TAT SENG PACKAGING GROUP LTD

2016
ANNUAL REPORT

To be the preferred corrugated packaging 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 corrugated packaging industry and to maintain our continuous growth in the marketplace.

OUR MISSION

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Executive Chairman's Statement

Dr Allan Yap
Executive Chairman

"Given the challenging operating environment in 2016, we managed to achieve commendable growth. The Group's net profit after tax grew by 21.0% from S$13.2 million in FY2015 to S$16.0 million in FY2016. In view of the relatively strong performance, to reward our loyal shareholders, the Board of Directors has proposed to increase our dividends for the third time in four years"

Dear Shareholders,

We are pleased to report that the Group managed to achieve record profits for the financial year ended 31st December 2016. The Group's net profit after tax grew by 21.0% from S$13.2 million in FY2015 to S$16.0 million in FY2016. With this relatively strong performance in FY2016, the Group has managed to achieve remarkable growth on CAGR (compounded annual growth rate) of the group net profit after tax with 21.0% from FY2012 to FY2016.

Financial Highlights FY2016

We reported revenue of S$228.5 million for the year, which was marginally lower by 1.3% against S$231.4 million in FY2015 despite an uncertain global economic environment.

Nevertheless, the Group's gross profit rose by 5.8% to S$51.7 million in FY2016 due to higher margin achieved from sale of corrugated board of China subsidiaries and through rationalising our workflow and investment in automated machines. Separately, selling and distribution expenses dropped by 1.7% in line with the decrease of the Group's revenue.

Meanwhile, other income dipped by S$0.7 million year-on-year in the absence of one-off gains on disposal of available-for-sale financial assets, which was recorded in FY2015. Additionally, other expenses decreased by S$1.1 million in FY2016 as compared to the previous year as a result of higher allowance made for doubtful trade receivables in FY2015.

Finance costs decreased by S$0.7 million in FY2016 versus FY2015 mainly due to the Group's strategy to lower finance costs by higher utilisation of trade finance facilities via term bill payables with lower borrowing costs, reduced borrowings from term loans and lesser redemption of note receivables during the year.

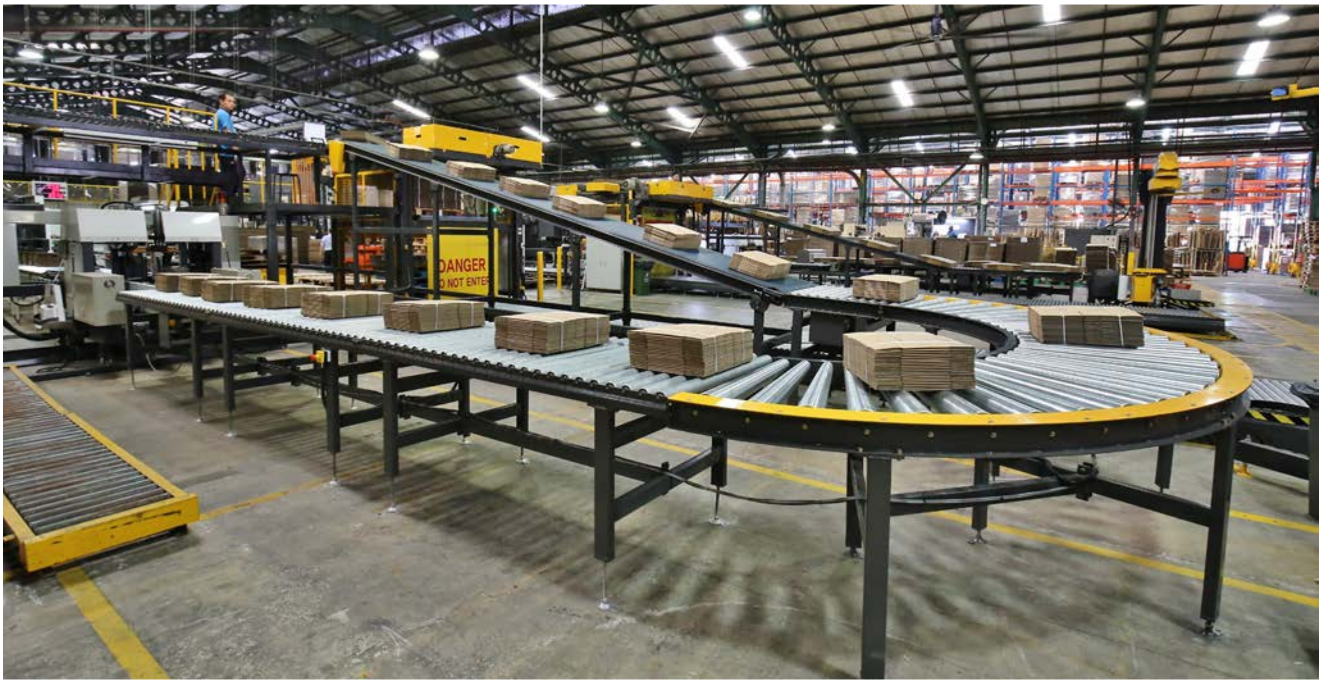
As a result, net profit attributable to owners of the Company surged by 16.7% to S$14.5 million.

The Group's balance sheet has strengthened further with net asset value per ordinary share increasing from S$0.63 to S$0.66. As at 31 December 2016, our cash and cash equivalents, excluding bank balances pledged as security, stood at S$40.9 million, a substantial increase of 22.5% or S$7.5 million as compared to FY2015.

Performance Review

During the year, the Group continued to focus on its corporate goals. The Group worked towards achieving a higher sales target as it secured new customers, while increasing sales from existing customers. Concurrently, we also implemented a series of measures to boost productivity and efficiency. Through investing in machines, we enhanced automation of our production process and boosted our production speed, alongside improving product quality, granting us greater flexibility in production scheduling. With automation, we managed to ease our manpower shortage by reducing reliance on manpower for production. Along the same line, we continued with our robust staff training programmes to boost staff productivity and efficiency.

Executive Chairman's Statement



Singapore Operations

Singapore segment's revenue declined by 6.0% or S$2.2 million compared to FY2015. This is mainly attributable to the impact from the relocation of some of our MNC customers, soft demand from the electrical & electronics segment and reduction in sales of lower margin paper trading products. The contraction of revenue was mitigated by our strategy to develop our market niche in the biomedical and pharmaceutical industries.

China Operations

Our China operations continued to show growth. Although China segment's revenue dipped slightly by 0.3% or S$0.7 million in the Group's reporting currency, mainly due to the weakening of the Renminbi ("**RMB**") against Singapore Dollar ("**SGD**") by 5.7% as compared to FY2015.

The total revenue achieved by the Group's operations in China actually improved by 5.6% or RMB49.7 million, this is mainly attributable to the increase in sales of corrugated boards by Nantong Tat Seng Packaging Co., Ltd. ("**Nantong Tat Seng**").

Our China segment's results improved by 27.6% or S$5.1 million mainly contributed from higher margins achieved from the sale of corrugated boards and partly attributable to a net reduction of allowances made for doubtful trade receivables amounting to S$1.3 million.

Nantong Tat Seng has also upgraded its machinery capability in handling smaller customer orders with improved speed and efficiency. It brought new value add and higher profits to the entity.

Dividend Announcement

Backed by its strong net cash position, the Group has decided to raise its dividend per share for the third time in four years.

Over the last 5 years, the Group has consistently produced profitable results. In 2016, the Group has achieved its highest record on profit for the year amounted to S$16.0 million. In view of this record achievement and to reward our loyal shareholders, the Board of Directors is pleased to propose a dividend of S$0.03 cents, comprising of a final dividend of S$0.02 cents per ordinary share and a special dividend of S$0.01 per ordinary share. This is subject to shareholders' approval at the upcoming Annual General Meeting.

Executive Chairman's Statement

Recognition & Awards

The Group is honoured to be conferred with an award presented by Securities Investors Association (Singapore) ("**SIAS**") 17th Investors' Choice Awards 2016 – Runner up of Most Transparent Company Award ("**MTCA**") for Material Category. This is an award that recognizes public listed companies for being transparent so as to help investors make informed decisions.

Our China subsidiary, Hefei Dansun Packaging Co., Ltd. was accredited as a "High and New Technology Enterprise" ("**HNTE**") in 2016.

Corporate Social Responsibility

At Tat Seng, we believe it is important to give back to the society beyond our professional business commitments. Hence, we donated to multiple charities to reach out to various needy groups within the communities that we serve. In 2016, Tat Seng sponsored 2 Scholarships towards the Diploma in Social Enterprise Management under Republic Polytechnic Education Fund and donated cash in support of Stroke Support Station [S3] Charity, Singapore.

In addition, our China subsidiary, Nantong Tat Seng has made an outright donation to Nantong Tongzhou District Charity Foundation to help fund its various charitable programmes.

The Way Forward in 2017

We expect the operating environment in China and Singapore to remain challenging. Macro-economic conditions continue to be uncertain and the pressure of rising costs of raw materials continues to persist. It may also be difficult to recruit new staff due to a shortage of manpower, which may result in higher labour costs.

For our Singapore operations, raw material costs may increase if the exchange rate of US Dollar against Singapore Dollar is strengthened further.

In China, with increased environmental awareness and measures introduced by the Chinese government to deal with pollution, we expect the cost of raw materials and processing costs to increase. This is expected to lead to higher manufacturing costs.

The Group will continue to explore new sales channels and invest in machinery upgrades to further automate the production process to counter the labour crunch. It will continue to focus on staff training and invest in talent to ensure that our people are equipped with the right skills to increase productivity.

In anticipation of the increase in raw material costs, the Group will continue to adopt prudent business policies with continual focus on stringent cost control. The Group will also continue to enhance productivity through automation to stay competitive.

The Group will continue to improve and enhance its existing business operations, and concentrate our efforts on corporate goals to deal with these challenges in 2017. We will also actively explore new business opportunities as and when they arise.

A Word of Thanks

On behalf of the Board, I would like to sincerely thank the management and staff for their loyalty and unstinting dedication to the group. Without their hard work, effort and contribution to the group, we would not have been able to surpass expectations and to achieve such commendable results.

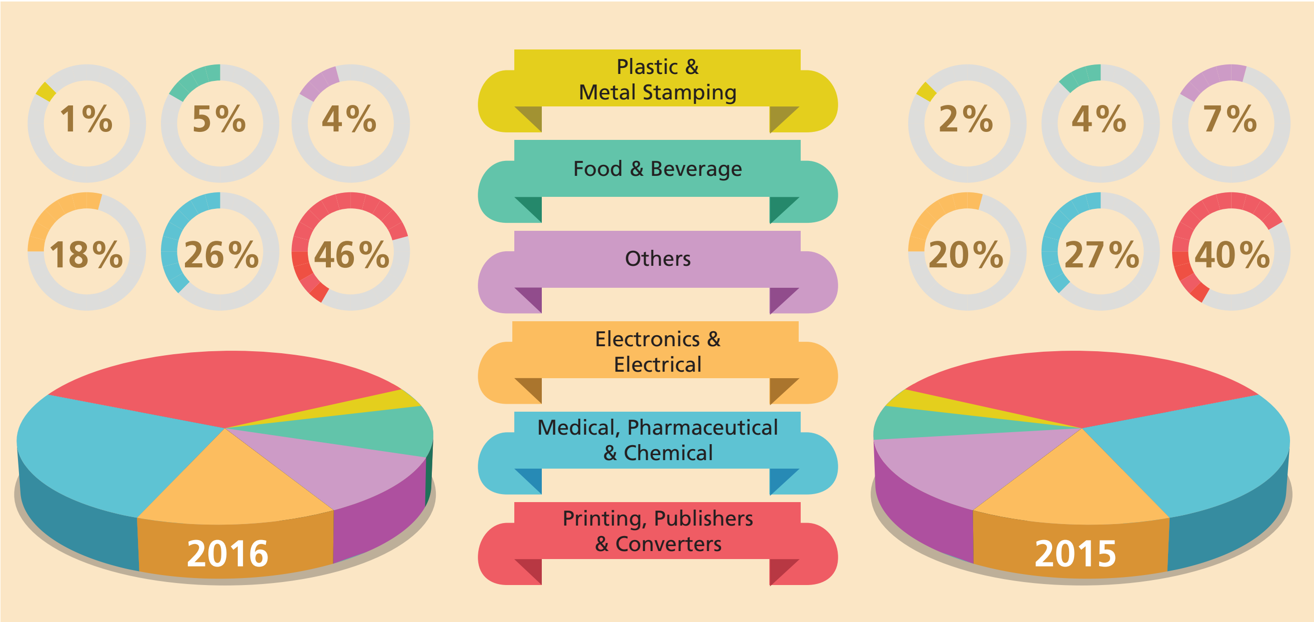
I would also like to extend my heartfelt gratitude and appreciation to all our Board of Directors, loyal and valued shareholders, business partners and customers for their continued support, commitment and confidence in the Group.

I look forward to your continued support and as a group we will continue to strive to scale the business to greater heights.

