TAT SENG

REACHING HIGHER

ANNUAL REPORT 2009

Contents

OUR MISSION

To be the preferred corrugated products supplier.

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

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

EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am delighted to report that the financial year ended 31 December 2009 ("FY2009") was indeed a year of milestone developments for the Tat Seng Packaging Group Ltd.

Dr Allan Yap
Executive Chairman

Two significant achievements made FY2009 a memorable year for the Group. Firstly, despite the global economic downturn in 2009 and the fact that Singapore's economy was in the negative territory at -2.0% growth, we are very pleased that the Group's performance bucked the trend with Group turnover surpassing the S$100 million mark. Secondly, we enlarged our business footprint in the People's Republic of China ("PRC") through our strategic acquisition of a 70% stake in Nantong Hengcheng Paper Industry Co., Ltd. ("Hengcheng"), a manufacturer and distributor of corrugated paper boards with operations in Nantong City, Jiangsu Province, PRC.

EXPANDING OUR PRC FOOTPRINT

As part of our long-term growth strategy, our wholly-owned subsidiary, Tat Seng Packaging (Suzhou) Co., Ltd. ("Tat Seng Suzhou"), bought a 70% equity interest in Hengcheng and also injected capital into the company for a total consideration of RMB21 million (S$4.42 million). The acquisition of Hengcheng provides the Group with a strategic platform to increase its market share in the PRC and to tap into business opportunities in Nantong.

As part of its expansion plans, Hengcheng, via its subsidiary Nantong Tat Seng Packaging Co., Ltd. ("Nantong Tat Seng"), will be completing the purchase of a parcel of land measuring 26,586.44 square metres and building a factory on the land. In addition, it will be purchasing a production line for the manufacture of corrugated paper boards, as well as ancillary machinery and equipment.

The cost of building the factory, as well as purchasing the production line and ancillary machinery and equipment, will amount to RMB25.1 million (S$5.16 million). To achieve production effectiveness and efficiency, Nantong Tat Seng also plans to buy other production machinery and equipment at an estimated cost of RMB4.0 million (S$823,000).

FINANCIAL REVIEW

With the global financial crisis taking its toll on Asian economies in the early part of 2009, coupled with generally sluggish export demand for electronic products, demand for our Group's products was initially expected to decline.

Despite the initial uncertainty, the Group's turnover in FY2009 increased by 17.65% or S$17.01 million from S$96.35 million to S$113.36 million. This revenue breakthrough (surpassing S$100 million) was attributed mainly to the inclusion of the full-year sales of United Packaging Industries Pte. Ltd. ("UPI"), as well as sales contribution from Hengcheng. If UPI's sales contribution in FY2008 were to be annualised, the Group would have recorded a 3.75% growth in turnover.

The operating environment during the first quarter of FY2009 was challenging. The Group experienced pricing pressures as our customers sought price reduction from suppliers as part of their overall cost-cutting measures. At the same time, material cost did not ease significantly.

To mitigate these challenges, our business strategy was refined by refocusing on the China market where our customers are more domestic-oriented. We also embarked on an "alliance" strategy with an industry player which was in the midst of scaling down its operations by handling all its existing customers from its operations in Singapore. This 'win-win' arrangement facilitates the progressive and graceful withdrawal of this player from the market with minimum impact.

On the cost front, we adopted a slew of cost-cutting measures in Singapore. Wages were frozen amidst the implementation of a shorter work week during the first few months of FY2009. These efforts, together with the bulk procurement of materials which helped to lower the cost of paper roll, enabled the Group to tighten the overall cost structure. Hence, FY2009 saw the Group's cost of sales increasing by a modest 10.36% to S$88.68 million.

As a result, the Group's gross profit margin increased from 16.6% in FY2008 to 21.77% in FY2009.

Other income reduced by S$0.2 million as compared to the previous corresponding period, due mainly to the exchange gain in previous year.

The increases in distribution and selling expenses as well as general and administrative expenses of S$1.92 million and S$1.38 million respectively, were in line with the higher turnover registered by the Group.

