining lease terms of between 1 to 32 years. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. One of the leasehold properties contains a clause to enable upward revisions of rental charge by 7% in June 2010 and 7% every 3 years thereafter.

NOTES TO THE FINANCIAL STATEMENTS

30 COMMITMENTS (CONTINUED)

***Lease commitments** (Continued)*

At the balance sheet date, commitments of the Group and the Company for minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Within 1 year	**1,900,994**	2,708,322	**1,674,860**	1,743,510
After 1 year but within 5 years	**8,541,289**	7,498,622	**6,994,040**	6,895,261
More than 5 years	**6,372,787**	9,076,786	**4,557,201**	6,334,290
	16,815,070	19,283,730	**13,226,101**	14,973,061

Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Capital commitments in respect of purchase of property, plant and equipment	**1,290,327**	1,833,648	**–**	–

Corporate guarantees

At the balance sheet date, the Company provided corporate guarantees amounting to $22,559,468 (2013: $22,455,763) to banks for banking facilities of $25,729,468 (2013: $25,625,763) made available to its subsidiaries, of which the subsidiaries has utilised $6,119,307 (2013: $6,718,831).

31 FINANCIAL RISK MANAGEMENT

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. The Group and the Company do not apply hedge accounting.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's maximum exposure to credit risk arises primarily from trade and other receivables.

Credit risk is managed through the application of credit approvals, credit limits, credit insurance and monitoring procedures. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing with reputable counterparties. As at 31 December 2014, the Group's concentration of credit risk by geographical locations is in Singapore and the PRC.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

***Credit risk** (Continued)*

The Group determines concentration of credit risk by monitoring the country of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables by country at the balance sheet date is as follows:

	2014		2013	
	$	% of total	$	% of total
Singapore	**6,641,547**	**7%**	7,418,343	7%
PRC	**92,674,295**	**93%**	91,718,515	93%
	99,315,842	**100%**	99,136,858	100%

Impairment losses

The ageing of loans and receivables, excluding cash and cash equivalents, at the balance sheet date is:

	Gross 2014 $	Impairment losses 2014 $	Gross 2013 $	Impairment losses 2013 $
Group				
Not past due	**94,942,988**	**–**	93,937,244	–
Past due 0 – 90 days	**3,144,318**	**109,721**	4,976,654	169,619
Past due 91 – 180 days	**193,054**	**77,400**	403,200	13,798
More than 180 days	**2,156,922**	**934,319**	401,214	398,037
No credit term	**1,067,743**	**–**	931,232	–
	101,505,025	**1,121,440**	100,649,544	581,454
Company				
Not past due	**3,371,264**	**–**	3,333,024	–
Past due 0 – 90 days	**56,438**	**–**	66,507	–
Past due 91 – 180 days	**67**	**67**	1,200	1,200
More than 180 days	**9,991**	**9,991**	–	–
No credit term	**10,691**	**–**	3,549,758	–
	3,448,451	**10,058**	6,950,489	1,200

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk *(Continued)*

Impairment losses *(Continued)*

The movements in impairment losses in respect of loans and receivables during the year are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
At 1 January	**581,454**	651,249	**1,200**	–
Allowance for/(reversal of) impairment losses recognised	**512,415**	(103,873)	**8,858**	1,200
Write off	**–**	(694)	**–**	–
Exchange differences	**27,571**	34,772	**–**	–
At 31 December	**1,121,440**	581,454	**10,058**	1,200

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. Liquidity risk arises in the general funding of the Group's operating activities. It includes the risk of not being able to fund operating activities at settlement dates and liquidate positions in a timely manner at a reasonable price.

The Group manages its liquidity risk by ensuring the availability of funding through diverse sources of committed and uncommitted credit facilities from various banks and maintaining adequate cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