DR ALLAN YAP
Executive Chairman

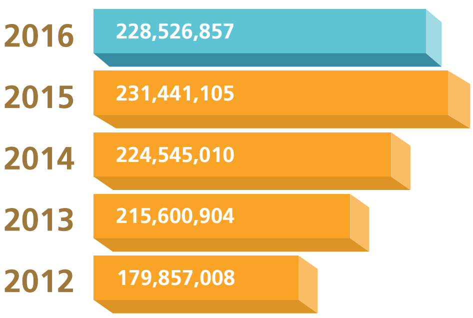
Financial Highlights

Sales analysis by customer sector for FY2016 & FY2015



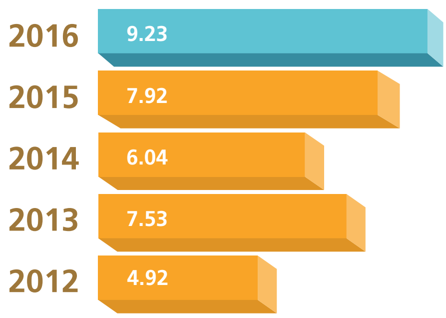
Turnover (S$)

CAGR +6.17%



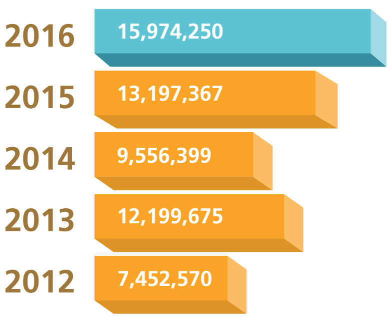
Earnings per share (Cents)

CAGR +17.03%



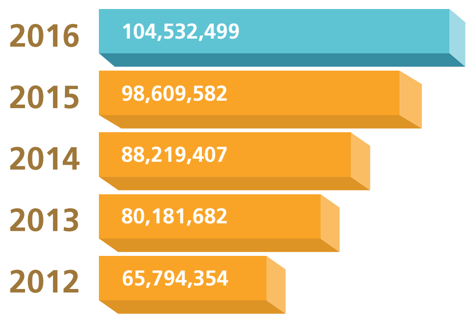
Profit after taxation (S$)

CAGR +21.00%



Shareholders' equity (S$)

CAGR +12.27%



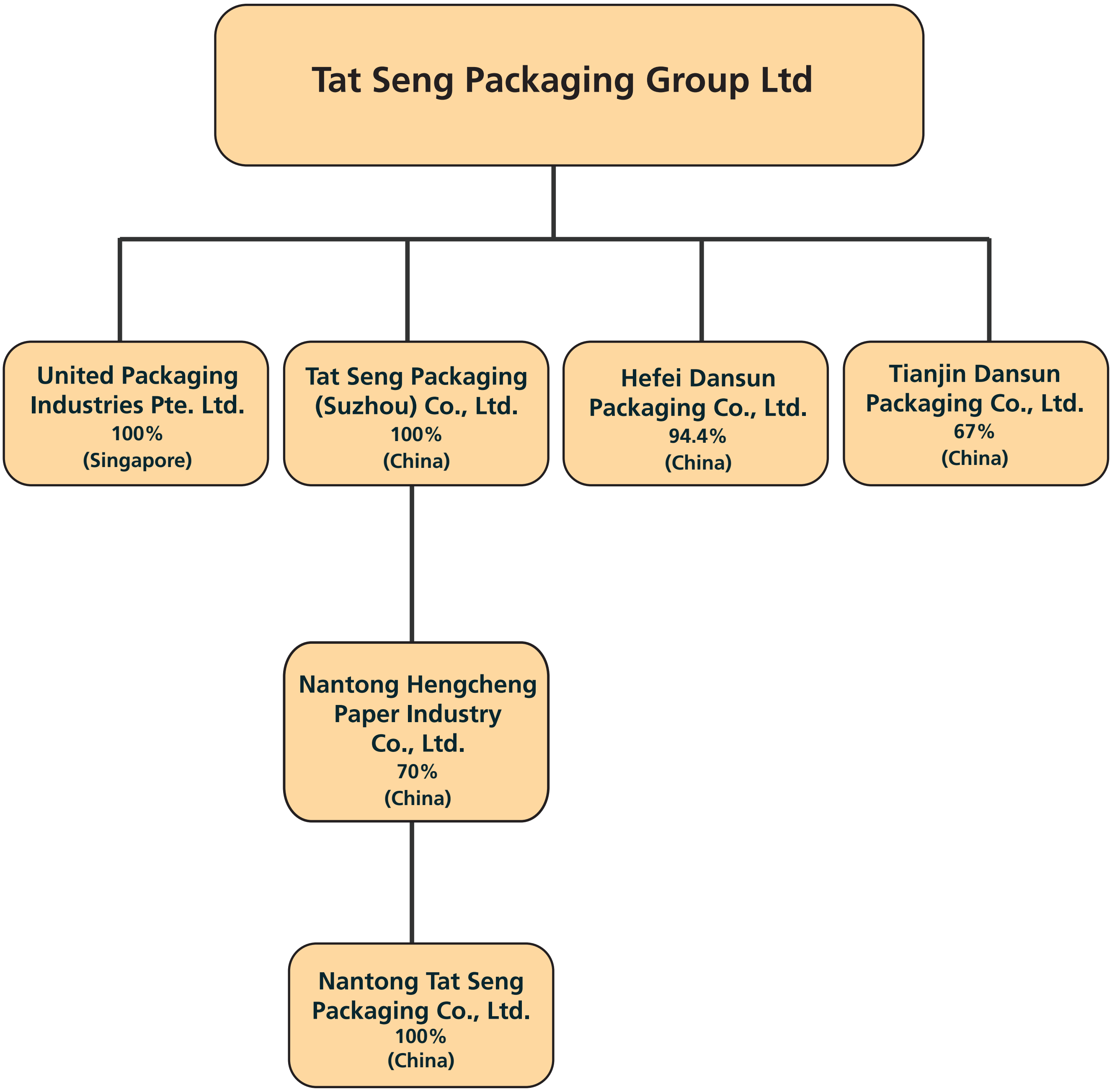
Five-Year
Financial Summary

FINANCIAL YEAR ENDED 31 DECEMBER		2016	2015	2014	2013	2012
RESULTS OF OPERATIONS						
Revenue	(S$)	**228,526,857**	231,441,105	224,545,010	215,600,904	179,857,008
Gross profit	(%)	**22.6**	21.1	20.2	20.3	19.4
Profit before tax	(S$)	**21,455,308**	17,227,214	13,430,924	14,890,875	8,821,734
Profit attributable to owners of the Company	(S$)	**14,514,700**	12,442,243	9,489,943	11,836,989	7,736,994
Profit for the year	(%)	**7.0**	5.7	4.3	5.7	4.1
EBITDA	(S$)	**28,809,325**	25,424,230	21,789,356	22,861,079	15,579,805
FINANCIAL INDICATORS						
Return on shareholders equity	(%)	**13.9**	12.6	10.8	14.8	11.8
Earnings per share	(cents)	**9.23**	7.92	6.04	7.53	4.92
Net asset value per share	(cents)	**0.66**	0.63	0.56	0.51	0.42
Dividend per share*	(cents)	**0.04**	0.03	0.02	0.02	0.01
Cash and bank balances	(S$)	**45,447,739**	37,359,540	18,812,221	26,125,996	29,396,957
Net debt to equity ratio	(%)	**-7.5**	-3.2	15.1	20.3	21.3

* Based on dividend declared for the financial year

Group Structure

As At 31 December 2016



Board of Directors

Dr Allan Yap, 61 Executive Chairman

Date of first appointment as director : 21 November 2005 | Date of last re-election as director : 25 April 2014

Dr Allan Yap is the Executive Chairman of the Company and he has drawn over 30 years of experience in finance, investment and banking.

Dr Yap is 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 Master Glory Group Limited (formerly known as Hanny Holdings Limited) and Rosedale Hotel Holdings Limited, and the Chairman and Non-Executive Director of SMI Holdings Group Limited, all are companies listed on The Stock Exchange of Hong Kong Limited.

Dr Yap is also the Chairman, Chief Executive Officer and Director 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, 63 Deputy Chairman, Non-Executive and Independent Director

Date of first appointment as director : 21 November 2005 | Date of last re-election as director : 24 April 2015

Dr John Chen is the Deputy Chairman, Non-Executive and Independent Director of the Company and was re-designated as the Chairman of the Remuneration Committee on 22 April 2016.

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, Non-Executive and Independent 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 is the Chairman of the Remuneration Committee and the Nominating Committee and a member of the Audit Committee of the Company.

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

Mr Loh See Moon, 65 Managing Director/Chief Executive Officer

Date of first appointment as director : 22 December 1977 | Date of last re-election as director : NA

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 has more than 40 years of experience in the corrugated packaging industry.

Mr Loh is a Director and Legal Representative of the Company's subsidiaries established 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 corrugated packaging industry in the People's Republic of China.

Mr Loh is a member of the Risk Management Committee of the Company.

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

Board of Directors

Dr Tang Cheuk Chee, 45 Executive Director

Date of first appointment as director : 01 October 2011 | Date of last re-election as director : 24 April 2015

Dr Tang has a wealth of management experience and is well versed in marketing, business development and investments in property and securities.

Dr Tang is also an Executive Director of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited.

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, 60 Executive Director

Date of first appointment as director : 01 July 2002 | Date of last re-election as director : 25 April 2014

Madam Cheong has extensive experience in accounting and finance, corporate management and business administration.

Madam Cheong is a Director of the Company's subsidiaries established 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 corrugated packaging industry in the People's Republic of China.

Madam Cheong is a member of the Risk Management Committee of the Company.

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, 69 Non-Executive and Lead Independent Director

Date of first appointment as director : 24 November 2005 | Date of last re-election as director : 22 April 2016

Mr Lien is the Lead Independent Director of the Company since February 2015. 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 and IPC Corporation Limited. He is also a Director of China Enterprises Limited, a company listed on the OTC Securities Market in the United States of America.

Mr Lien is the Chairman of the Audit Committee and the Risk Management Committee and a member of the Nominating Committee and Remuneration Committee of the Company.

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 Lee Po On Mark, 61 Non-Executive and Independent Director

Date of first appointment as director : 22 April 2016 | Date of last re-election as director : NA

Mr Lee Po On Mark was newly appointed as Non-Executive and Independent Director of the Company on 22 April 2016.

Mr Lee is the Executive Director and Group CEO of Television Broadcasts Limited (**"TVB"**), a company listed on the Stock Exchange of Hong Kong Limited and holds directorships in a number of the subsidiaries of TVB. Mr Lee is also a Non-Executive and Independent Director of Hanwell Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited.

Before joining TVB and during the period from 1988 to early 2007, Mr Lee worked as an Executive Director of a Hong Kong listed consortium which engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr Lee also took up the position of Executive Director and CEO of Asia Television Limited which was a former affiliate of the consortium.

During the period from 1977 to 1987, Mr Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai.

Mr Lee is a member of Audit Committee, Remuneration Committee and Nominating Committee of the Company.

Mr Lee is a Fellow member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants.

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 and Lead Independent Director
Mr Lee Po On Mark	Non-Executive and Independent Director

COMPANY SECRETARY

Mr Chew Kok Liang

AUDIT COMMITTEE

Mr Lien Kait Long (Chairman)

Dr John Chen Seow Phun

Mr Lee Po On Mark

NOMINATING COMMITTEE

Dr John Chen Seow Phun (Chairman)

Mr Lien Kait Long

Mr Lee Po On Mark

REMUNERATION COMMITTEE

Dr John Chen Seow Phun (Chairman)

Mr Lien Kait Long

Mr Lee Po On Mark

RISK MANAGEMENT COMMITTEE

Mr Lien Kait Long (Chairman)

Mr Loh See Moon

Madam Cheong Poh Hua

REGISTERED OFFICE

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Company Registration Number:
197702806M

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AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

(Engagement Partner since financial year ended 31 December 2015:
Karen Lee Shu Pei)

PRINCIPAL BANKERS

Agricultural Bank of China Limited

China Construction Bank Corporation

DBS Bank Ltd

Huishang Bank Corporation Limited

Industrial Bank Co., Ltd.

KBC Bank N.V.

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

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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 emphasise 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 and should be read as a whole, instead of being read separately under the different principles of 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.

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**").

The composition of the Board Committees are as follows:

Directors	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
John Chen Seow Phun[1]	Member	Chairman	Chairman	-
Lien Kait Long	Chairman	Member	Member	Chairman
Lee Po On Mark[2]	Member	Member	Member	-
Loh See Moon	-	-	-	Member
Cheong Poh Hua	-	-	-	Member

Notes:
1. Dr John Chen Seow Phun was re-designated as the Chairman of the Remuneration Committee on 22 April 2016.
2. Mr Lee Po On Mark was newly appointed to the Board as Non-Executive and Independent Director, a member of Audit Committee, Nominating Committee and Remuneration Committee on 22 April 2016.

Corporate Governance Statement

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 and Board Committees meetings which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meeting, are circulated and available to the Board and Board Committees.

The roles and responsibilities of these Board Committees are provided for in the latter sections of this Statement on Corporate Governance.

1.3 Board and Board Committee Meetings Held in Financial Year 2016

The attendance of the Directors at scheduled meetings of the Board and Board Committees during financial year ended 31 December 2016 is disclosed below:

	Board	Board Committees			
		Audit	Nominating	Remuneration	Risk Management
Number of scheduled meetings held	**2**	**2**	**2**	**2**	**1**
Name of Directors					
Allan Yap	0	-	-	-	-
Loh See Moon	2	2*	-	1*	1
Tang Cheuk Chee	0	-	-	-	-
Cheong Poh Hua	2	2*	-	1*	1
John Chen Seow Phun[1]	2	2	2	2	-
Chee Teck Kwong Patrick[2]	1	1	2	2	-
Lien Kait Long	2	2	2	2	1
Lee Po On Mark[3]	1	1	1*	-	-

Notes:
1. Dr John Chen Seow Phun was re-designated as the Chairman of the Remuneration Committee on 22 April 2016 and remained as Chairman of Nominating Committee and a member of Audit Committee.
2. Mr Chee Teck Kwong Patrick ceased to be the Director, Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee on 22 April 2016 due to his retirement.
3. Mr Lee Po On Mark was newly appointed to the Board as Non-Executive and Independent Director, a member of Audit Committee, Nominating Committee and Remuneration Committee on 22 April 2016.
   * - attendance by invitation of the relevant Committee

The yearly schedule of the Board and Board Committee meetings is usually given to all Directors well in advance. The Board meets at least two (2) times in a year. Besides the scheduled half-yearly Board meetings, the Board also 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 Constitution provides 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 meeting materials are circulated in advance of the scheduled meetings to the members of the Board and Board Committees.

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.

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 and Training**

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 relevant industry knowledge to perform their roles on the Board and Board Committees effectively.

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 will prepare appointment letters setting out executive 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.

The Board as a whole is updated regularly and periodically of the new releases or updates issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Accounting and Corporate Regulatory Authority ("**ACRA**") and Singapore Institute of Directors ("**SID**"), the Code, risk management, the key changes in the relevant regulatory requirements and financial reporting standards, rules and regulations and duties and responsibilities on Directors by the Management and/or the external consultants, so as to enable the Directors to discharge their duties as Board and/or Board Committee members.

The Company Secretary also regularly informs the Directors of any upcoming conferences, training and seminars relevant to their roles as Directors of the Company.

The Directors and officer(s) of the Company are encouraged to attend relevant training programmes, courses, conference and seminars on new laws, regulations and updates on commercial areas conducted by relevant professional organisation from time to time. To keep pace with such laws and regulatory changes, the Company will provide and fund the appropriate trainings and development programmes for the Directors and/or officer(s) of the Company.

During the financial year, the Company has funded training sessions that were attended by the Directors and/or key management personnel of the Company, to keep them abreast of audit and financial reporting regulatory developments, new requirement on Sustainability Reporting and etc.

Board Composition and Guidance

1.6 **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.**

During the financial year, the NC has reviewed the Board structure, size and composition of the Company due to retirement of a Director. 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) Non-Executive and Independent Directors. All Directors exercise independent judgement and make decisions objectively in the best interest of the Company.

Corporate Governance Statement

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

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
Allan Yap	Executive Chairman	21 Nov 2005	25 Apr 2014	• Burcon NutraScience Corporation (Chairman, CEO and Director) • China Enterprises Limited (Chairman, Chief Executive Officer and Director) • Master Glory Group Limited (f.k.a. Hanny Holdings Limited) (Chairman and Executive Director) • Rosedale Hotel Holdings Limited (Chairman and Executive Director) • SMI Holdings Group Limited (Chairman and Independent Non-Executive Director) • Hanwell Holdings Limited (Executive Chairman)	• Shaw Brothers Holdings Limited (f.k.a. Meike International Holdings Limited) (Chairman and Executive Director) • Television Broadcasts Limited (Alternate Director)
John Chen Seow Phun	• Deputy Chairman, Non-Executive and Independent Director • Chairman of Nominating and Remuneration Committees • Member of Audit Committee	21 Nov 2005	24 Apr 2015	• Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director) • Hiap Seng Engineering Ltd (Independent Director) • HLH Group Limited (Independent Director) • Matex International Limited (Non-Executive Chairman and Independent Director) • OKP Holdings Limited (Lead Independent Director) • Pavillon Holdings Ltd (Executive Chairman) • Hanwell Holdings Limited (Deputy Chairman, Non-Executive and Independent Director)	-

Corporate Governance Statement

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
Loh See Moon	• Managing Director/ Chief Executive Officer • Member of Risk Management Committee	Date of appointment as Director : 22 Dec 1977 Date of appointment as Managing Director/Chief Executive Officer : 21 Nov 2005	-	-	-
Tang Cheuk Chee	• Executive Director	01 Oct 2011	24 April 2015	• Hanwell Holdings Limited (Executive Director)	-
Cheong Poh Hua	• Executive Director • Member of Risk Management Committee	01 Jul 2002	25 April 2014	-	-
Lien Kait Long	• Non-Executive and Lead Independent Director • Chairman of Audit and Risk Management Committees • Member of Nominating and Remuneration Committees	24 Nov 2005	22 April 2016	• China Enterprises Limited (Director) • China Jishan Holdings Limited (Lead Independent Director) • Falcon Energy Group Limited (Lead Independent Director) • IPC Corporation Limited (Independent Director) • Renewable Energy Asia Group Limited (Independent Director) • 8Telecom International Holdings Co., Ltd (Lead Independent Director) • Hanwell Holdings Limited (Lead Independent Director)	• Viking Offshore and Marine Limited (Independent Director) • Youyue International Limited (Independent Director) • Pacific Healthcare Holdings Ltd (Non-Independent Non-Executive Director)
Lee Po On Mark	• Non-Executive and Independent Director • Member of Audit, Nominating and Remuneration Committees	22 April 2016	-	• Hanwell Holdings Limited (Non- Executive and Independent Director) • Television Broadcasts Limited (Executive Director and Group Chief Executive Officer)	-

Profiles of the Directors are found in the "Board of Directors" section of the Annual Report.

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 Board also regularly examines its size and, with a view to determine the impact of its number upon effectiveness, decides on what is considered an appropriate size taking into account the scope and nature of the Company's operations. The NC is of the view that the Board comprises Directors with diverse expertise and experience in business and management, accounting and financial and are capable of exercising objective judgement on the corporate affairs of the Company independently of management are appropriate.

When a vacancy exists, 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' Statement.

1.7 Independent Members of the Board of Directors

Currently, the Board consists of seven (7) Directors, three (3) of whom are Non-Executive and Independent Directors, which represent at least one-third of the Board. The Board is of the opinion that based on the Group's current size and operations, it is not necessary nor cost effective to have independent directors to make up at least half of the Board. The NC is of the view that there is no individual or small group of individuals dominate the Board's decision-making process and 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 of the Board.

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 ten percent (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 FY2016, to enhance greater transparency and good corporate governance, the Company with the recommendation of NC has engaged RHT Capital Pte. Ltd., an independent professional consultant (the "**Consultant**") to conduct rigorous review of self-assessment, evaluation on the independence of Dr John Chen Seow Phun and Mr Lien Kait Long ("**Independent Evaluation**"). At the conclusion of the Independent Evaluation, the members of NC were satisfied with the findings and documents presented by the Consultant and unanimously agreed and confirm that Dr John Chen Seow Phun and Mr Lien Kait Long being Independent Directors having served on the Board beyond nine (9) years are considered independent. Each member of the NC has abstained from voting on any resolution related to their re-election and/or re-designation.

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 evaluate proposals on strategy, various policies and review the performance of the Management and the Company in meeting agreed goals and objectives and monitor the reporting performance as well as review and establish investments policies of the Group.

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

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. The position of Executive Chairman and Managing Director/CEO are held by Dr Allan Yap and Mr Loh See Moon respectively.

The Executive Chairman, Dr Allan Yap is responsible to lead the Board and to ensure effective working of the Board including:

- with the assistance of the Company Secretary, scheduling of meetings to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- with the assistance of the Company Secretary, approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;
- with the assistance of the Company Secretary, ensuring that Board meetings are held when necessary;
- facilitating effective contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and between the Board and the Management;
- exercising control over the quality, quantity and timeliness of information flow from the 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 the Management.

In view that the Executive Chairman and Dr Tang Cheuk Chee, the Executive Director are immediate family members, the Board has appointed Mr Lien Kait Long as the Lead Independent Director of the Company since February 2015 to lead and coordinate the meetings and activities of the Independent Directors. Shareholders with any concern may contact the Lead Independent Director directly, in the event contact through the normal channels of the Executive Chairman or the Managing Director/CEO or Executive Directors has failed to resolve or is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors where necessary, and the Lead Independent Director will provide any feedback to the Executive Chairman after such meetings.

Members of the AC, NC and RC of the Company are all Non-Executive and Independent Directors. Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the AC.

Both performance and appointment to the Board are reviewed periodically by NC and their remuneration packages are reviewed periodically by the RC. 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.

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.

The NC comprises three (3) members, all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director).

The NC Chairman is also a Director who has no relationship with the Company, its related corporation, its ten percent (10%) shareholders or its officer and is not directly associated[(1)] with ten percent (10%) shareholders.

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 AGM;
- conducting a rigorous review and determining whether an Independent Director who has served on the Board for a period exceeding nine (9) years from the 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 Constitution provide that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), 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.

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 representations 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.

Note:

(1) Under the Code, a Director would be considered to be "directly associated" with a ten percent (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 ten percent (10%) shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a ten percent (10%) shareholder by reason only of his or her appointment having been proposed by that ten percent (10%) shareholder.

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 NC has taken into consideration the following factors:

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

(ii) There were changes of the composition of the Board Committees in years 2015 and 2016 respectively;

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

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

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

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

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

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

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. The evaluation performance checklist is drawn up based on the guidelines provided in the Code.

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 the retiring Directors, who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors are Dr Allan Yap and Madam Cheong Poh Hua who will retire pursuant to Regulation 91 of the Constitution of the Company. Mr Lee Po On Mark who will retire pursuant to Regulation 97 of the Constitution of the Company.

Currently, the Company does not appoint any alternate directors.

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.

Based on the recommendations of the NC, 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.

(a) **Assessment of effectiveness of the Board as a whole** - The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation 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. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2016.

(b) **Assessment of the effectiveness of the Board Committees** - The NC has implemented a process to be carried out by the NC via the circulation of assessment evaluation forms to assess the effectiveness of the respective 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 NC has reviewed and is satisfied with the performance and effectiveness of the respective Board Committees as a whole for the financial year ended 31 December 2016.

(c) **Assessment of the contribution of individual Directors to the effectiveness of the Board** - 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. 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. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2016.

The NC is of the view that 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. The assessments also help the NC to determine whether the Directors with multiple Board representations are able to and have adequately discharge their duties as Directors of the Company.

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

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.

As a general rule, the Management provides the Board with comprehensive, complete and adequate information in a timely manner for the Board to be effective in discharge of its duties. The Board papers which include the background and/or explanatory information to matters to be brought before the Board for each meeting are normally prepared and 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. A presentation is made to the Directors at the Board meeting on budgets and variances from the budget disclosed. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant development or events relating to the Group. 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. However sensitive matters may be table at the meeting itself or discussed without any papers being distributed.

The Directors have separate and independent access to the advice and services of the Company Secretary and the key Management personnel at all times. The Management ensures that any information or materials requested by the Directors to make informed decisions will be provided in a timely manner.

The role of the Company Secretary is clearly defined and includes attendance of Board and Board Committees meetings and 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 the Management and the Non-Executive Directors, facilitating orientation and assisting with professional development as required. The Company Secretary and the Management also facilitate the orientation of new Directors and professional development of Directors as required and also the channel of communications between the Company and the SGX-ST. 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.

The RC comprises three (3) members, all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, 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 deems 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 esponsibility; 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.

The RC reviews the fairness and reasonable of the termination clauses of the service agreements of the Managing Director/CEO and Executive Directors. The RC will have access to independent expert advice from external consultants, where necessary.

The RC is responsible for recommending to the Board a framework of remuneration for the Directors which is submitted to the whole Board for endorsement. The RC reviews and approves recommendations on remuneration policies and packages for Directors in the interests of improved corporate performance. The RC's review of remuneration packages takes into consideration pay and employment conditions within the industry and in comparable companies, the Company's relative performance, the performance of the individual Directors, 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.

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.

The Company has no employee share option schemes or other long-term incentive schemes in place.

All Non-Executive and Independent Directors have no service agreements with the Company. They are paid Directors' fees, with additional fees paid for serving as the Chairman or members of Board Committees as well as attendance at each 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 AGM. The remuneration of Non-Executive and Independent Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Non-Executive and Independent 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.

The RC has reviewed and approved the service agreements of all the Executive Directors and Managing Director/CEO namely Dr Allan Yap (Executive Chairman), Mr Loh See Moon (Managing Director/CEO), Dr Tang Cheuk Chee (Executive Director) and Madam Cheong Poh Hua (Executive Director). The Managing Director/CEO and each of the Executive Directors has a formal service agreement and they do not receive Directors' fees. The remuneration packages of the Managing Director/CEO and Executive Directors comprise primarily a basic salary component and a variable component which include bonuses and other benefits. The service agreements of the Managing Director/CEO and Executive Directors 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 Managing Director/CEO and Executive Directors, 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 policies, 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 2016 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%
Lee Po On Mark	-	-	-	100.00%	-	100.00%
Chee Teck Kwong Patrick	-	-	-	100.00%		100.00%
Range $250,001 to $500,000						
Tang Cheuk Chee	38.96%	3.25%	52.74%	-	5.05%	100.00%
Cheong Poh Hua	48.24%	5.08%	42.53%	-	4.15%	100.00%
Range $750,000 to $1,000,000						
Allan Yap	39.25%	3.27%	56.48%	-	1.00%	100.00%
Range $2,250,000 to $2,500,000						
Loh See Moon	24.74%	2.06%	68.52%	-	4.68%	100.00%

(1) Employer's CPF contribution and other compensation are included here.

(2) Director's Fee is subject to the approval of the shareholders at the forthcoming AGM.

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.

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 2016.

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 2016. 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 Listing Manual of SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Managing Director/CEO and an Executive Director have provided assurance to the Board on the integrity of the Group's financial statements.

Further, the Company has procured undertakings in the format set out in Appendix 7.7 from all its Directors pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Board reviews and approves the financial results as well as any announcements before its release. In presenting the annual financial statements and half-yearly announcements to shareholders, the Board aims to provide the shareholders with analysis and a balanced and understanding assessment of the Company's performance, position and prospects.

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 accessible on the Company's website.

The Board is updated with significant events that have occurred or material to the Group during the year. 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 to enable the Board effectively discharge their duties.

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, information technology controls and risk management is conducted at least annually. Such reviews can be carried out by internal auditors/external auditors;
- 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.

Risk assessment and evaluation has become an essential part of business planning and monitoring process. The Management having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigation actions in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation.

Risk Management Committee

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 RMC is regulated by its terms of reference. Together with the AC, the RMC helps to ensure that Management maintains a sound system of risk management and internal controls to safeguard the interests of shareholders and the assets of the Group.

The RMC oversees the risk management framework and policies of the Group. Together with the Management, the RMC has established investment policy. These policies are essential part of the business planning and monitoring process.

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, compliance and information technology 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.

The AC and Board recognise the need for a robust and effective system of internal control. To ensure that the risk management and internal controls and risk management processes are adequate and effective, the AC has access to independent professional consultants. With the assistance of the RMC, internal and external auditors, AC has carried 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 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 FY2016, 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) the Group's risk management and internal control systems are effective and sufficient. 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 Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2016.

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

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:

Mr Lien Kait Long (Chairman, Non-Executive and Lead Independent Director)
Dr John Chen Seow Phun (Member, Non-Executive and Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)

The AC members were selected based on their expertise and prior experience in the area of financial Management and at least two (2) of the AC members have the relevant accounting or financial management expertise and/or experience. The Board is of the view that all members of the AC have the relevant accounting or related financial management expertise and experience to discharge their responsibilities as members of the AC.

Corporate Governance Statement

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:

- reviewing the audit plans of the external and internal auditors;
- reviewing the external and internal auditors' reports;
- reviewing the co-operation given by the Company's officers to the external and internal auditors;
- reviewing the adequacy of the internal audit function;
- evaluating the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, information technology controls, and risk management by reviewing written reports from internal and external auditors, and Management responses and actions to correct any deficiencies;
- reviewing the financial statements of the Company and the Group before their submission to the Board;
- 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;
- nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditor;
- reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of SGX-ST, and by such other amendments made thereto from time to time;
- reviewing interested person transactions (as defined in Chapter 9 of the Listing Manual of 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
- reviewing whistle-blowing 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.

The AC met two (2) times in the financial year ended 31 December 2016 and the Managing Director/CEO and Executive Directors were invited to attend the meetings, as and when necessary. The AC also meets from time to time with the Group's external and internal auditors and the 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 carried out 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$232,000 and S$7,000 respectively for the financial year ended 31 December 2016.

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 the Company is complied with Rule 712 of the Listing Manual of SGX-ST in relation to the appointment of its external auditors. 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 and its subsidiaries, 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.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC.

No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

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.

There were no reported incidents pertaining to whistle-blowing for FY2016.

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 AC selects and approves the appointment of internal auditor. The Group has outsourced its internal audit function to Ernst & Young Advisory Pte. Ltd. (the "**Internal Audit**") during the financial year ended 31 December 2016. The Internal Audit serves to provide the Board and the Management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by the 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 programmed. 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 AC is satisfied that the Internal Audit is staffed by suitably qualified and experienced personnel.

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 is satisfied that the function is adequately resourced and has appropriate standing within the Company.

The internal audit plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

The AC has reviewed and approved the annual internal audit plan FY2016 and is satisfied that the Internal Audit has been adequately carried out in accordance with the standard set by International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC reviews the activities of the Internal Audit on a regular basis, including overseeing and monitoring the implementation of the improvement required on internal control weakness identified.

4 Shareholder Rights And Responsibilities

Shareholder Rights

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.

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.

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.

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.

The Company recognises the important of actively engaging with stakeholders to promote effective and fair communication.

The Company does not have a dedicated investor relations team, however, the Company's Managing Director/CEO and Executive Directors are responsible for the Company's communication with shareholders. The Board acknowledges its obligation to furnish timely information to shareholders and ensure that full disclosure of material information to comply with statutory requirements and the Listing Manual of the SGX-ST is made. Any price sensitive information will be publicly released on SGXNET first before being announced to any group of investors or analysts.

To keep all stakeholders of the Company informed on various announcements of the Company, and the stakeholders can also access the Company's annual report through the Company's website (http://www.tspg.sg).

Dividend Policy

The Company does not have a fixed policy on payment of dividends at present. The frequency, form and number of dividends to be declared 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.

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.

Our shareholders are encouraged to attend the general meetings of the shareholders to ensure a high level of accountability and for them to be updated on the Company's strategies and goals.

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 and or twenty-one (21) days before the meeting for special resolutions. The Chairmen of the AC, NC, RC and RMC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are also invited to attend the AGM and are available to assist the Board in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary[(2)] may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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. The Company has implemented the system of voting by poll since 2016. Results of each resolution put to vote at the AGM will be announced with the detailed voting results, including the total number and/or percentage of votes cast for or against each resolution tabled in the AGM, were announced immediately at the AGMs and via SGXNET.

Note: A Relevant Intermediary is:

(2)
(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap.289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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.

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 officers 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, officers and connected persons are 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 of the 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 were no interested person transactions entered into by the Group during the year under review.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

7 Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholders subsisting at the end of the FY2016.

Directors' Statement

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 2016.

In our opinion:

(a) the financial statements set out on pages 38 to 86 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, 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.

Directors

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

Allan Yap
John Chen Seow Phun
Loh See Moon
Tang Cheuk Chee
Cheong Poh Hua
Lien Kait Long
Lee Po On Mark (Appointed on 22 April 2016)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the 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	524,000	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	49,498,000	49,498,000
Lien Kait Long	5,530	5,530	–	–

@ Cheong Poh Hua has deemed interest of 260,000 shares held by her spouse, Ee Heng Huat in the capital of the Company.

Allan Yap has deemed interest of 97,947,500 shares held by his spouse, Tang Cheuk Chee in the capital of Hanwell Holdings Limited.

* Tang Cheuk Chee has deemed interest of 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.

Directors' interests (Continued)

Name of director	Direct Interest: At beginning of financial year	Direct Interest: At end of financial year	Deemed Interest: At beginning of financial year	Deemed Interest: At end of financial year
Share options of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap – options to subscribe for ordinary shares between 22/01/2010 and 21/01/2019	10,000,000	10,000,000	-	-

Except as disclosed in this statement, 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 of the financial year, or date of appointment if later, 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 2017.

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.

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 statement are:

- Lien Kait Long (Chairman), Non-Executive and Lead Independent Director
- John Chen Seow Phun, Non-Executive and Independent Director
- Lee Po On Mark, Non-Executive and Independent Director

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

Directors' Statement

Audit Committee (Continued)

The Audit Committee has held two meetings since the last directors' statement. 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.

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 2017

Independent Auditors' Report

Members of the Company
Tat Seng Packaging Group Ltd and its Subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tat Seng Packaging Group Ltd (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 38 to 86.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, plant and equipment
(Refer to Note 4 to the financial statements)

Risk

The Group's market capitalisation was below the net asset value which indicated a potential impairment on the Group's non-current assets.

At 31 December 2016, the Group has non-current assets of S$59.9 million, of which S$57.3 million relates to property, plant and equipment.

The assessment for impairment loss on the recoverable amount of property, plant and equipment is based on the greater of value-in-use and fair value less costs to sell. The estimation of the recoverable amount of property, plant and equipment is dependent on the assumptions used in estimating the future cash flows of the Group. The assessment of these assumptions is a key focus area of our audit.

Our response

We evaluated the key assumptions used in the Group's cash flows projections. This included a comparison of forecast growth rate and gross profit margin with historical results and the industry. We also performed our own assessment of other key inputs such as discount rate used. We performed a sensitivity analysis around the key drivers of the forecasted cash flows, in particular, revenue growth, gross profit margin and discount rate.

We evaluated the qualifications and competence of the external valuer. We considered the valuation methodologies used in the valuations against those applied for similar property types and assessed the reasonableness of the key assumptions used by the external valuer.

We also assessed whether the disclosures in the financial statements appropriately described the subjectivity and judgements inherent in the recoverable amount computation, including the inter-relationship between the key unobservable inputs and the value-in-use.

Independent Auditors' Report

Report on the audit of the financial statements (Continued)

Our findings

We found the key assumptions used for the Group's cash flow projections to be mildly optimistic. The disclosures found to be appropriate in terms of their description of the assumptions and estimates made by management and the sensitivity to changes thereon.

The valuer is a member of generally-recognised professional body for valuers. The approach to the methodologies and in deriving the fair value using replacement cost method is appropriate.

Valuation of trade receivables
(Refer to Note 27 to the financial statements)

Risk

The Group has significant trade receivables with customers in China. Given the customary for customers to demand lengthy payment terms in China, the Group is exposed to a heightened risk of default in respect of trade receivables in China. The level of judgement in determining the provisioning levels on these balances is an area of audit focus.

Our response

We compared the historical allowance for bad debts to the actual amounts written-off to determine whether the Group's estimation techniques were balanced. We analysed the ageing profile of trade receivables, focusing on older debts for which no allowance had been made.

We assessed management's assessment on the recoverability of these amounts, corroborating explanations with underlying documentation and correspondences with the management team, taking into consideration the historical receipt records and credit risk for each customer.

Our findings

The resulting estimates used by the Group were balanced.

Other Information

Management is responsible for the other information. The other information comprises *Our Mission, Executive Chairman's Statement, Financial Highlights, Five-Year Financial Summary, Group Structure, Board of Directors, Corporate Information, Corporate Governance Statement, Directors' Statement, Land & Buildings, 资产负债表, 合并损益表, and Shareholding Statistics*.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Report on the audit of the financial statements (Continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Karen Lee Shu Pei.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2017

Statements of Financial Position

As At 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Assets					
Property, plant and equipment	4	**57,285,468**	57,363,031	**2,995,562**	489,083
Intangible assets	5	**1,162,604**	1,218,406	**18,000**	21,000
Investment in subsidiaries	6	**–**	–	**28,186,121**	29,320,868
Deferred tax assets	7	**1,461,326**	1,565,275	**1,705,373**	795,779
Non-current assets		**59,909,398**	60,146,712	**32,905,056**	30,626,730
Inventories	8	**19,090,881**	15,655,562	**61,890**	–
Trade and other receivables, including derivatives	9	**98,943,492**	97,035,343	**3,545,722**	4,573,828
Cash and cash equivalents	10	**45,447,739**	37,359,540	**6,104,185**	4,733,830
Current assets		**163,482,112**	150,050,445	**9,711,797**	9,307,658
Total assets		**223,391,510**	210,197,157	**42,616,853**	39,934,388
Equity					
Share capital	11	**31,440,000**	31,440,000	**31,440,000**	31,440,000
Retained earnings		**59,192,230**	50,851,255	**4,157,254**	3,923,105
Other reserves	12	**13,900,269**	16,318,327	**–**	–
Equity attributable to owners of the Company		**104,532,499**	98,609,582	**35,597,254**	35,363,105
Non-controlling interests	29	**6,909,222**	6,153,843	**–**	–
Total equity		**111,441,721**	104,763,425	**35,597,254**	35,363,105
Liabilities					
Deferred income	13	**1,175,894**	1,197,736	**–**	–
Loans and borrowings	14	**1,340,356**	1,413,371	**29,262**	45,270
Non-current liabilities		**2,516,250**	2,611,107	**29,262**	45,270
Deferred income	13	**119,205**	107,144	**–**	–
Loans and borrowings	14	**35,798,369**	32,543,343	**16,008**	16,008
Trade and other payables	15	**71,627,584**	69,234,896	**6,974,329**	4,510,005
Current tax payable		**1,888,381**	937,242	**–**	–
Current liabilities		**109,433,539**	102,822,625	**6,990,337**	4,526,013
Total liabilities		**111,949,789**	105,433,732	**7,019,599**	4,571,283
Total equity and liabilities		**223,391,510**	210,197,157	**42,616,853**	39,934,388

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Note	2016 $	2015 $
Revenue	16	**228,526,857**	231,441,105
Cost of sales		**(176,784,128)**	(182,524,033)
Gross profit		**51,742,729**	48,917,072
Other income	17	**1,197,983**	1,863,721
Distribution and selling expenses		**(13,492,349)**	(13,732,574)
General and administrative expenses		**(16,725,952)**	(16,756,586)
Other expenses	18	**(231,168)**	(1,354,979)
Results from operating activities		**22,491,243**	18,936,654
Finance costs	19	**(1,035,935)**	(1,709,440)
Profit before tax	20	**21,455,308**	17,227,214
Tax expense	21	**(5,481,058)**	(4,029,847)
Profit for the year		**15,974,250**	13,197,367
Profit attributable to			
Owners of the Company		**14,514,700**	12,442,243
Non-controlling interests		**1,459,550**	755,124
Profit for the year		**15,974,250**	13,197,367
Earnings per share attributable to owners of the Company (cents per share)	22	**9.23**	7.92

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 $	2015 $
Profit for the year	**15,974,250**	13,197,367
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**(4,146,689)**	1,651,435
Effective portion of changes in fair value of cash flow hedges	**(4,138)**	6,087
Net change in fair value of available-for-sale financial assets	**–**	190,142
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	**–**	(647,742)
Other comprehensive income for the year, net of tax	**(4,150,827)**	1,199,922
Total comprehensive income for the year	**11,823,423**	14,397,289
Total comprehensive income attributable to:		
Owners of the Company	**10,638,477**	13,533,837
Non-controlling interests	**1,184,946**	863,452
Total comprehensive income for the year	**11,823,423**	14,397,289

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Note	Share capital $	Retained earnings $	Other reserves $	Total $	Non-controlling interests $	Total equity $
		Attributable to owners of the Company					
At 1 January 2015		31,440,000	42,843,453	13,935,954	88,219,407	5,410,075	93,629,482
Total comprehensive income for the year							
Profit for the year		–	12,442,243	–	12,442,243	755,124	13,197,367
Other comprehensive income							
Foreign currency translation differences		–	–	1,543,107	1,543,107	108,328	1,651,435
Effective portion of changes in fair value of cash flow hedges		–	–	6,087	6,087	–	6,087
Net change in fair value of available-for-sale financial assets		–	–	190,142	190,142	–	190,142
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	–	(647,742)	(647,742)	–	(647,742)
Total other comprehensive income		–	–	1,091,594	1,091,594	108,328	1,199,922
Total comprehensive income for the year		–	12,442,243	1,091,594	13,533,837	863,452	14,397,289
Transaction with owners of the Company, recognised directly in equity							
Distributions to owners of the Company							
Unclaimed dividend reversed		–	338	–	338	–	338
Dividends to owners of the Company	23	–	(3,144,000)	–	(3,144,000)	(119,684)	(3,263,684)
Total distributions to owners of the Company		–	(3,143,662)	–	(3,143,662)	(119,684)	(3,263,346)
Transfers between reserves							
Appropriation of retained earnings to statutory reserve fund		–	(1,290,779)	1,290,779	–	–	–
At 31 December 2015		31,440,000	50,851,255	16,318,327	98,609,582	6,153,843	104,763,425

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Note	Attributable to owners of the Company					
		Share capital $	Retained earnings $	Other reserves $	Total $	Non-controlling interests $	Total equity $
At 1 January 2016		31,440,000	50,851,255	16,318,327	98,609,582	6,153,843	104,763,425
Total comprehensive income for the year							
Profit for the year		–	14,514,700	–	14,514,700	1,459,550	15,974,250
Other comprehensive income							
Foreign currency translation differences		–	–	(3,872,085)	(3,872,085)	(274,604)	(4,146,689)
Effective portion of changes in fair value of cash flow hedges		–	–	(4,138)	(4,138)	–	(4,138)
Total other comprehensive income		–	–	(3,876,223)	(3,876,223)	(274,604)	(4,150,827)
Total comprehensive income for the year		–	14,514,700	(3,876,223)	10,638,477	1,184,946	11,823,423
Transaction with owners of the Company, recognised directly in equity							
Distributions to owners of the Company							
Unclaimed dividend reversed		–	440	–	440	–	440
Dividends to owners of the Company	23	–	(4,716,000)	–	(4,716,000)	(429,567)	(5,145,567)
Total distributions to owners of the Company		–	(4,715,560)	–	(4,715,560)	(429,567)	(5,145,127)
Transfers between reserves							
Appropriation of retained earnings to statutory reserve fund		–	(1,458,165)	1,458,165	–	–	–
At 31 December 2016		31,440,000	59,192,230	13,900,269	104,532,499	6,909,222	111,441,721

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

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Profit before tax		**21,455,308**	17,227,214
Adjustments for:			
Amortisation of deferred income	13	**(119,698)**	(213,476)
Depreciation of property, plant and equipment	4	**6,315,082**	6,484,576
Gain on disposal of available-for-sale financial assets	17	**–**	(647,742)
Interest expense	19	**921,575**	1,578,759
Interest income	17	**(248,651)**	(371,717)
Net loss on disposal of property, plant and equipment		**10,833**	48,529
Net effect of exchange differences		**(146,870)**	(54,609)
Property, plant and equipment written off		**15,067**	25,764
Allowances made for impairment loss for inventories		**45,472**	33,136
Amortisation of intangible assets	5	**3,000**	3,000
(Reversal of)/allowances made for doubtful trade receivables (net)		**(214,171)**	1,109,611
		28,036,947	25,223,045
Changes in:			
- inventories		**(4,028,906)**	(686,206)
- trade and other receivables		**(5,710,891)**	7,106,055
- trade and other payables		**5,928,044**	(267,446)
Cash generated from operations		**24,225,194**	31,375,448
Interest paid		**(995,212)**	(1,683,015)
Tax paid		**(4,422,124)**	(3,167,844)
Net cash from operating activities		**18,807,858**	26,524,589

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

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		–	1,022,142
Proceeds from disposal of property, plant and equipment		**46,418**	238,052
Acquisition of property, plant and equipment		**(9,183,380)**	(6,769,077)
Interest received		**250,415**	369,608
Net cash used in investing activities		**(8,886,547)**	(5,139,275)
Cash flows from financing activities			
Dividends paid		**(4,716,000)**	(3,144,000)
Dividends paid to non-controlling interests		**(429,567)**	(119,684)
Proceeds from loans and borrowings		**57,621,606**	59,072,139
Repayment of loans and borrowings		**(52,984,527)**	(58,744,163)
Increase in pledged deposits		**(735,749)**	(702,618)
Net cash used in financing activities		**(1,244,237)**	(3,638,326)
Net increase in cash and cash equivalents		**8,677,074**	17,746,988
Cash and cash equivalents at 1 January		**33,418,534**	15,636,080
Effect of exchange rate fluctuations on cash held		**(1,149,708)**	35,466
Cash and cash equivalents at 31 December	10	**40,945,900**	33,418,534

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 2017.

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 2016 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**").

The Group is primarily involved in the manufacturing 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 as otherwise described in the significant accounting policies below.

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 FRSs 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.

There is no information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are in the following notes:

- Note 4 - impairment test: key assumptions underlying recoverable amounts of property, plant and equipment
- Note 27 - measurement of impairment loss relating to financial assets

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Corporate Finance Manager has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable.

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

The Corporate Finance Manager regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as property valuation reports, broker quotes or pricing services, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 27 – Financial risk management.

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.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position 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 reporting date are translated 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 translated 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 translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income (OCI) arising on the translation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss); or
- qualifying cash flow hedges to the extent the hedge is effective.

3 Significant accounting policies (Continued)

3.2 Foreign currency (Continued)

Foreign operations

The assets and liabilities of foreign operations, excluding 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 are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2015 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. 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 NCI.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 OCI, 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 asset to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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 (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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.

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 as an expense 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, unless it is included in the carrying amount of another asset. 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.

3 Significant accounting policies (Continued)

3.3 Property, plant and equipment (Continued)

Depreciation (Continued)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

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 – 13⅓ 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

Goodwil

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have a finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated based on the cost of the asset, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

Club membership	29 years

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

3.5 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to 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.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.6 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 Significant accounting policies (Continued)

3.7 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position 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.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

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 initially measured 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 and trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position 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.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially measured 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.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Share capital

Ordinary shares

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 Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured 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.

3.8 Impairment

Non-derivative financial assets

A financial asset is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

3 Significant accounting policies (Continued)

3.8 Impairment (Continued)

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. 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 of the cash inflows of other assets or CGUs. 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 testing is performed 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.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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 CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of units) on a *pro rata* basis.

3 Significant accounting policies (Continued)

3.8 Impairment (Continued)

Non-financial assets (Continued)

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.

3.9 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.

3.10 Government grants

Government grants are recognised initially as deferred income at their fair value where there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grants. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding 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.

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 reporting date.

3 Significant accounting policies (Continued)

3.12 Employee benefits (Continued)

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.

3.13 Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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.

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax 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 or receivables on the taxable income or loss 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of 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:

- temporary differences on 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;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to 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 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 Significant accounting policies (Continued)

3.15 Tax (Continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.16 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 share options granted to employees.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

3.18 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 in the statement of financial position of the Group.

3.19 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group has yet to assess the transition options and the potential impact on its financial statements. The Group does not plan to adopt these standards early.

Applicable to 2018 financial statements

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 115 Revenue from Contracts with Customers	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.	The Group anticipates that the initial application of the new FRS 115 should not result in changes to the accounting policies relating to revenue recognition. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment.

3 Significant accounting policies (Continued)

3.19 New standards and interpretations not adopted (Continued)

Applicable to 2018 financial statements

New standards Summary of the requirements	Potential impact on the financial statements
FRS 115 Revenue from Contracts with Customers (continued) When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	
FRS 109 Financial Instruments. FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	The Group anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets from initial recognition. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment.

3 Significant accounting policies (Continued)

3.19 New standards and interpretations not adopted (Continued)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has yet to perform an assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. The Group anticipates that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Applicable to 2019 financial statements

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 116 Leases	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease; INT FRS 15 Operating Leases—Incentives; and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has yet to assess the possible impact of implementing FRS 116. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment.

4 Property, plant and equipment

	Leasehold land and buildings $	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Construction in progress $	Installation in progress $	Total $
Group							
Cost							
At 1 January 2015	37,636,284	56,660,300	3,951,163	2,152,074	–	920,560	101,320,381
Additions	41,828	2,315,184	377,056	186,716	120,074	3,694,917	6,735,775
Disposals/write-off	–	(904,243)	(15,519)	(93,703)	–	–	(1,013,465)
Reclassification	120,074	3,973,596	–	35,157	(120,074)	(4,008,753)	–
Effect of movements in exchange rates	822,805	883,216	35,872	35,791	–	23,440	1,801,124
At 31 December 2015	38,620,991	62,928,053	4,348,572	2,316,035	–	630,164	108,843,815
At 1 January 2016	**38,620,991**	**62,928,053**	**4,348,572**	**2,316,035**	**–**	**630,164**	**108,843,815**
Additions	**46,920**	**4,400,697**	**503,420**	**636,189**	**–**	**3,048,029**	**8,635,255**
Disposals/write-off	**(33,841)**	**(230,691)**	**(173,886)**	**(71,924)**	**–**	**–**	**(510,342)**
Reclassification	**–**	**2,839,229**	**21,924**	**–**	**–**	**(2,861,153)**	**–**
Effect of movements in exchange rates	**(1,728,566)**	**(2,141,350)**	**(79,655)**	**(81,445)**	**–**	**(28,026)**	**(4,059,042)**
At 31 December 2016	**36,905,504**	**67,795,938**	**4,620,375**	**2,798,855**	**–**	**789,014**	**112,909,686**
Accumulated depreciation and impairment losses							
At 1 January 2015	9,920,174	33,022,944	1,456,581	619,864	–	–	45,019,563
Depreciation charge for the year	1,633,826	3,954,282	538,003	358,465	–	–	6,484,576
Disposals/write-off	–	(613,766)	(14,063)	(73,291)	–	–	(701,120)
Effect of movements in exchange rates	200,272	451,215	15,174	11,104	–	–	677,765
At 31 December 2015	11,754,272	36,814,675	1,995,695	916,142	–	–	51,480,784
At 1 January 2016	**11,754,272**	**36,814,675**	**1,995,695**	**916,142**	**–**	**–**	**51,480,784**
Depreciation charge for the year	**1,545,260**	**3,872,498**	**515,079**	**382,245**	**–**	**–**	**6,315,082**
Disposals/write-off	**(28,300)**	**(184,774)**	**(164,803)**	**(60,147)**	**–**	**–**	**(438,024)**
Effect of movements in exchange rates	**(523,055)**	**(1,126,672)**	**(48,232)**	**(35,665)**	**–**	**–**	**(1,733,624)**
At 31 December 2016	**12,748,177**	**39,375,727**	**2,297,739**	**1,202,575**	**–**	**–**	**55,624,218**
Carrying amounts							
At 1 January 2015	27,716,110	23,637,356	2,494,582	1,532,210	–	920,560	56,300,818
At 31 December 2015	26,866,719	26,113,378	2,352,877	1,399,893	–	630,164	57,363,031
At 31 December 2016	**24,157,327**	**28,420,211**	**2,322,636**	**1,596,280**	**–**	**789,014**	**57,285,468**

4 Property, plant and equipment (Continued)

	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Installation in progress $	Total $
Company					
Cost					
At 1 January 2015	–	146,156	454,988	–	601,144
Additions	14,800	32,010	–	–	46,810
At 31 December 2015	14,800	178,166	454,988	–	647,954
At 1 January 2016	**14,800**	**178,166**	**454,988**	**–**	**647,954**
Additions	**2,766,774**	**14,911**	**–**	**17,967**	**2,799,652**
At 31 December 2016	**2,781,574**	**193,077**	**454,988**	**17,967**	**3,447,606**
Accumulated depreciation					
At 1 January 2015	–	29,255	15,166	–	44,421
Depreciation charge for the year	1,110	22,342	90,998	–	114,450
At 31 December 2015	1,110	51,597	106,164	–	158,871
At 1 January 2016	**1,110**	**51,597**	**106,164**	**–**	**158,871**
Depreciation charge for the year	**176,798**	**25,377**	**90,998**	**–**	**293,173**
At 31 December 2016	**177,908**	**76,974**	**197,162**	**–**	**452,044**
Carrying amounts					
At 1 January 2015	–	116,901	439,822	–	556,723
At 31 December 2015	13,690	126,569	348,824	–	489,083
At 31 December 2016	**2,603,666**	**116,103**	**257,826**	**17,967**	**2,995,562**

During the year, the Group acquired property, plant and equipment with an aggregate cost of $8,635,255 (2015: $6,735,775) and $383,205 (2015: $872,446) remained unsettled as of year end.

The carrying amount of motor vehicles held under finance leases at the reporting date was $257,826 (2015: $348,824). Leased assets are pledged as security for the related finance leases liabilities (note 14).

The following property, plant and equipment are pledged to banks to secure banking facilities granted to subsidiaries (note 14).

	Group 2016 $	Group 2015 $
Leasehold land and buildings	**21,684,844**	13,054,424
Plant and machinery	**1,744,370**	6,191,521
	23,429,214	19,245,945

4 Property, plant and equipment (Continued)

Impairment losses of property, plant and equipment

In 2016, the Group carried out a review of the recoverable amounts of property, plant and equipment. The review resulted in no additional impairment made or reversal of impairment losses.

The recoverable amounts of the property, plant and equipment is the greater of its value-in-use and its fair value less costs of disposal. Cash flow projections used in these calculations were over a period of 5 to 15 years (2015: 5 to 15 years), based on the 2017 financial budget approved by management.

The approach to determine the recoverable amounts of the CGUs is categorised as follows:

- CGUs that are loss making but are expected to be able to generate economic benefits. The recoverable amounts of the CGUs have been determined based on fair value less costs of disposal of the assets. The fair value less costs of disposal is based on market valuation performed by independent valuers with experience in the location and category of the land and building being valued.

- The recoverable amount of all other CGUs have been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs.

Key assumptions used in the estimation of value-in-use were as follows:

	2016 %	2015 %
Revenue growth rate		
Singapore	**3**	3
People's Republic of China	**7**	6
Pre-tax discount rate		
Singapore	**13**	16
People's Republic of China	**17 – 28**	18 – 22

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates by management.

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments. The discount rates are a pre-tax measure estimated based on the weighted average cost of capital of comparable companies. Gross margins are based on average values achieved in the preceding years. 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.

The fair value measurement is categorised as level 3 under the fair value hierarchy (see note 2.4). Details of valuation techniques and key inputs used for the estimation of the recoverable amounts of CGU based on fair value less costs of disposal:

Type	Valuation technique	Significant unobservable inputs
Long term leasehold land	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land.
Long term leasehold building	Depreciated Replacement Cost Method	Aggregated amount of gross replacement cost of the building and other site works from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.

5 Intangible assets

	Group			Company
	Goodwill $	Club membership $	Total $	Club membership $
Cost				
At 1 January 2015	1,172,116	95,000	1,267,116	95,000
Effect of movements in exchange rates	25,290	–	25,290	–
At 31 December 2015	1,197,406	95,000	1,292,406	95,000
At 1 January 2016	**1,197,406**	**95,000**	**1,292,406**	**95,000**
Effect of movements in exchange rates	**(52,802)**	**–**	**(52,802)**	**–**
At 31 December 2016	**1,144,604**	**95,000**	**1,239,604**	**95,000**
Accumulated amortisation				
At 1 January 2015	–	71,000	71,000	71,000
Amortisation charge for the year	–	3,000	3,000	3,000
At 31 December 2015	–	74,000	74,000	74,000
At 1 January 2016	**–**	**74,000**	**74,000**	**74,000**
Amortisation charge for the year	**–**	**3,000**	**3,000**	**3,000**
At 31 December 2016	**–**	**77,000**	**77,000**	**77,000**
Carrying amounts				
At 1 January 2015	1,172,116	24,000	1,196,116	24,000
At 31 December 2015	1,197,406	21,000	1,218,406	21,000
At 31 December 2016	**1,144,604**	**18,000**	**1,162,604**	**18,000**

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	
	2016 $	2015 $
Singapore	**17,684**	17,684
People's Republic of China		
- Hefei Dansun Packaging Co., Ltd	**640,390**	670,395
- Nantong group of entities	**486,530**	509,327
	1,144,604	1,197,406

The recoverable amount of a CGU is determined annually based on value-in-use calculations. These calculations use cash flow projections over a period of 5 years (2015: 5 years) based on the 2017 financial budget approved by management.

5 Intangible assets (Continued)

Annual impairment tests for cash-generating units containing goodwill (Continued)

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

	2016 %	2015 %
Revenue growth rate		
Singapore	**3**	3
People's Republic of China	**7**	6
Pre-tax discount rate		
Singapore	**16**	16
People's Republic of China	**20**	21

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments relevant to each of the CGU. The discount rates are a pre-tax measure estimated based on the weighted average cost of capital of comparable companies. Gross margins are based on average values achieved in the preceding years. 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	
	2016 $	2015 $
Equity investments at cost	**29,320,868**	29,320,868
Less: impairment loss	**(1,134,747)**	–
	28,186,121	29,320,868

Management noted an indication of impairment with respect to the investment in Tianjin Dansun Packaging Co., Ltd (Tianjin Dansun) as Tianjin Dansun was in loss making position for the past few years. Management carried out an impairment assessment on the recoverable amount of Tianjin Dansun.

As at 31 December 2016, the Company recorded an impairment loss of $1,134,747 (2015: $Nil) on its investment in Tianjin Dansun. The recoverable amount of the investment was estimated using the fair value less costs of disposal approach. The fair values of the underlying assets were estimated based on their estimated selling prices and the fair value of the underlying liabilities based on the estimated cash outflows to settle the obligations.

6 Investment in subsidiaries (Continued)

Name	Country of incorporation	Principal activities	Ownership Interest 2016 %	Ownership Interest 2015 %
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 Deferred tax assets

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 $	Assets 2015 $	Liabilities 2016 $	Liabilities 2015 $
Group				
Property, plant and equipment	**(855,080)**	(430,114)	**287,822**	341,663
Provisions	**(1,005,508)**	(965,258)	**–**	3,225
Investment in subsidiaries	**–**	–	**1,276,370**	653,324
Trade and other receivables	**(302,713)**	(368,263)	**102,797**	107,614
Tax loss carry-forwards	**(965,014)**	(907,466)	**–**	–
Deferred tax (assets)/liabilities	**(3,128,315)**	(2,671,101)	**1,666,989**	1,105,826
Set-off of tax	**1,666,989**	1,105,826	**(1,666,989)**	(1,105,826)
Net deferred tax assets	**(1,461,326)**	(1,565,275)	**–**	–

7 Deferred tax assets (Continued)

Recognised deferred tax assets and liabilities (Continued)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016 $	2015 $	2016 $	2015 $
Company				
Property, plant and equipment	**(536,138)**	(10,415)	**–**	–
Provisions	**(205,769)**	(212,416)	**–**	–
Tax loss carry-forwards	**(963,466)**	(572,948)	**–**	–
Deferred tax assets	**(1,705,373)**	(795,779)	**–**	–
Set-off of tax	**–**	–	**–**	–
Net deferred tax assets	**(1,705,373)**	(795,779)	**–**	–

Unrecognised deferred tax assets

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

	Group	
	2016 $	2015 $
Unutilised tax losses	**7,899,849**	6,707,717

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 $7,899,849 (2015: $6,707,717) will expire between 2017 and 2021 (2015: 2017 and 2020).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2016, a deferred tax liability of $1,541,112 (2015: $1,771,753) for temporary differences of $30,822,230 (2015: $35,435,066) 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.

Movements in deferred tax assets and liabilities during the year:

	At 1 January 2015 $	Recognised in profit or loss (note 21) $	Exchange differences $	At 31 December 2015 $	Recognised in profit or loss (note 21) $	Exchange differences $	At 31 December 2016 $
Group							
Property, plant and equipment	565,314	(659,650)	5,885	(88,451)	(465,538)	(13,269)	**(567,258)**
Provisions	(940,756)	(6,523)	(14,754)	(962,033)	(75,301)	31,826	**(1,005,508)**
Investment in subsidiaries	102,959	550,365	–	653,324	623,046	–	**1,276,370**
Trade and other receivables	(238,003)	(17,616)	(5,030)	(260,649)	48,968	11,765	**(199,916)**
Tax loss carry-forwards	(1,128,230)	225,935	(5,171)	(907,466)	(63,341)	5,793	**(965,014)**
Total	(1,638,716)	92,511	(19,070)	(1,565,275)	67,834	36,115	**(1,461,326)**

7 Deferred tax assets (Continued)

	At 1 January 2015 $	Recognised in profit or loss $	At 31 December 2015 $	Recognised in profit or loss $	At 31 December 2016 $
Company					
Property, plant and equipment	11,633	(22,048)	(10,415)	(525,723)	**(536,138)**
Provisions	(209,356)	(3,060)	(212,416)	6,647	**(205,769)**
Tax loss carry-forwards	(254,164)	(318,784)	(572,948)	(390,518)	**(963,466)**
Total	(451,887)	(343,892)	(795,779)	(909,594)	**(1,705,373)**

8 Inventories

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Raw materials	**16,302,566**	13,642,575	**–**	–
Work-in-progress	**407,025**	339,340	**–**	–
Finished goods	**1,473,477**	1,159,571	**–**	–
Goods-in-transit	**387,677**	129,341	**–**	–
Machinery parts	**520,136**	384,735	**61,890**	–
	19,090,881	15,655,562	**61,890**	–
Inventories recognised in cost of sales	**175,119,531**	180,846,229	**15,990,667**	15,213,932
Allowances made for impairment loss for inventories	**45,472**	33,136	**–**	–

9 Trade and other receivables, including derivatives

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Trade receivables	**45,587,138**	44,906,314	**3,237,770**	3,040,331
Bills receivables	**48,361,197**	47,040,455	**–**	–
Amounts due from subsidiary (non-trade)	**–**	–	**196,445**	1,068,968
Other receivables	**1,659,649**	794,297	**24,837**	2,193
Deposits	**506,411**	489,634	**5,662**	5,801
	96,114,395	93,230,700	**3,464,714**	4,117,293
Financial derivatives assets	**1,949**	6,087	**–**	–
Prepayments	**615,998**	840,398	**23,020**	14,260
Advances to suppliers	**2,211,150**	2,958,158	**57,988**	442,275
	98,943,492	97,035,343	**3,545,722**	4,573,828

Non-trade balances with subsidiary are unsecured, non-interest bearing and repayable on demand.

10 Cash and cash equivalents

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Fixed deposits	**4,000,000**	3,000,000	**4,000,000**	3,000,000
Cash at banks and in hand	**41,447,739**	34,359,540	**2,104,185**	1,733,830
	45,447,739	37,359,540	**6,104,185**	4,733,830

Cash and bank balances totalling $37,222,891 (2015: $29,979,036) are held in a country which operates foreign exchange controls. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at 31 December:

	Group	
	2016 $	2015 $
Fixed deposits	**4,000,000**	3,000,000
Cash at banks and in hand	**41,447,739**	34,359,540
	45,447,739	37,359,540
Cash and bank balances pledged as security for bills payable granted to the Group	**(4,501,839)**	(3,941,006)
Cash and cash equivalents	**40,945,900**	33,418,534

11 Share capital

	Group and Company	
	2016 No. of shares	2015 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.

12 Other reserves

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Foreign currency translation reserve	**2,645,475**	6,517,560	**–**	–
Statutory reserve fund	**7,687,151**	6,228,986	**–**	–
Capital reserve	**3,565,694**	3,565,694	**–**	–
Hedging reserve	**1,949**	6,087	**–**	–
	13,900,269	16,318,327	**–**	–

(i) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

12 Other reserves (Continued)

(ii) The statutory reserve for certain subsidiaries. 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.

(iii) The capital reserve comprises:

- 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.
- the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid arising from acquisition of non-controlling interests in a subsidiary.

(iv) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flows hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

13 Deferred income

	Group		Company	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Cost				
At 1 January	**1,827,988**	1,579,604	**185,650**	185,650
Movement during the year	**168,222**	220,146	**–**	–
Effect of movements in exchange rates	**(73,169)**	28,238	**–**	–
At 31 December	**1,923,041**	1,827,988	**185,650**	185,650
Accumulated amortisation				
At 1 January	**523,108**	305,825	**185,650**	80,448
Amortisation charge for the year	**119,698**	213,476	**–**	105,202
Effect of movements in exchange rates	**(14,864)**	3,807	**–**	–
At 31 December	**627,942**	523,108	**185,650**	185,650
Current	**119,205**	107,144	**–**	–
Non-current	**1,175,894**	1,197,736	**–**	–
	1,295,099	1,304,880	**–**	–

Included in deferred income are deferred capital grants relating to subsidies received from government for the acquisition of factory building and plant and machinery by its 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.

14 Loans and borrowings

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Non-current				
Secured loans *	**236,682**	1,368,101	**–**	–
Unsecured loans	**1,074,412**	–	**–**	–
Secured obligations under finance lease *	**29,262**	45,270	**29,262**	45,270
	1,340,356	1,413,371	**29,262**	45,270
Current				
Bills payable *	**21,718,742**	18,268,599	**–**	–
Unsecured loan from non-controlling interests	**416,197**	653,546	**–**	–
Unsecured loans	**6,742,493**	4,972,604	**–**	–
Secured loans *	**6,904,929**	8,632,586	**–**	–
Secured obligations under finance lease *	**16,008**	16,008	**16,008**	16,008
	35,798,369	32,543,343	**16,008**	16,008
Total loans and borrowings	**37,138,725**	33,956,714	**45,270**	61,278

* 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:

	Future minimum lease payment 2016 $	Present value of minimum lease payment 2016 $	Future minimum lease payment 2015 $	Present value of minimum lease payment 2015 $
Group and Company				
Within 1 year	**17,832**	**16,008**	17,832	16,008
After 1 year but within 5 years	**32,864**	**29,262**	50,696	45,270
Total minimum lease payments	**50,696**	**45,270**	68,528	61,278
Less: Amounts representing finance charges	**(5,426)**	**–**	(7,250)	–
Present value of minimum lease payments	**45,270**	**45,270**	61,278	61,278

14 Loans and borrowings (Continued)

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

	Nominal interest rate per annum	Maturity	2016 Face value $	2016 Carrying amount $	2015 Face value $	2015 Carrying amount $
Group						
Obligation under finance leases (secured)	4.48%	2019	**50,696**	**45,270**	68,528	61,278
Renminbi ("RMB") loan A (secured)	5.00%	2017	**1,914,505**	**1,914,505**	–	–
RMB loan B (secured)	4.79%	2017	**4,530,428**	**4,530,428**	–	–
RMB loan C (secured)	4.79%	2016	**–**	**–**	3,485,581	3,485,581
RMB loan D (secured)	4.79 - 4.83%	2016	**–**	**–**	4,207,742	4,207,742
RMB loan E (secured)	7.50%	2016	**–**	**–**	1,150,690	1,150,690
SGD loan F (secured)	3.40 - 3.78%	2018	**696,678**	**696,678**	1,156,674	1,156,674
Loan with non-controlling interests (unsecured)	4.79%	2016	**–**	**–**	653,546	653,546
Loan with non-controlling interests (unsecured)	4.79%	2017	**416,197**	**416,197**	–	–
RMB loan G (unsecured)	4.79 - 6.16%	2016	**–**	**–**	4,972,604	4,972,604
RMB loan H (unsecured)	4.57 – 5.00%	2017	**5,879,718**	**5,879,718**	–	–
RMB loan I (unsecured)	5.46%	2018	**879,007**	**879,007**	–	–
RMB loan J (unsecured)	5.46%	2019	**1,058,180**	**1,058,180**	–	–
Bills payable (secured) [i]		2017	**21,718,742**	**21,718,742**	–	–
Bills payable (secured) [i]		2016	**–**	**–**	18,268,599	18,268,599
			37,144,151	**37,138,725**	33,963,964	33,956,714
Company						
Obligation under finance leases (secured)	4.48%	2019	**50,696**	**45,270**	68,528	61,278

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

15 Trade and other payables

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Trade payables	**54,192,101**	52,930,978	**61,810**	47,337
Other payables	**4,150,278**	3,850,945	**435,726**	257,222
Accrued operating expenses	**4,988,828**	5,076,061	**1,417,674**	1,409,493
Accrued staff remuneration	**8,244,696**	7,231,985	**2,983,476**	2,339,789
Amounts due to subsidiaries				
- trade	**–**	–	**1,945,224**	–
- non-trade	**–**	–	**78,738**	311,237
Amounts due to holding company (non-trade)	**51,681**	144,927	**51,681**	144,927
	71,627,584	69,234,896	**6,974,329**	4,510,005

Non-trade balances with subsidiaries and holding company are unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements

16 Revenue

	Group 2016 $	Group 2015 $
Sale of goods	**228,526,857**	231,441,105

17 Other income

	Group 2016 $	Group 2015 $
Gain on disposal of available-for-sale financial assets	**–**	647,742
Interest income from fixed deposit and others	**248,651**	371,717
Government grants	**243,029**	315,603
Net foreign exchange gain	**147,770**	150,233
Reversal of allowance for impairment losses of trade receivables	**214,171**	–
Others	**344,362**	378,426
	1,197,983	1,863,721

18 Other expenses

	Group 2016 $	Group 2015 $
Property, plant and equipment written off	**15,067**	25,764
Net loss on disposal of property, plant and equipment	**10,833**	48,529
Allowances made for doubtful trade receivables	**–**	1,109,611
Bad debts write-off	**71,423**	13,071
Allowances made for impairment loss for inventories	**45,472**	33,136
Amortisation of intangible assets	**3,000**	3,000
Others	**85,373**	121,868
	231,168	1,354,979

19 Finance costs

	Group 2016 $	Group 2015 $
Interest expense on loans and borrowings	**921,575**	1,578,759
Bank charges	**114,360**	130,681
	1,035,935	1,709,440

20 Profit before tax

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

	Group	
	2016 $	2015 $
Audit fees paid to:		
- auditors of the Company	**130,000**	112,000
- other auditors	**137,506**	153,133
Non-audit fees paid to:		
- auditors of the Company	**7,000**	10,000
- other auditors	**34,000**	40,000
Directors' fees	**192,135**	175,000
Staff costs	**30,859,534**	31,811,757
Contributions to defined contribution plans, included in staff costs	**2,115,703**	1,866,427
Depreciation of property, plant and equipment	**6,315,082**	6,484,576
Operating lease expenses	**2,474,568**	2,542,500

21 Tax expense

		Group	
	Note	2016 $	2015 $
Current tax expense			
Current year		**5,288,121**	4,245,607
Adjustments for prior years		**125,103**	(308,271)
		5,413,224	3,937,336
Deferred tax expense			
Origination and reversal of temporary differences		**(34,996)**	67,874
Adjustments for prior years		**102,830**	24,637
	7	**67,834**	92,511
Total tax expenses		**5,481,058**	4,029,847

21 Tax expense (Continued)

Reconciliation of effective tax rate	Group 2016 $	Group 2015 $
Profit before tax	**21,455,308**	17,227,214
Tax at applicable rate of 17% (2015: 17%)	**3,647,402**	2,928,626
Non-deductible expenses	**99,323**	36,355
Income not subject to tax	**(142,825)**	(118,325)
Effects of tax rates in foreign jurisdiction	**1,022,564**	622,171
Tax incentives	**(678,251)**	(592,068)
Deferred tax assets not recognised	**381,302**	404,262
Withholding tax	**1,035,410**	835,192
Under/(over) provided in prior years	**227,933**	(283,634)
Others	**(111,800)**	197,268
	5,481,058	4,029,847

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.

22 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.

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 2016 $	Group 2015 $
Profit, net of tax, attributable to owners of the Company	**14,514,700**	12,442,243

	No. of shares 2016 $	No. of shares 2015 $
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.

23 Dividends

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group and Company	
	2016 **$**	**2015** **$**
Paid by the Company to owner of the Company		
Final exempt (one-tier) dividend at $0.01 (2015: $0.01) per ordinary share in respect of the previous financial year	**1,572,000**	1,572,000
Special exempt (one-tier) dividend at $0.01 (2015: $Nil) per ordinary share in respect of the previous financial year	**1,572,000**	–
Interim exempt (one-tier) dividend at $0.01 (2015: $0.01) per ordinary share in respect of the current financial year	**1,572,000**	1,572,000
	4,716,000	3,144,000

	Group	
	2016 **$**	**2015** **$**
Paid by subsidiary to NCI		
Final dividend in respect of the current financial year	**429,567**	119,684

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	Group and Company	
	2016 **$**	**2015** **$**
Final exempt (one-tier) dividend at $0.02 (2015: $0.01) per ordinary share in respect of current financial year	**3,144,000**	1,572,000
Special exempt (one-tier) dividend at $0.01 (2015: $0.01) per ordinary share in respect of current financial year	**1,572,000**	1,572,000
	4,716,000	3,144,000

Notes to the Financial Statements

24 Banking facilities

The amounts of credit facilities granted by the bank to the Group and the Company at the reporting date were as follows:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Loan and trade financing facilities	**93,084,594**	90,765,158	**6,100,000**	6,100,000
Overdraft facilities	**2,100,000**	2,100,000	**–**	–
Foreign exchange contracts	**11,750,000**	11,750,000	**1,000,000**	1,000,000

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).

25 Related parties

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

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Holding company:				
Corporate service fee	**48,000**	48,000	**48,000**	48,000
Subsidiaries:				
Services rendered	**–**	–	**(206,149)**	–
Management fee income	**–**	–	**(492,302)**	(464,126)
Dividend income	**–**	–	**(8,247,268)**	(5,696,539)
Purchases	**–**	–	**15,501,860**	15,190,830
Related parties:				
Sales	**(28,378)**	(25,913)	**(28,378)**	(25,913)

Key management personnel compensation

Key management personnel compensation comprised:

	Group	
	2016 $	2015 $
Short-term employee benefits	**4,033,231**	3,458,124
Defined contributions plan	**46,533**	43,750
Other short-term benefits	**96,223**	21,426
Total compensation paid to Executive Directors of the Company, included in staff costs	**4,175,987**	3,523,300

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

26 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 31 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.

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

	Group		Company	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Within 1 year	**2,299,755**	2,248,072	**1,715,060**	1,660,831
After 1 year but within 5 years	**9,017,600**	9,523,126	**7,162,378**	7,042,323
More than 5 years	**1,783,645**	3,701,232	**886,972**	2,722,087
	13,101,000	15,472,430	**9,764,410**	11,425,241

Capital commitments

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

	Group		Company	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Capital commitments in respect of purchase of property, plant and equipment	**632,058**	2,578,103	**9,980**	1,748,040

Corporate guarantees

At the reporting date, the Company provided corporate guarantees amounting to $40,745,114 (2015: $28,775,986) to banks for banking facilities of $45,915,114 (2015: $33,945,986) made available to its subsidiaries, of which the subsidiaries has utilised $19,015,892 (2015: $13,058,739).

27 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.

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 cash and cash equivalents), the Group minimises credit risk by dealing with reputable counterparties. As at 31 December 2016, the Group's concentration of credit risk by geographical locations is in Singapore and the PRC.

27 Financial risk management (Continued)

Credit risk (Continued)

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

	2016		2015	
	$	%	$	%
Singapore	**5,801,974**	**6**	6,157,884	7
PRC	**88,146,361**	**94**	85,788,885	93
	93,948,335	**100**	91,946,769	100

Impairment losses

The ageing of trade and other receivables* that are not impaired at the reporting date is:

	2016 $	2015 $
Group		
Not past due	**89,566,225**	86,790,525
Past due 1 – 90 days	**4,032,485**	5,106,640
Past due 91 – 180 days	**343,553**	33,802
More than 180 days	**6,072**	15,802
No credit term	**2,166,060**	1,283,931
	96,114,395	93,230,700
Company		
Not past due	**2,670,914**	2,416,355
Past due 1 – 90 days	**566,856**	623,976
Past due 91 – 180 days	**–**	–
More than 180 days	**–**	–
No credit term	**226,944**	1,076,962
	3,464,714	4,117,293

* excludes financial derivatives assets, prepayments and advances to suppliers

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

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
At 1 January	**2,242,188**	1,121,440	**6,105**	10,058
Allowance for impairment losses recognised	**–**	1,223,781	**–**	–
Reversal of allowance for impairment losses recognised	**(214,171)**	(114,170)	**(6,035)**	(3,953)
Exchange differences	**(97,413)**	11,137	**–**	–
At 31 December	**1,930,604**	2,242,188	**70**	6,105

27 Financial risk management (Continued)

Credit risk (Continued)

Trade and other receivables that are individually determined to be impaired at the reporting 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 are placed with reputable financial institutions with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group 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.

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

	Carrying amount $	Contractual cash flows $	Within 1 year $	After 1 year but within 5 years $
Group				
2016				
Non-derivative financial liabilities				
Trade and other payables	**71,627,584**	**(71,627,584)**	**(71,627,584)**	**–**
Loans and borrowings	**37,138,725**	**(37,942,810)**	**(36,477,628)**	**(1,465,182)**
	108,766,309	**(109,570,394)**	**(108,105,212)**	**(1,465,182)**
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled)	**(1,949)**			
- outflow		**(778,429)**	**(778,429)**	**–**
- inflow		**780,378**	**780,378**	**–**
	(1,949)	**1,949**	**1,949**	**–**
Total	**108,764,360**	**(109,568,445)**	**(108,103,263)**	**(1,465,182)**
2015				
Non-derivative financial liabilities				
Trade and other payables	69,234,896	(69,234,896)	(69,234,896)	–
Loans and borrowings	33,956,714	(34,431,490)	(32,964,408)	(1,467,082)
	103,191,610	(103,666,386)	(102,199,304)	(1,467,082)
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled)	(6,087)			
- outflow		(708,501)	(708,501)	–
- inflow		714,588	714,588	–
	(6,087)	6,087	6,087	–
Total	103,185,523	(103,660,299)	(102,193,217)	(1,467,082)

27 Financial risk management (Continued)

Liquidity risk (Continued)

	Carrying amount $	Contractual cash flows $	Within 1 year $	After 1 year but within 5 years $
Company				
2016				
Non-derivative financial liabilities				
Trade and other payables	**6,974,329**	**(6,974,329)**	**(6,974,329)**	**–**
Loans and borrowings	**45,270**	**(50,696)**	**(17,832)**	**(32,864)**
Recognised financial liabilities	**7,019,599**	**(7,025,025)**	**(6,992,161)**	**(32,864)**
Intra-group financial guarantee	**–**	**(40,745,114)**	**(40,745,114)**	**–**
Total	**7,019,599**	**(47,770,139)**	**(47,737,275)**	**(32,864)**
2015				
Non-derivative financial liabilities				
Trade and other payables	4,510,005	(4,510,005)	(4,510,005)	–
Loans and borrowings	61,278	(68,528)	(17,832)	(50,696)
Recognised financial liabilities	4,571,283	(4,578,533)	(4,527,837)	(50,696)
Intra-group financial guarantee	–	(28,775,986)	(28,775,986)	–
Total	4,571,283	(33,354,519)	(33,303,823)	(50,696)

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. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts.

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.

27 Financial risk management (Continued)

Interest rate risk (Continued)

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

	Group Carrying amount		Company Carrying amount	
	2016 $	2015 $	2016 $	2015 $
Fixed rate instruments				
Financial assets	**4,000,000**	3,000,000	**4,000,000**	3,000,000
Financial liabilities	**(2,656,453)**	(3,546,859)	**(45,270)**	(61,278)
	1,343,547	(546,859)	**3,954,730**	2,938,722
Variable rate instruments				
Financial assets	**37,155,510**	30,200,365	**27,686**	7,763
Financial liabilities	**(12,763,530)**	(12,141,256)	**–**	-
	24,391,980	18,059,109	**27,686**	7,763

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, 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 100 basis points 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 2015.

	Profit or loss			
	Group		Company	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
2016				
Variable rate instruments	**243,920**	**(243,920)**	**277**	**(277)**
2015				
Variable rate instruments	180,591	(180,591)	78	(78)

Currency risk

The Group is exposed to foreign exchange risk on sales, purchases and investments, including inter-company sales and purchases and inter-company balances 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.

27 Financial risk management (Continued)

Currency risk (Continued)

The Group's exposures to foreign currencies (before inter-company elimination) are as follows:

	2016			2015		
	US Dollars ("USD") $	Singapore dollars ("SGD") $	Others $	US Dollars ("USD") $	Singapore dollars ("SGD") $	Others $
Group						
Trade and other receivables	**1,638,338**	**–**	**–**	629,521	–	–
Cash and cash equivalents	**1,641,130**	**–**	**3,048**	302,520	39,900	556,740
Trade and other payables	**(538,682)**	**–**	**(58,924)**	(453,963)	–	(55,648)
Net statement of financial position exposure	**2,740,786**	**–**	**(55,876)**	478,078	39,900	501,092
Forward foreign exchange contracts	**780,378**	**–**	**–**	714,588	–	–
Net exposure	**3,521,164**	**–**	**(55,876)**	1,192,666	39,900	501,092

	2016		2015	
	US Dollars ("USD") $	Others $	US Dollars ("USD") $	Others $
Company				
Trade and other receivables	**20,375**	**–**	29,850	–
Cash and cash equivalents	**27,686**	**–**	7,764	–
Trade and other payables	**–**	**–**	–	–
Net exposure	**48,061**	**–**	37,614	–

The contractual amounts of the derivative financial instruments and their corresponding gross positive and negative fair values at statement of financial position date are analysed below:

	Contract/ notional amount $	Positive fair values $	Negative fair values $
Group			
2016			
Forward exchange contracts used for hedging	**780,378**	**1,949**	**–**
2015			
Forward exchange contracts used for hedging	714,588	6,087	–

Sensitivity analysis

A 5% (2015: 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) equity and 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 2015.

27 Financial risk management (Continued)

Currency risk (Continued)

	Group		Company	
	Profit or loss $	Equity $	Profit or loss $	Equity $
31 December 2016				
USD	**137,039**	**39,019**	**2,403**	**–**
SGD	**–**	**–**	**–**	**–**
Others	**(2,794)**	**–**	**–**	**–**
31 December 2015				
USD	23,904	35,729	1,881	–
SGD	1,995	–	–	–
Others	25,055	–	–	–

A 5% (2015: 5%) weakening of the above currencies against the functional currencies of the respective Group entities 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 2015.

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Fair value						
	Note	Loans and receivables $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
Group								
2016								
Financial assets measured at fair value								
Financial derivatives assets	9	**–**	**1,949**	**–**	**1,949**	**–**	**1,949**	**–**
Financial assets not measured at fair value								
Trade and other receivables *	9	**96,114,395**	**–**	**–**	**96,114,395**			
Cash and cash equivalents	10	**45,447,739**	**–**	**–**	**45,447,739**			
		141,562,134	**–**	**–**	**141,562,134**			
Financial liabilities not measured at fair value								
Loans and borrowings	14	**–**	**–**	**(37,138,725)**	**(37,138,725)**			
Trade and other payables	15	**–**	**–**	**(71,627,584)**	**(71,627,584)**			
		–	**–**	**(108,766,309)**	**(108,766,309)**			

* excludes financial derivatives assets, prepayments and advances to supplier

27 Financial risk management (Continued)

Accounting classifications and fair values (Continued)

	Note	Loans and receivables $	Fair value – hedging instruments $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $
						Fair value		
Group								
2015								
Financial assets measured at fair value								
Financial derivatives assets	9	–	6,087	–	6,087	–	6,087	–
Financial assets not measured at fair value								
Trade and other receivables *	9	93,230,700	–	–	93,230,700			
Cash and cash equivalents	10	37,359,540	–	–	37,359,540			
		130,590,240	–	–	130,590,240			
Financial liabilities not measured at fair value								
Loans and borrowings	14	–	–	(33,956,714)	(33,956,714)			
Trade and other payables	15	–	–	(69,234,896)	(69,234,896)			
		–	–	(103,191,610)	(103,191,610)			
Company								
2016								
Financial assets not measured at fair value								
Trade and other receivables *	**9**	**3,464,714**	**–**	**–**	**3,464,714**			
Cash and cash equivalents	**10**	**6,104,185**	**–**	**–**	**6,104,185**			
		9,568,899	**–**	**–**	**9,568,899**			
Financial liabilities not measured at fair value								
Loans and borrowings	**14**	**–**	**–**	**(45,270)**	**(45,270)**			
Trade and other payables	**15**	**–**	**–**	**(6,974,329)**	**(6,974,329)**			
		–	**–**	**(7,019,599)**	**(7,019,599)**			
2015								
Financial assets not measured at fair value								
Trade and other receivables *	9	4,117,293	–	–	4,117,293			
Cash and cash equivalents	10	4,733,830	–	–	4,733,830			
		8,851,123	–	–	8,851,123			
Financial liabilities not measured at fair value								
Loans and borrowings	14	–	–	(61,278)	(61,278)			
Trade and other payables	15	–	–	(4,510,005)	(4,510,005)			
		–	–	(4,571,283)	(4,571,283)			

* excludes financial derivatives assets, prepayments and advances to supplier

27 Financial risk management (Continued)

Measurement of fair values

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used, where applicable.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.

During the financial years ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2.

28 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 2016 and 2015.

As disclosed in note 12, 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 2016 and 2015.

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, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the hedging reserve and the above mentioned restricted statutory reserve funds.

	Group	
	2016 **$**	**2015** **$**
Trade and other payables	**71,627,584**	69,234,896
Loans and borrowings	**37,138,725**	33,956,714
Less: Cash and cash equivalents	**(45,447,739)**	(37,359,540)
Net debt	**63,318,570**	65,832,070
Equity attributable to owners of the Company	**104,532,499**	98,609,582
Less: Statutory reserve fund	**(7,687,151)**	(6,228,986)
Less: Hedging reserve	**(1,949)**	(6,087)
Total capital	**96,843,399**	92,374,509
Capital and net debt	**160,161,969**	158,206,579
Gearing ratio	**40%**	42%

29 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.

	Material NCI in PRC $	Other individually immaterial NCI in PRC $	Intra-group elimination $	Total $
2016				
Revenue	**52,756,696**			
Profit	**5,512,619**			
Other comprehensive income	**(504,197)**			
Total comprehensive income	**5,008,422**			
Attributable to NCI:				
- Profit	**1,653,786**	**(194,236)**	**–**	**1,459,550**
- Other comprehensive income	**(151,259)**	**(123,345)**	**–**	**(274,604)**
- **Total comprehensive income**	**1,502,527**	**(317,581)**	**–**	**1,184,946**
Non-current assets	**12,714,438**			
Current assets	**37,180,923**			
Non-current liabilities	**(1,208,527)**			
Current liabilities	**(32,856,814)**			
Net assets	**15,830,020**			
Net assets attributable to NCI	**4,749,006**	**2,160,216**	**–**	**6,909,222**
Cash flows from operating activities	**11,968,166**			
Cash flows used in investing activities	**(2,376,027)**			
Cash flows used in financing activities (dividend to NCI: note 23)	**(6,442,372)**			
Net increase in cash and cash equivalents	**3,149,767**			
2015				
Revenue	47,180,784			
Profit	3,257,289			
Other comprehensive income	143,059			
Total comprehensive income	3,400,348			
Attributable to NCI:				
- Profit	977,187	(222,063)	–	755,124
- Other comprehensive income	42,918	65,410	–	108,328
- **Total comprehensive income**	1,020,105	(156,653)	–	863,452

29 Non-controlling interests in subsidiaries (Continued)

	Material NCI in PRC $	Other individually immaterial NCI in PRC $	Intra-group elimination $	Total $
2015				
Non-current assets	12,437,738			
Current assets	33,120,014			
Non-current liabilities	(671,423)			
Current liabilities	(33,404,078)			
Net assets	11,482,251			
Net assets attributable to NCI	3,444,675	2,709,168	–	6,153,843
Cash flows from operating activities	5,720,047			
Cash flows used in investing activities	(2,381,902)			
Cash flows used in financing activities (dividend to NCI: note 23)	(2,082,029)			
Net increase in cash and cash equivalents	1,256,116			

30 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.

30 Segment information (Continued)

	Singapore $	PRC $	Group $
2016			
Revenue:			
Sales to external customers	**34,948,348**	**193,578,509**	**228,526,857**
Results from operating activities	**(863,750)**	**23,354,993**	**22,491,243**
Finance costs	**(70,465)**	**(965,470)**	**(1,035,935)**
Tax expense			**(5,481,058)**
Net profit for the year			**15,974,250**
Segment assets	**25,128,600**	**196,801,585**	**221,930,185**
Unallocated assets			**1,461,325**
Total assets			**223,391,510**
Segment liabilities	**9,140,090**	**100,921,318**	**110,061,408**
Unallocated liabilities			**1,888,381**
Total liabilities			**111,949,789**
Capital expenditure	**3,509,509**	**5,125,746**	**8,635,255**
Depreciation of property, plant and equipment	**1,074,996**	**5,240,086**	**6,315,082**
Amortisation of intangible assets	**3,000**	**–**	**3,000**
2015			
Revenue:			
Sales to external customers	37,186,311	194,254,794	231,441,105
Results from operating activities	638,962	18,297,692	18,936,654
Finance costs	(108,529)	(1,600,911)	(1,709,440)
Tax expense			(4,029,847)
Net profit for the year			13,197,367
Segment assets	23,161,652	185,470,230	208,631,882
Unallocated assets			1,565,275
Total assets			210,197,157
Segment liabilities	8,925,190	95,571,300	104,496,490
Unallocated liabilities			937,242
Total liabilities			105,433,732
Capital expenditure	1,350,456	5,385,319	6,735,775
Depreciation of property, plant and equipment	948,096	5,536,480	6,484,576
Amortisation of intangible assets	3,000	–	3,000

Land & Buildings

As At 31 December 2016

CHINA, SUZHOU OPERATIONS

- Location : Jiangsu Province, Suzhou City, Xiangcheng District, Wanting Town, Wendu Road, No. 88 , The People's Republic of China 215155
- 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 : RMB21.1 million (approximately S$4.4 million) as at 31 December 2016

CHINA, HEFEI OPERATIONS

- Location : Anhui Province, Hefei Eco-Tech Development Zone, Zipeng Road, No. 105, The People's Republic of China 230601
- 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 : RMB25.7 million (approximately to S$5.3 million) as at 31 December 2016

CHINA, NANTONG TAT SENG OPERATIONS

- Location : Jiangsu Province, Nantong City, Tongzhou District, Xiting Town, Ting Nan Heng Road, The People's Republic of China 226301
- 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 : RMB20.5 million (approximately to S$4.3 million) as at 31 December 2016

CHINA, TIANJIN DANSUN OPERATIONS

- Location : Tianjin City, Airport Economic Zone, Jingyi Road, No. 257, The People's Republic of China 300308
- Usage : Factory premises, office building
- Land area : 33,233.3 square metres
- Tenure : Leasehold
  – 50 years lease of 33,233.3 square metres expiring on 3 April 2062
- Ownership : 100% owned by Tianjin Dansun Packaging Co., Ltd.
- Net carrying amount : RMB48.3 million (approximately to S$10.1 million) as at 31 December 2016

资产负债表

于2016年12月31日

	附注	集团 2016 $	集团 2015 $	公司 2016 $	公司 2015 $
非流动资产					
固定资产	4	**57,285,468**	57,363,031	**2,995,562**	489,083
无形资产	5	**1,162,604**	1,218,406	**18,000**	21,000
投资子公司	6	**–**	–	**28,186,121**	29,320,868
递延所得税资产	7	**1,461,326**	1,565,275	**1,705,373**	795,779
		59,909,398	60,146,712	**32,905,056**	30,626,730
流动资产					
存货	8	**19,090,881**	15,655,562	**61,890**	–
应收账款及其他应收款	9	**98,943,492**	97,035,343	**3,545,722**	4,573,828
现金和现金等同物	10	**45,447,739**	37,359,540	**6,104,185**	4,733,830
		163,482,112	150,050,445	**9,711,797**	9,307,658
资产总计		**223,391,510**	210,197,157	**42,616,853**	39,934,388
股东权益					
股本	11	**31,440,000**	31,440,000	**31,440,000**	31,440,000
未分配利润		**59,192,230**	50,851,255	**4,157,254**	3,923,105
储备金	12	**13,900,269**	16,318,327	**–**	–
		104,532,499	98,609,582	**35,597,254**	35,363,105
少数股东权益	29	**6,909,222**	6,153,843	**–**	–
股东权益合计		**111,441,721**	104,763,425	**35,597,254**	35,363,105
非流动负债					
递延收入	13	**1,175,894**	1,197,736	**–**	–
长期借款	14	**1,340,356**	1,413,371	**29,262**	45,270
		2,516,250	2,611,107	**29,262**	45,270
流动负债					
递延收入	13	**119,205**	107,144	**–**	–
短期借款	14	**35,798,369**	32,543,343	**16,008**	16,008
应付账款及其他应付款	15	**71,627,584**	69,234,896	**6,974,329**	4,510,005
应交所得税		**1,888,381**	937,242	**–**	–
		109,433,539	102,822,625	**6,990,337**	4,526,013
负债合计		**111,949,789**	105,433,732	**7,019,599**	4,571,283
负债及股东权益总计		**223,391,510**	210,197,157	**42,616,853**	39,934,388

合并损益表

于2016年12月31日

	附注	2016 $	2015 $
销售收入	16	**228,526,857**	231,441,105
销售成本		**(176,784,128)**	(182,524,033)
毛利		**51,742,729**	48,917,072
其他营业收入	17	**1,197,983**	1,863,721
销售费用		**(13,492,349)**	(13,732,574)
管理费用		**(16,725,952)**	(16,756,586)
其他营业费用	18	**(231,168)**	(1,354,979)
营业活动之盈利		**22,491,243**	18,936,654
财务费用	19	**(1,035,935)**	(1,709,440)
税前盈利	20	**21,455,308**	17,227,214
所得税费用	21	**(5,481,058)**	(4,029,847)
本期盈利		**15,974,250**	13,197,367
可归属			
母公司股东		**14,514,700**	12,442,243
少数股东权益		**1,459,550**	755,124
本期盈利		**15,974,250**	13,197,367
每股收益			
每股基本与稀释收益(分)	22	**9.23**	7.92

Shareholding Statistics

As At 13 March 2017

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

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2017

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 2017

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	524,000	260,000*

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

ANALYSIS OF SHAREHOLDERS AS AT 13 MARCH 2017

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.21	4	0.00
100 – 1,000	339	35.57	330,695	0.21
1,001 – 10,000	304	31.90	1,690,300	1.07
10,001 – 1,000,000	302	31.69	23,121,301	14.71
1,000,001 and above	6	0.63	132,057,700	84.01
	953	100.00	157,200,000	100.00

Shareholding Statistics

As At 13 March 2017

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 13 March 2017, 20.55% 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.

MAJOR SHAREHOLDERS LIST – TOP 20 AS AT 13 MARCH 2017

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.	DBS Nominees Pte Ltd	3,144,000	2.00
4.	Phillip Securities Pte Ltd	2,600,100	1.66
5.	ABN AMRO Clearing Bank N.V.	1,104,600	0.70
6.	Ng Hock Kon	1,100,000	0.70
7.	CIMB Securities (Singapore) Pte Ltd	985,501	0.63
8.	Hong Leong Finance Nominees Pte Ltd	880,000	0.56
9.	FSK Investment Holding Pte. Ltd.	800,400	0.51
10.	SKMC Private Ltd	800,000	0.51
11.	Kong Kok Choy	736,000	0.47
12.	Maybank Kim Eng Securities Pte Ltd	632,500	0.40
13.	Citibank Nominees Singapore Pte Ltd	591,300	0.38
14.	Tang Kay Heng	585,000	0.37
15.	Raffles Nominees (Pte) Ltd	533,700	0.34
16.	United Overseas Bank Nominees Private Limited	520,900	0.33
17.	Cheong Poh Hua	524,000	0.33
18.	Seah Teng Teng	430,000	0.27
19.	OCBC Securities Private Ltd	405,800	0.26
20.	OCBC Nominees Singapore Private Limited	331,800	0.21
		140,814,601	89.58

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, 21 April 2017 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **[Resolution 1]**

2. To declare a final dividend (tax exempt one-tier) of S$0.02 per ordinary share ("**Final Ordinary Dividend**") and a special final dividend (tax exempt one-tier) of S$0.01 per ordinary share ("**Special Final Ordinary Dividend**") for the financial year ended 31 December 2016 (2015: Final Ordinary Dividend of S$0.01 per ordinary share and a Special Final Ordinary Dividend of S$0.01 per ordinary share (both tax exempt one-tier)). **[Resolution 2]**

3. To re-elect the following Directors of the Company, retiring pursuant to Regulation 91 of the Constitution of the Company:

   (i) Dr Allan Yap **[Resolution 3]**
   (ii) Madam Cheong Poh Hua **[Resolution 4]**

   [See Explanatory Note (1)]

4. To re-elect Mr Lee Po On, Mark, a Director of the Company, who will retire pursuant to Regulation 97 of the Constitution of the Company and who, being eligible, offer himself for re-election.

   [See Explanatory Note (2)] **[Resolution 5]**

5. To approve the payment of Directors' fees of S$192,135 for the financial year ended 31 December 2016. (2015: S$175,000) **[Resolution 6]**

6. To approve the payment of Directors' fees of S$189,000 for the financial year ending 31 December 2017 to be paid half yearly in arrears.

   [See Explanatory Note (3)] **[Resolution 7]**

7. To re-appoint KPMG LLP as Auditors and to authorise the Directors of the Company to fix their remuneration. **[Resolution 8]**

8. 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:

9. **Authority to issue shares**

   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 capital of 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

   (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 this 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 Constitution of the Company; and

(4) unless revoked or varied by the Company in general meeting, the Share Issued 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 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, whichever is earlier

[See Explanatory Note (4)] **[Resolution 9]**

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE FOR FINAL ORDINARY DIVIDEND AND SPECIAL FINAL ORDINARY DIVIDEND

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 2017 for the purpose of determining the entitlements to the Final Ordinary Dividend and Special Final Ordinary Dividend to be proposed at the Annual General Meeting ("**AGM**") of the Company to be held on 21 April 2017.

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 2017 will be registered to determine members' entitlements to the said Final Ordinary Dividend and Special Final Ordinary Dividend. Members whose Securities Account with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 4 May 2017 will be entitled to the proposed Final Ordinary Dividend and Special Final Ordinary Dividend.

The proposed payment of the Final Ordinary Dividend and Special Final Ordinary Dividend, if approved by the members at the AGM to be held on 21 April 2017, will be made on 15 May 2017.

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
Singapore

6 April 2017

Notice of Annual General Meeting

Explanatory Notes:

1. Resolutions 3 and 4 - Dr Allan Yap will, upon re-election as the Director of the Company, remain as the Executive Chairman of the Company. Madam Cheong Poh Hua will, upon re-election as the Director of the Company, remain as the Executive Director and a member of the Risk Management Committee.

2. Resolution 5 - Mr Lee Po On, Mark will, upon re-election as the Director of the Company, remain as the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee and Nominating Committee respectively, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

3. Resolution 7 is to allow the Company to pay Directors' fees to all Non-Executive Directors in arrears on a half yearly basis for the financial year ending 31 December 2017. In the event that the amount of the Directors' fee proposed is insufficient, approval will be sought at the next year's annual general meeting for payments to meet the shortfall.

4. Resolution 9, 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.

Notes:-

1. A Member of the Company (other than a Relevant Intermediary*) is entitled to attend and vote at the Annual General Meeting (the **"Meeting"**) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, **M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 not less than forty-eight hours** before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By submitting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) 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 or service providers), 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 or service providers) 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)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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

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

and/or*

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

or failing him/her*, the Chairman of the Meeting, as my/our* proxy/proxies* to attend and 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, 21 April 2017 at 2.00 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.

(Voting will be conducted by poll. Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Declaration of a Final Ordinary Dividend and a Special Final Ordinary Dividend for the financial year ended 31 December 2016		
3.	Re-election of Dr Allan Yap as Director pursuant to Regulation 91		
4.	Re-election of Madam Cheong Poh Hua as Director pursuant to Regulation 91		
5.	Re-election of Mr Lee Po On, Mark as Director pursuant to Regulation 97		
6.	Approval of Directors' fees amounting to S$192,135 for the financial year ended 31 December 2016		
7.	Approval of payment of Directors' fees amounting to S$189,000 for the financial year ending 31 December 2017 to be paid half yearly in arrears		
8.	Re-appointment of KPMG LLP as Auditors of the Company		
	Special Business:		
9.	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 ________________ 2017

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

____
Signature of Member(s) or, Common Seal
* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

(1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

(2) A member of the Company (other than a Relevant Intermediary*), 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 (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

(4) A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

(5) Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

(6) The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, **M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 not less than forty-eight hours** before the time appointed for the Meeting.

(7) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

(8) A corporation which is a member may authorize by 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 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

(9) An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS nvestors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 6 April 2017.

GENERAL

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 seventy-two hours before the time appointed for holding the Meeting, as certified by the Central Depository (Pte) Limited to the Company.

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