On the back of increased turnover and a slower rise in costs, the Group was able to achieve a Group profit before tax of S$9.49 million, up S$5.97 million or 169.77% over FY2008. Similarly, Group profit after tax jumped by 165.04% to S$7.89 million from S$2.98 million recorded in the previous financial year.

BUSINESS REVIEW

Singapore Operations

In the year under review, our two Singapore-based subsidiaries, Tat Seng Packaging and UPI, contributed total sales of S$36.56 million or 32.25% to Group turnover. On a year-on-year basis, revenue from Singapore operations increased 22.14%, which is noteworthy considering the slow start and declining sales of more than 30% in the first quarter of 2009. By reacting quickly with a host of operational measures, the Group was able to address challenges of the situation quickly. This enabled the Singapore operations to remain on an even keel and stay profitable.

China Operations

Once again, our China operations continued to be the major contributor to the Group in terms of revenue and profit. In FY2009, sales from our China operations grew 15.63% from S$66.42 million to S$76.80 million, which also constitutes 67.75% of Group turnover.

A key highlight of our China operations in FY2009 was our expansion efforts with the acquisition of 70% stake in Hengcheng which commands approximately 8% market share of Nantong City.

In July 2009, Tat Seng also entered into a non-binding Memorandum of Understanding with Shandong Weihei New Industrial District Administration Committee of PRC to build a corrugated plant for production of corrugated boards, cartons and other packaging products in the Shandong Weihei New Industrial District. The Group is expected to make an investment of US$20 million over a certain number of years.

FY2009 saw our China plants busy gearing up their production capabilities to meet customers' requirements. For instance, our Suzhou plant has developed three new products - six-ply combined corrugated boards, water-resistant coated

Group turnover surpass(ed) the S$100 million mark... we enlarged our business footprint in the People's Republic of China through our strategic acquisition of a 70% stake in Nantong Hengcheng Paper Industry Co., Ltd...

paper and heavy-duty corrugated cartons with a load weight of eight tons.

We are indeed pleased to note that our subsidiary Tat Seng Suzhou was awarded the "Certificate of Utility Model Patent" by the PRC State Intellectual Property Office, as well as the "Certificate of High Technical Enterprise" by the Suzhou City Science Technical Board.

Our Suzhou plant made use of its resource capability to produce "higher technical requirement" products so that it is able to achieve a 9.4% capacity growth in the highly competitive Hua Dong market in Jiangsu province.

Riding on the rapid economic development of Central-West region of China, Hefei has become the production base of home electrical appliances for PRC consumers in that region. Capitalising on the growth opportunities in this region, and leveraging on its enlarged production space, our subsidiary, Hefei Dansun Packaging Co., Ltd. ("Hefei Dansun"), has improved its production efficiency and sales capabilities during the year under review. As a result, it has become the main supplier of three major consumer electronics manufacturers – Gree Electric Appliance Inc. of Hefei, Midea Electric Appliance Co. and Hefei Changhong Meiling Electric Appliance Co..

To cater to future market needs, Hefei Dansun has invested in capital expenditure and enhanced its production capabilities. For instance, it has installed three auto splicers and one auto stacker at a 1.8 m corrugator machine. All these are expected to improve the corrugator production capacity by 8%.

To enhance the production flow, it has installed a roller conveyor system to speed up the transfer of semi-finished goods between the work stations. In the fourth quarter of FY2009, Hefei Dansun also installed a model 2232 three-color flexographic printing machine which can print large-sized cartons needed for the packing of refrigerators. This investment will position and prepare Hefei Dansun to be the preferred carton supplier to meet the packaging needs of refrigerator manufacturers.

FORGING AHEAD

In the current financial year, there have been signs that the world economy is pulling itself out of the doldrums. Asia, with China spearheading economic growth, is leading the world on a journey of economic recovery. Singapore's economy has bounced back since the fourth quarter of 2009 and is forecast to grow between 4.5% - 6.5% in 2010. China's GDP is set to grow 9.5% this year, led by real estate investment and rising consumption.

The Singapore market for paper packaging continues to consolidate and we expect our growth in 2010 to be fragile amidst much uncertainty clouding the market.

Moving forward, the Group expects to generate revenue growth through expansion within the existing plants, construction of new plants, tapping on the alliance strategy with industry peers and via acquisitions.

In Singapore, the Group is constantly exploring ways to streamline the production process and to achieve effective synergy within the Group. For instance, we have reviewed the system needs in 2009 and will be introducing UPI onto the proposed CIM system written in SQL in 2010. This integrated IT system is expected to be robust enough to serve the Group's needs, both current and future. When fully implemented, it will allow the Group to share resources and enable Management to review the Group's operational results at greater speed and accuracy for better decision-making.

In China, the Group will be establishing an operational headquarters based in Tat Seng Suzhou, with the objective of sharing the common resources of the four China plants, streamlining operations, tightening internal controls and facilitating better communication within the Group.

Nantong Tat Seng is all poised for expansion, and by March 2010, would have completed the purchase of the land. The proposed plant is scheduled to be operational by September 2010 so as to enable the Group to capitalise on the growth potential in this market segment. Given its relatively low investment and expected to achieve operational efficiency, the new Nantong Tat Seng plant is intended to achieve cost leadership and deliver price-driven products to its customers in Nantong.

Financially, the Group is on robust footing, with a positive net cash position and a strong balance sheet. We will continue to leverage on our strengths, to grow our business in this particular market segment.

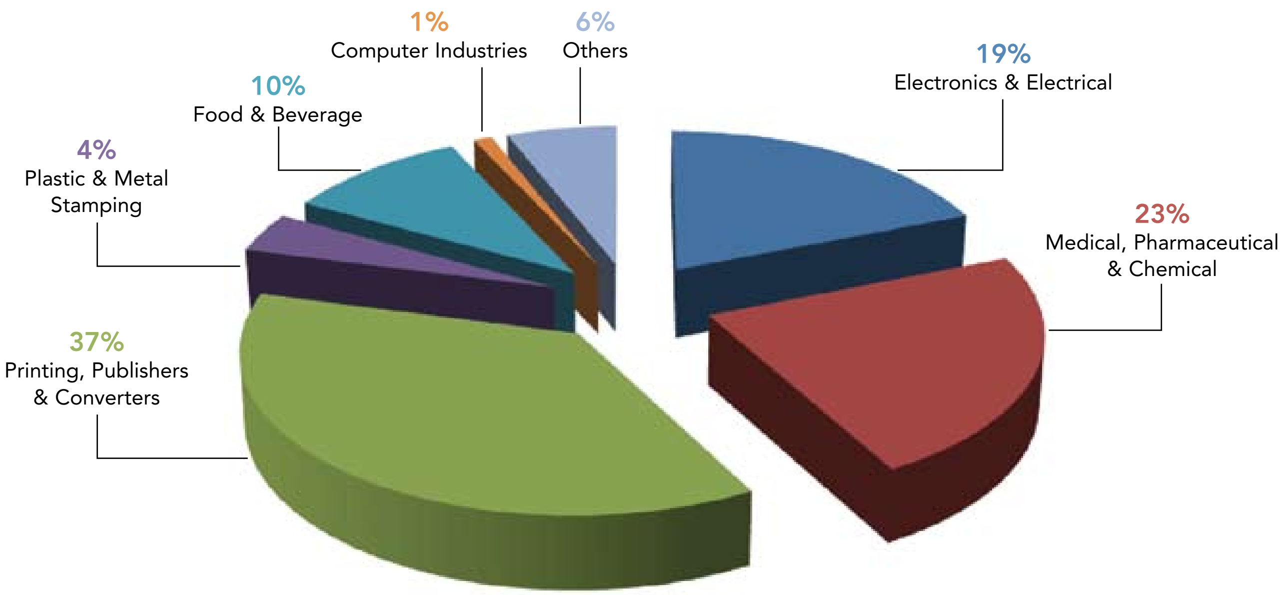
ACKNOWLEDGEMENTS

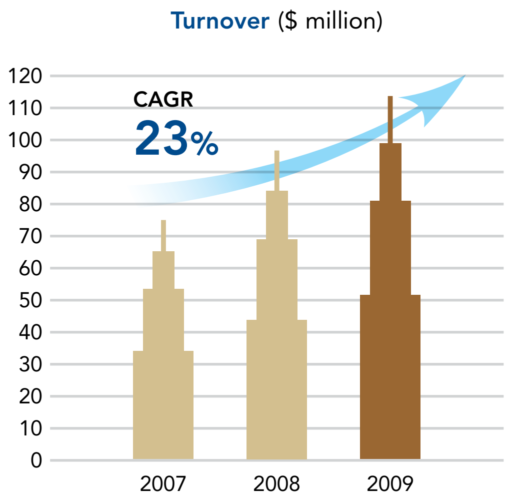
On behalf of the Board of Directors, I wish to take this opportunity to thank our management and staff for their hard work and dedication. Kudos is also due to our customers, business partners and suppliers for their continued patronage and support. We sincerely hope that together, we can further cement our partnership and work towards achieving the goal of being the preferred corrugated products supplier in Singapore and China.

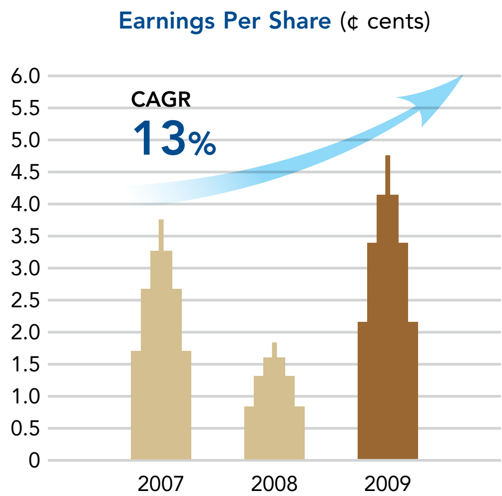
Dr Allan Yap
Executive Chairman

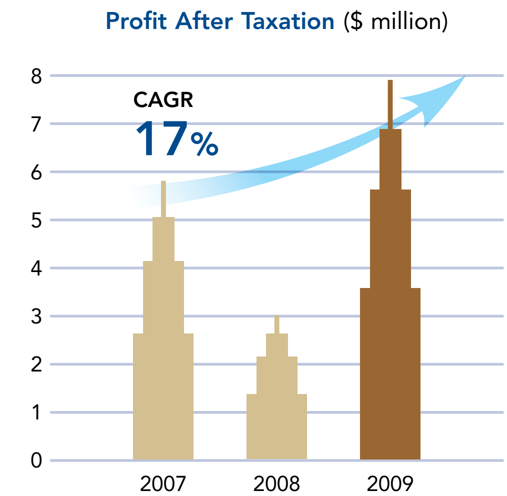
FINANCIAL HIGHLIGHTS

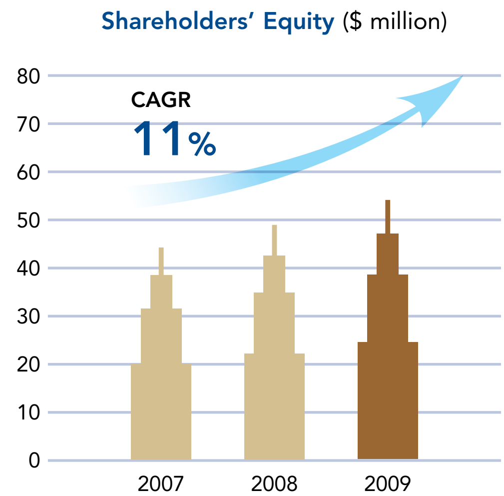
Sales Analysis by Customer Sector for 2009











BOARD OF DIRECTORS

1. Dr Allan Yap
2. Dr John Chen Seow Phun
3. Loh See Moon
4. Foo Der Rong
5. