

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
RECEIVED FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING**

The Board of Directors of Tat Seng Packaging Group Ltd (the “**Company**”) refers to the publishing of its annual general meeting related documents on the SGXNET on 22 May 2020. As at 10.00 a.m. on 12 June 2020, the Company has received the following questions from the shareholders and the Company wishes to provide its responses as follow:-

1. What is the main reason for the decline of the revenues in 2019?

Revenue of the Group reduced by 13.4% to S\$288.6 million in FY2019 as compared to S\$333.3 million in FY2018. Geographically, total revenue of Singapore entities in FY2019 increased by 4.0% from S\$45.0 million in FY2018 mainly due to higher demand from customers. Meanwhile, total revenue of China’s operations for the year reduced by 16.1% in the Group’s reporting currency (SGD) as a result of competitive selling prices and weakening of Renminbi (RMB) against SGD as compared to FY2018. Nevertheless, total sales volume (sqm) of China’s operations rose by 3.2% against the previous year.

(Refer to page 2 of AR2019 <Financial Highlights FY2019>)

2. What is the utilisation rate of the new Nantong plant?

The Management’s view is that it should not be disclosed in light of the commercial sensitivity. However, the Management will use its best effort to optimise its plant utilisation.

3. What was the impact of the lockdown in China and the circuit breaker (“CB”) in Singapore on the business in 2020?

Our China's operations have gradually resumed its production since February 2020 after the extended holiday break of Chinese New Year. Although most of our China’s customers have resumed business operation by April 2020, we are still cautious on its impact especially on customers' business that depend on exporting as the global markets are greatly impacted by the widespread of COVID-19 pandemic.

During the annual meeting of the National Committee of the Chinese People’s Political Consultative Conference and National People’s Congress, which is known as the "Two Sessions", were held in Beijing in May 2020. The China government has unveiled measures to support the businesses riding out the storm amid the COVID-19 outbreak in order to recover its economy, and thus improving the market demand for corrugated packaging as well.

Singapore government has implemented CB measures on 7 April, 2020, which have indeed affected many local enterprises. However, our Singapore’s entities were able to continue the operation to support its essential customers after our application as "essential services" was approved by the authorities. The outlook of Singapore's entities will still depend on the development of the global pandemic of COVID-19 and the reopening schedule of our customers in resuming their business activities.

In view of the above-mentioned challenges, it is very difficult to determine and quantify the impact at this time due to the evolving situation of COVID-19. Nevertheless, with a sound balance sheet, the Group is well-positioned to overcome this challenging period and is confident of its business sustainability in the long term. The Group will proactively implement measures in mitigating the potential impact and take precautionary measures to safeguard the health and safety of our employees, while complying with directives from the relevant local authorities.

The Group will keep shareholders informed of any material impacts as and when they arise.

4. What are the initiatives to reduce the operating costs and preserve the cash?

As there is no significant impact or disruption on any of our factories' operation as at to-date, we will carry out our business strategies as usual. We would also like to assure shareholders that the Management always aims to enhance the Group's business performance and its business sustainability by executing the improvement strategies in terms of cost management, enhancing operational efficiency and boosting productivity.

The Group has a healthy balance sheet and sufficient credit lines to support and finance the Group's operation and its investment activities. In view of the uncertain business environment due to the global COVID-19 pandemic, the Management will cautiously manage the cash flow and operating costs of the Group so as to preserve the shareholders' value.

5. When will the new Hefei plant be commissioned?

Our Hefei plant is still awaiting approval from the relevant authority for the transfer of land title. As at to-date, besides the purchase of land at about RMB3.77 million, there is no other capital commitment entered into for the building of new factory. Therefore, we do not expect the new Hefei plant to be commissioned in the near term.

(Refer to Company's announcement that published on SGXNet dated on 16 July 2019)

6. The company has chosen to pay out a total of 2 cents dividend this year, which is the amount it has last paid in 2015. However, the results in 2019 was much better than in 2015. May I know the reason for the decision? What would be the company's dividend policy going forward?

In view of the uncertain business condition due to COVID-19 outbreak, the Board recommended a final dividend of 1 cent for FY2019 that is consistent with the Company's objective.

The frequency, form, and amount of any dividend to be declared are not fixed and are dependent on the Group's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate.

(Refer to page 36 of AR2019 < Dividend Policy >)

7. Could the management provide an update on how many days the factories in China and Singapore has stopped work?

As mentioned in Q3, our China entities had progressively resumed operation since February 2020 after the extended holiday break of Chinese New Year. Our Singapore's entities have not stopped work and are able to continue the operation to support its essential customers.

8. Is there a difference in the maximum output possible in 2019 compared to 2018? What's the company's production output in Q4 2019?

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

9. Capex has been 10 million in 2019 and 30 million in 2018. What is the management's projected/intended capex for 2020?

The average Capex (excluding investment of new plant) of last 5 years is approximately in the range of S\$8 million to S\$10 million per year. It is our business strategies to continue to invest in new machineries with advance technology and upgrade existing machineries in order to enhance our production efficiency and product quality. It will also ensure that we maintain our competitive edge and the long-term sustainability for both Singapore and China's operations.

10. The company's Suzhou plant was awarded the 2019 年度苏州市工业设计中心. Could the management share what the award is about and how it could benefit the company?

Our Suzhou plant has been accredited as a High and New Technology Enterprise (“HNTe”) since FY2011. The local government awarded the 2019 年度苏州市工业设计中心 so as to recognise the continued efforts and the R&D capabilities of our Suzhou plant. This recognition helps to enhance the reputation of our Suzhou plant.

11. The company's share price has fallen to a 5 year low of 26.5 cents in March 2020. However, there has been no adding of shares by the management, is this an indication that the shares are still over-valued at 26.5 cents which is far below the book value of 85.3 cents at 31 December 2019? In lieu of the company's gearing ratios becoming healthier, could the management consider proposing a share buyback mandate?

The movement in share price is affected by many market factors which are not within the control of the Company.

If the Company decides to propose a share buyback mandate, it will make the necessary announcement and seek Shareholders' approval in accordance to SGX requirement.

BY ORDER OF THE BOARD

Chew Kok Liang / Siau Kuei Lian
Joint Company Secretaries

17 June 2020