***Liquidity risk** (Continued)*

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash flows		
	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
Group	$	$	$	$
2014				
Trade and other payables	**57,054,455**	**57,054,455**	**57,054,455**	**–**
Bills payable to banks	**11,535,975**	**11,535,975**	**11,535,975**	**–**
Loans and borrowings	**21,416,378**	**22,311,552**	**21,032,102**	**1,279,450**
Other liabilities	**11,286,839**	**11,286,839**	**11,286,839**	**–**
Amounts due to related parties	**215,863**	**215,863**	**215,863**	**–**
	101,509,510	**102,404,684**	**101,125,234**	**1,279,450**
2013				
Trade and other payables	60,630,462	60,630,462	60,630,462	–
Bills payable to banks	15,091,474	15,091,474	15,091,474	–
Loans and borrowings	28,360,483	29,646,789	23,237,656	6,409,133
Other liabilities	10,908,894	10,908,894	10,908,894	–
Amounts due to related parties	158,957	158,957	158,957	–
	115,150,270	116,436,576	110,027,443	6,409,133
Company				
2014				
Trade and other payables	**199,883**	**199,883**	**199,883**	**–**
Loans and borrowings	**77,286**	**86,102**	**17,832**	**68,270**
Other liabilities	**3,314,766**	**3,314,766**	**3,314,766**	**–**
Amounts due to related parties	**566,033**	**566,033**	**566,033**	**–**
Recognised financial liabilities	**4,157,968**	**4,166,784**	**4,098,514**	**68,270**
Intra-group financial guarantee	**–**	**22,559,468**	**22,559,468**	**–**
	4,157,968	**26,726,252**	**26,657,982**	**68,270**
2013				
Trade and other payables	959,597	959,597	959,597	–
Loans and borrowings	6,500,000	6,837,734	3,244,401	3,593,333
Other liabilities	4,398,481	4,398,481	4,398,481	–
Amounts due to related parties	158,957	158,957	158,957	–
Recognised financial liabilities	12,017,035	12,354,769	8,761,436	3,593,333
Intra-group financial guarantee	–	22,455,763	22,455,763	–
	12,017,035	34,810,532	31,217,199	3,593,333

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arise primarily from their loans and borrowings. The Group's policy is to maintain the bank borrowings to the minimum, and to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds in the Group are placed in deposits with banks and are subject to interest rate risk.

At the balance sheet date, the interest rate profile of the interest-bearing financial instruments was:

	Group Carrying amount		Company Carrying amount	
	2014 $	**2013 $**	**2014 $**	**2013 $**
Fixed rate instruments				
Financial assets	**1,000,000**	4,500,000	**1,000,000**	4,000,000
Financial liabilities	**(16,616,950)**	(12,143,825)	**(77,286)**	(6,500,000)
	(15,616,950)	(7,643,825)	**922,714**	(2,500,000)
Variable rate instruments				
Financial assets	**12,714,927**	16,910,740	**11,759**	43,433
Financial liabilities	**(4,799,428)**	(16,216,658)	**–**	–
	7,915,499	694,082	**11,759**	43,433

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% (2013: 1%) in interest rates at the reporting date would have increased/(decreased) profit or loss (before any tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss			
	Group		Company	
	1% increase $	**1% decrease $**	**1% increase $**	**1% decrease $**
2014				
Variable rate instruments	**79,155**	**(79,155)**	**118**	**(118)**
2013				
Variable rate instruments	6,941	(6,941)	434	(434)

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Group is exposed to foreign exchange risk on sales and purchases that are denominated in a currency other than the functional currency of the respective companies in the Group. The currency giving rise to this risk is primarily the United States dollar.

Foreign currencies received are kept in foreign currency bank accounts and are used to make foreign currency payments so as to minimise the foreign exchange exposure. The Group is also exposed to currency translation risk arising from its net investments in PRC. The Group's net investments in PRC are not hedged as currency positions in RMB is considered long-term in nature. The Group's exposures to foreign currencies (before inter-company elimination) are as follows:

Group	2014 US Dollars ("USD") $	2014 Singapore dollars ("SGD") $	2014 Others $	2013 US Dollars ("USD") $	2013 Singapore dollars ("SGD") $	2013 Others $
Trade and bills receivables	**894,296**	**–**	**–**	1,054,065	–	–
Cash and cash equivalents	**237,193**	**39,900**	**–**	867,524	39,900	–
Trade and other payables	**(2,289,400)**	**–**	**(55,694)**	(1,231,016)	–	(35,884)
Balances with related parties	**–**	**(89,903)**	**–**	(85,353)	(58,845)	–
Net financial (liabilities)/assets	**(1,157,911)**	**(50,003)**	**(55,694)**	605,220	(18,945)	(35,884)

Company	2014 US Dollars ("USD") $	2014 Others $	2013 US Dollars ("USD") $	2013 Others $
Trade and bills receivables	**36,520**	**–**	46,304	–
Cash and cash equivalents	**34,255**	**–**	43,433	–
Trade and other payables	**(157,394)**	**(7,399)**	(199,560)	(10,558)
Net financial liabilities	**(86,619)**	**(7,399)**	(109,823)	(10,558)

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk *(Continued)*

Sensitivity analysis

A 5% (2013: 5%) strengthening of the above currencies against the functional currency of the respective subsidiaries of the Group and the Company at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss	
	Group	Company
	$	$
31 December 2014		
USD	**(57,896)**	**(4,331)**
SGD	**(2,500)**	**–**
Others	**(2,785)**	**(370)**
31 December 2013		
USD	30,261	(5,491)
SGD	(947)	–
Others	(1,794)	(528)

A 5% (2013: 5%) weakening of the above currencies against the functional currency of the respective subsidiaries of the Group and the Company would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2013.

Sensitivity analysis-equity price risk

A 2% (2013: 2%) increase/(decrease) in the underlying prices of quoted equity security available-for-sale at the reporting date would increase/(decrease) equity of the Group and the Company by $16,640 (2013: $14,720). This analysis assumes that all other variables remain constant.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

Financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity or are repriced frequently.

The quoted equity securities are carried at fair value and measured based on quoted prices (unadjusted) from active markets at the balance sheet date (level 1). Fair value of other long term liabilities is calculated based on the present value of future principal cash flows, discounted at the market rate of interest at the measurement date. The fair value measurement of the long term liabilities is categorised under level 3. Key inputs correspond to variability of cash outflows and the prime lending rate adjusted for credit spread.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Estimation of fair values *(Continued)*

Financial assets and liabilities (Continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	Loans and receivables $	Available-for-sale $	Other financial liabilities $	Total carrying amount $	Fair value $
Group						
2014						
Investment securities	7	**–**	**832,000**	**–**	**832,000**	**832,000**
Trade and bills receivables	10	**99,315,842**	**–**	**–**	**99,315,842**	**99,315,842**
Other receivables and deposits[i]	11	**1,067,743**	**–**	**–**	**1,067,743**	**1,067,743**
Cash and cash equivalents	13	**18,812,221**	**–**	**–**	**18,812,221**	**18,812,221**
Loans and borrowings	17	**–**	**–**	**(21,416,378)**	**(21,416,378)**	**(21,416,378)**
Bills payable to banks	18	**–**	**–**	**(11,535,975)**	**(11,535,975)**	**(11,535,975)**
Trade and other payables	19	**–**	**–**	**(57,054,455)**	**(57,054,455)**	**(57,054,455)**
Other liabilities	20	**–**	**–**	**(11,286,839)**	**(11,286,839)**	**(11,286,839)**
Amounts due to related parties	12	**–**	**–**	**(215,863)**	**(215,863)**	**(215,863)**
		119,195,806	**832,000**	**(101,509,510)**	**18,518,296**	**18,518,296**
2013						
Investment securities	7	–	736,000	–	736,000	736,000
Trade and bills receivables	10	99,136,858	–	–	99,136,858	99,136,858
Other receivables and deposits[i]	11	931,232	–	–	931,232	931,232
Cash and cash equivalents	13	26,125,996	–	–	26,125,996	26,125,996
Loans and borrowings	17	–	–	(28,360,483)	(28,360,483)	(28,393,574)
Bills payable to banks	18	–	–	(15,091,474)	(15,091,474)	(15,091,474)
Trade and other payables	19	–	–	(60,630,462)	(60,630,462)	(60,630,462)
Other liabilities	20	–	–	(10,908,894)	(10,908,894)	(10,908,894)
Amounts due to related parties	12	–	–	(158,957)	(158,957)	(158,957)
		126,194,086	736,000	(115,150,270)	11,779,816	11,746,725

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Estimation of fair values *(Continued)*

Financial assets and liabilities (Continued)

	Note	Loans and receivables $	Available-for-sale $	Other financial liabilities $	Total carrying amount $	Fair value $
Company						
2014						
Investment securities	7	**–**	**832,000**	**–**	**832,000**	**832,000**
Trade and bills receivables	10	**3,427,702**	**–**	**–**	**3,427,702**	**3,427,702**
Other receivables and deposits[i]	11	**10,691**	**–**	**–**	**10,691**	**10,691**
Amounts due from related parties	12	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	13	**3,852,556**	**–**	**–**	**3,852,556**	**3,852,556**
Loans and borrowings	17	**–**	**–**	**(77,286)**	**(77,286)**	**(77,286)**
Trade and other payables	19	**–**	**–**	**(199,883)**	**(199,883)**	**(199,883)**
Other liabilities	20	**–**	**–**	**(3,314,766)**	**(3,314,766)**	**(3,314,766)**
Amounts due to related parties	12	**–**	**–**	**(566,033)**	**(566,033)**	**(566,033)**
		7,290,949	**832,000**	**(4,157,968)**	**3,964,981**	**3,964,981**
2013						
Investment securities	7	–	736,000	–	736,000	736,000
Trade and bills receivables	10	3,234,571	–	–	3,234,571	3,234,571
Other receivables and deposits[i]	11	94,491	–	–	94,491	94,491
Amounts due from related parties	12	3,620,227	–	–	3,620,227	3,620,227
Cash and cash equivalents	13	6,686,004	–	–	6,686,004	6,686,004
Loans and borrowings	17	–	–	(6,500,000)	(6,500,000)	(6,533,091)
Trade and other payables	19	–	–	(959,597)	(959,597)	(959,597)
Other liabilities	20	–	–	(4,398,481)	(4,398,481)	(4,398,481)
Amounts due to related parties	12	–	–	(158,957)	(158,957)	(158,957)
		13,635,293	736,000	(12,017,035)	2,354,258	2,321,167

[i] *Excludes advances to suppliers*

NOTES TO THE FINANCIAL STATEMENTS

32 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

As disclosed in Note 15, subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, amounts due to related parties, other liabilities, bills payable to banks, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve and the above mentioned restricted statutory reserve funds.

	Group	
	2014	2013
	$	$
Trade and other payables	**57,054,455**	60,630,462
Amounts due to related parties	**215,863**	158,957
Bills payable to banks	**11,535,975**	15,091,474
Loans and borrowings	**21,416,378**	28,360,483
Other liabilities	**11,286,839**	10,908,894
Less: Cash and cash equivalents	**(18,812,221)**	(26,125,996)
Net debt	**82,697,289**	89,024,274
Equity attributable to owners of the Company	**88,219,407**	80,181,682
Less: Fair value adjustment reserve	**(457,600)**	(361,600)
Less: Statutory reserve fund	**(4,938,207)**	(4,114,083)
Total capital	**82,823,600**	75,705,999
Capital and net debt	**165,520,889**	164,730,273
Gearing ratio	**50%**	54%

NOTES TO THE FINANCIAL STATEMENTS

33 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarises the information relating to the Group's subsidiaries with material Non-controlling interest ("NCI"), based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in Group's accounting policies.

Name of NCI	Material NCI in PRC	Other individually immaterial NCI in PRC	Intra-group elimination	Total
2014				
Revenue	**43,596,165**			
Profit	**2,103,054**			
Other comprehensive income	**189,019**			
Total comprehensive income	**2,292,073**			
Attributable to NCI:				
– Profit	**630,916**	**(563,928)**	**(532)**	**66,456**
– Other comprehensive income	**56,706**	**(67,488)**	**–**	**(10,782)**
– Total comprehensive income	**687,622**	**(631,416)**	**(532)**	**55,674**
Non-current assets	**10,802,486**			
Current assets	**28,552,580**			
Non-current liabilities	**–**			
Current liabilities	**(31,356,055)**			
Net assets	**7,999,011**			
Net assets attributable to NCI	**2,399,703**	**2,985,505**	**24,867**	**5,410,075**
Cash flows from operating activities	**673,826**			
Cash flows used in investing activities	**(1,355,606)**			
Cash flows used in financing activities, (dividends to NCI: Nil)	**(496,948)**			
Net decrease in cash and cash equivalents	**(1,178,728)**			
2013				
Revenue	36,491,876			
Profit	1,546,922			
Other comprehensive income	310,039			
Total comprehensive income	1,856,961			
Attributable to NCI:				
– Profit	464,076	(100,869)	(521)	362,686
– Other comprehensive income	93,011	222,993	–	316,004
– Total comprehensive income	557,087	122,124	(521)	678,690
Non-current assets	10,183,222			
Current assets	25,802,161			
Non-current liabilities	–			
Current liabilities	(30,276,861)			
Net assets	5,708,522			
Net assets attributable to NCI	1,712,557	3,616,921	24,923	5,354,401
Cash flows used in operating activities	(1,563,044)			
Cash flows used in investing activities	(983,774)			
Cash flows from financing activities, (dividends to NCI: Nil)	1,862,997			
Net decrease in cash and cash equivalents	(683,821)			

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENT INFORMATION

The Group has two reportable segments which are geographical segments namely Singapore and PRC. These geographical segments are managed separately because they require different marketing strategies and bear different financial and business risks.

Geographical segments are defined based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. These operating businesses are organised and managed separately with each segment representing a strategic business unit that serves different markets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax and deferred tax liabilities. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

	Singapore $	PRC $	Group $
2014			
Revenue:			
Sales to external customers	36,809,881	187,735,129	224,545,010
Segment results	(1,395,169)	17,269,266	15,874,097
Finance costs			(2,443,173)
Taxation			(3,874,525)
Net profit for the year			9,556,399
Segment assets			
– Non-current assets	5,210,199	52,286,735	57,496,934
– Current assets	16,258,669	120,358,462	136,617,131
Investment securities			832,000
Unallocated assets			1,638,716
Total assets			196,584,781
Segment liabilities	10,629,813	92,153,476	102,783,289
Unallocated liabilities			172,010
Total liabilities			102,955,299
Capital expenditure	2,386,966	5,563,622	7,950,588
Depreciation of property, plant and equipment	784,624	5,127,635	5,912,259

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENT INFORMATION (CONTINUED)

	Singapore $	PRC $	Group $
2013			
Revenue:			
Sales to external customers	40,446,263	175,154,641	215,600,904
Segment results	(508,578)	17,961,767	17,453,189
Finance costs			(2,562,314)
Taxation			(2,691,200)
Net profit for the year			12,199,675
Segment assets			
– Non-current assets	3,712,112	51,442,925	55,155,037
– Current assets	20,604,326	125,151,174	145,755,500
Investment securities			736,000
Unallocated assets			1,752,393
Total assets			203,398,930
Segment liabilities	15,134,369	101,300,950	116,435,319
Unallocated liabilities			1,427,528
Total liabilities			117,862,847
Capital expenditure	2,665,778	6,748,816	9,414,594
Allowance for/(reversal of) impairment loss on property, plant and equipment	86,449	(291,311)	(204,862)
Depreciation of property, plant and equipment	702,302	4,702,588	5,404,890

LAND & BUILDINGS

As at 31 December 2014

CHINA, SUZHOU OPERATIONS

• Location	:	Suzhou Jiangsu Province, Wanting Town, 88 Wendu Road
• Usage	:	Factory premises, office building, dormitory, development
• Land area	:	58,798.6 square metres
• Tenure	:	Leasehold – 50 years lease of 58,798.6 square metres expiring on 4 September 2047
• Ownership	:	100% owned by Tat Seng Packaging (Suzhou) Co., Ltd.
• Net carrying amount	:	RMB25.0 million (approximately S$5.3 million) as at 31 December 2014

CHINA, HEFEI OPERATIONS

• Location	:	Hefei Anhui Province, 105, Zipeng Road
• Usage	:	Factory premises, office building
• Land area	:	49,400 square metres
• Tenure	:	Leasehold – 48 years lease of 35,800 square metres expiring in August 2053 – 49 years 8 months lease of 13,600 square metres expiring on 8 December 2056
• Ownership	:	100% owned by Hefei Dansun Packaging Co., Ltd.
• Net carrying amount	:	RMB29.1 million (approximately to S$6.2 million) as at 31 December 2014

CHINA, NANTONG TAT SENG OPERATIONS

• Location	:	Jiangsu Province, Nantong City, Xiting Town, Ting Nan Heng Road
• Usage	:	Factory premises, office building
• Land area	:	26,586 square metres
• Tenure	:	Leasehold – 50 years lease of 26,586 square metres expiring on 18 March 2060
• Ownership	:	100% owned by Nantong Tat Seng Packaging Co., Ltd.
• Net carrying amount	:	RMB22.4 million (approximately to S$4.8 million) as at 31 December 2014

CHINA, TIANJIN DANSUN OPERATIONS

• Location	:	Tianjin, Tianjin Airport Economic Development Zone, 257 Jing Yi Lu Wei Liu Dao Bei
• Usage	:	Factory premises, office building
• Land area	:	33,233 square metres
• Tenure	:	Leasehold – 50 years lease of 33,233 square metres expiring on 3 April 2062
• Ownership	:	100% owned by Tianjin Dansun Packaging Co., Ltd.
• Net carrying amount	:	RMB53.0 million (approximately to S$11.3 million) as at 31 December 2014

资产负债表
于2014年12月31日

	附注	集团 2014 $	集团 2013 $	公司 2014 $	公司 2013 $
非流动资产					
固定资产	4	**56,300,818**	53,978,385	**556,723**	859,483
无形资产	5	**1,196,116**	1,176,652	**24,000**	27,000
投资子公司	6	**–**	–	**29,320,868**	29,320,868
投资性金融资产	7	**832,000**	736,000	**832,000**	736,000
递延所得税资产	8	**1,638,716**	1,752,393	**451,887**	218,289
		59,967,650	57,643,430	**31,185,478**	31,161,640
流动资产					
存货	9	**14,750,048**	17,100,419	**–**	1,406,417
应收账款及应收票据	10	**99,315,842**	99,136,858	**3,427,702**	3,234,571
待摊费用		**1,250,530**	1,341,161	**19,041**	42,763
其他应收款及押金	11	**2,488,490**	2,051,066	**13,363**	94,491
关联方应收款	12	**–**	–	**–**	3,620,227
现金和现金等同物	13	**18,812,221**	26,125,996	**3,852,556**	6,686,004
		136,617,131	145,755,500	**7,312,662**	15,084,473
资产总计		**196,584,781**	203,398,930	**38,498,140**	46,246,113
股东权益					
股本	14	**31,440,000**	31,440,000	**31,440,000**	31,440,000
未分配利润		**42,843,453**	37,318,766	**2,337,370**	2,273,215
储备金	15	**13,935,954**	11,422,916	**457,600**	361,600
		88,219,407	80,181,682	**34,234,970**	34,074,815
少数股东权益		**5,410,075**	5,354,401	**–**	–
股东权益合计		**93,629,482**	85,536,083	**34,234,970**	34,074,815
非流动负债					
递延收入	16	**1,153,119**	1,174,811	**68,072**	105,202
递延所得税负债	8	**–**	97,675	**–**	–
长期借款	17	**1,217,952**	5,993,734	**61,278**	3,500,000
		2,371,071	7,266,220	**129,350**	3,605,202
流动负债					
递延收入	16	**120,660**	110,238	**37,130**	37,130
应交所得税		**172,010**	1,329,853	**–**	11,931
短期借款	17	**20,198,426**	22,366,749	**16,008**	3,000,000
应付票据	18	**11,535,975**	15,091,474	**–**	–
应付账款及其他应付款	19	**57,054,455**	60,630,462	**199,883**	959,597
其他负债	20	**11,286,839**	10,908,894	**3,314,766**	4,398,481
关联方应付款	12	**215,863**	158,957	**566,033**	158,957
		100,584,228	110,596,627	**4,133,820**	8,566,096
负债合计		**102,955,299**	117,862,847	**4,263,170**	12,171,298
负债及股东权益总计		**196,584,781**	203,398,930	**38,498,140**	46,246,113

附注内容是财务报表的组成部分之一。

合并损益表

至2014年12月31日止年度

	附注	2014 $	2013 $
销售收入		**224,545,010**	215,600,904
销售成本		**(179,105,371)**	(171,777,448)
毛利		**45,439,639**	43,823,456
其他营业收入	21	**939,038**	857,063
销售费用		**(13,263,524)**	(12,492,424)
管理费用		**(15,910,743)**	(14,236,635)
其他营业费用	22	**(1,330,313)**	(498,271)
营业活动之盈利		**15,874,097**	17,453,189
财务费用	23	**(2,443,173)**	(2,562,314)
税前盈利	24	**13,430,924**	14,890,875
所得税费用	25	**(3,874,525)**	(2,691,200)
本期盈利		**9,556,399**	12,199,675
可归属			
母公司股东		**9,489,943**	11,836,989
少数股东权益	33	**66,456**	362,686
本期盈利		**9,556,399**	12,199,675
每股收益			
每股基本与稀释收益(分)	26	**6.04**	7.53

SHAREHOLDING STATISTICS

As at 12 March 2015

Number of Issued and Fully Paid Shares	:	157,200,000
Class of Shares	:	Ordinary Shares with equal voting rights
Issued and Fully Paid Share Capital	:	S$31,440,000

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2015

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES HELD DIRECT INTEREST	DEEMED INTEREST	SHAREHOLDING PERCENTAGE %
Hanwell Holdings Limited	100,529,000	–	63.95
Loh See Moon	23,580,000	–	15.00
Violet Profit Holdings Limited[1]	–	100,529,000	63.95
Ku Yun-Sen[1]	–	100,529,000	63.95

Note:

[1] Violet Profit Holdings Limited and Ku Yun-Sen are deemed to be interested in 100,529,000 shares held by Hanwell Holdings Limited in the capital of the Company, by virtue of Section 7(4A) of the Companies Act, Cap. 50.

DIRECTORS' SHAREHOLDING AS AT 21 JANUARY 2015

DIRECTORS	HOLDINGS IN THE NAME OF DIRECTOR OR IN WHICH DIRECTOR HAS A DIRECT INTEREST	HOLDINGS IN WHICH THE DIRECTOR IS DEEMED TO HAVE AN INTEREST
Loh See Moon	23,580,000	–
Cheong Poh Hua	516,000	260,000*

* Cheong Poh Hua is deemed to be interested in 260,000 shares held by her spouse in the capital of the Company.

ANALYSIS OF SHAREHOLDERS AS AT 12 MARCH 2015

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.21	4	0.00
100 – 1,000	362	38.47	360,695	0.23
1,001 – 10,000	283	30.08	1,546,400	0.98
10,001 – 1,000,000	289	30.71	24,041,901	15.30
1,000,001 AND ABOVE	5	0.53	131,251,000	83.49
	941	100.00	157,200,000	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 12 March 2015, 20.56% of the issued ordinary shares of the Company is held by the public. Rule 723 of the Listing Manual issued by the SGX-ST is therefore complied with.

SHAREHOLDING STATISTICS

As at 12 March 2015

MAJOR SHAREHOLDERS LIST – TOP 20 AS AT 12 MARCH 2015

NO.	NAME OF SHAREHOLDER	NO. OF SHARES HELD	%
1.	Hanwell Holdings Limited	100,529,000	63.95
2.	Loh See Moon	23,580,000	15.00
3.	Phillip Securities Pte Ltd	3,042,000	1.94
4.	DBS Nominees Pte Ltd	2,100,000	1.34
5.	SBS Nominees Pte Ltd	2,000,000	1.27
6.	Maybank Nominees (S) Pte Ltd	848,000	0.54
7.	SKMC Private Ltd	800,000	0.51
8.	ABN AMRO Clearing Bank N.V.	672,000	0.43
9.	Raffles Nominees (Pte) Ltd	664,200	0.42
10.	Ang Hao Yao (Hong Hao Yao)	641,000	0.41
11.	Liu Wenying	641,000	0.41
12.	CIMB Securities (Singapore) Pte Ltd	614,401	0.39
13.	Maybank Kim Eng Securities Pte Ltd	602,500	0.38
14.	Tang Kay Heng	590,100	0.37
15.	FSK Investment Holding Pte. Ltd.	559,700	0.36
16.	Loo Wai Hoong Mrs Ang Wai Hoong	524,000	0.33
17.	Cheong Poh Hua	516,000	0.33
18.	Sophia Ang Bee Leng	501,000	0.32
19.	Kong Kok Choy	492,000	0.31
20.	United Overseas Bank Nominees Pte Ltd	386,000	0.24
		140,302,901	89.25

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tat Seng Packaging Group Ltd (the "**Company**") will be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 24 April 2015 at 2:30 p.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **[Resolution 1]**

2. To declare a final dividend (tax exempt one-tier) of S$0.01 per ordinary share for the financial year ended 31 December 2014 (2013: S$0.01 per ordinary share (tax exempt one-tier)) **[Resolution 2]**

3. To re-elect the following Directors of the Company, each of whom will retire in accordance with Article 91 of the Company's Articles of Association:

   (a) Dr Tang Cheuk Chee **[Resolution 3]**
   (b) Dr John Chen Seow Phun **[Resolution 4]**

   [See Explanatory Note (1)]

4. To approve the payment of Directors' Fees of S$214,000 for the financial year ended 31 December 2014. (2013: S$230,000) **[Resolution 5]**

5. To re-appoint KPMG LLP as Auditors and to authorise the Directors of the Company to fix their remuneration. **[Resolution 6]**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution with or without amendments as ordinary resolution:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap.50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited.**

   That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "***Share Issue Mandate***")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of the Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[Resolution 7]

[See Explanatory Note (2)]

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Tat Seng Packaging Group Ltd (the "**Company**") will be closed on 5 May 2015 for the purpose of determining the entitlements to the final dividend to be proposed at the Annual General Meeting ("**AGM**") of the Company to be held on 24 April 2015.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, of 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 4 May 2015 will be registered to determine members' entitlements to the said dividend. Members whose Securities Account with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 4 May 2015 will be entitled to the proposed dividend.

NOTICE OF ANNUAL GENERAL MEETING

The proposed payment of the dividend, if approved by the members at the AGM to be held on 24 April 2015, will be made on 15 May 2015.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
Singapore

9 April 2015

NOTES:–

1) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2) A proxy need not be a member of the Company.

3) The instrument appointing a proxy shall, in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation shall be either under its common seal or signed by its attorney or a duly authorised officer on behalf of the corporation.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at 28 Senoko Drive, Singapore 758214 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

EXPLANATORY NOTES ON THE ORDINARY AND SPECIAL BUSINESS TO BE TRANSACTED:–

1) Dr Tang Cheuk Chee will, upon re-election as Director of the Company, remain as Executive Director.

   Dr John Chen Seow Phun will, upon re-election as Director of the Company, remain as Deputy Chairman of the Board, Chairman of the Nominating Committee and a member of Audit and Remuneration Committees and will be considered as Non-Executive and Independent Director for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

2) The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the date of next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a *pro rata* basis to existing shareholders of the Company.

   For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

TAT SENG PACKAGING GROUP LTD
Company Registration No. 197702806M
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Tat Seng Packaging Group Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If CPF investors also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ NRIC/Passport No.: ____________________
of ____
being a member/members of Tat Seng Packaging Group Ltd (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 24 April 2015 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1.	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2.	Declaration of final dividend for the financial year ended 31 December 2014		
3.	Re-election of Dr Tang Cheuk Chee as Director in accordance with Article 91		
4.	Re-election of Dr John Chen Seow Phun as Director in accordance with Article 91		
5.	Approval of Directors' fees amounting to S$214,000 for the financial year ended 31 December 2014		
6.	Re-appointment of KPMG LLP as Auditors of the Company		
	Special Business:		
7.	Authority to issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual		

Dated this ____________ day of ____________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes:

1. Please insert the total number of shares in the Company held by you, either in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50) or in the Register of Members, or both. If no number is inserted, this instrument appointing a proxy or proxies shall be deemed to relate to all the shares in the Company held by you.

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. In the case of a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument failing, which the instrument may be treated as invalid.

5. A corporation who is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting in accordance with Section 179 of the Companies Act, Chapter 50.

6. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 28 Senoko Drive, Singapore 758214 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The Company shall be entitled to reject the instrument of proxy or proxies if it is incomplete, improperly completed, illegible, or where the true intentions of the appointor are not ascertainable from the instructions contained in the instrument. The Company may also reject any instrument of proxy or proxies where the appointor is not shown to have shares in the Company entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by the Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2015.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

SINGAPORE

Tat Seng Packaging Group Ltd
28 Senoko Drive, Singapore 758214
Tel : (65) 6861 0018
Fax : (65) 6861 3318
E-mail : sales@ts.sg

United Packaging Industries Pte. Ltd.
28 Senoko Drive, Singapore 758214
Tel : (65) 6862 0123
Fax : (65) 6861 3318
E-mail : sales@upi.sg

CHINA

Tat Seng Packaging (Suzhou) Co., Ltd.
达成包装制品 (苏州) 有限公司
地址 : 苏州市相城区望亭镇问渡路88号, 邮编 215155
电话 : (86) 0512-6538 0538
传真 : (86) 0512-6538 9342
电邮 : salesa@tspg.com.cn

Hefei Dansun Packaging Co., Ltd.
合肥丹盛包装有限公司
地址 : 合肥市经济技术开发区紫蓬路105号, 邮编 230601
电话 : (86) 0551-6381 9166
传真 : (86) 0551-6381 0123
电邮 : lily@hfds.com.cn

Nantong Hengcheng Paper Industry Co., Ltd.
南通恒成纸业有限公司
地址 : 江苏省如皋市石庄镇新生港综合工业园区, 邮编 226531
电话 : (86) 0513-8756 5089
传真 : (86) 0513-8756 3777-00
电邮 : nantongdacheng2011@163.com

Nantong Tat Seng Packaging Co., Ltd.
南通达成包装制品有限公司
地址 : 南通市通州区西亭镇亭南横路, 邮编 226301
电话 : (86) 0513-8653 8888
传真 : (86) 0513-8653 3999-01
电邮 : nantongdacheng2011@163.com

Tianjin Dansun Packaging Co., Ltd.
天津丹盛包装有限公司
地址：天津市空港经济区经一路257号，邮编 300308
电话 : (86) 022-5809 7080
传真 : (86) 022-5809 7048
电邮 : dansun@tjdspg.com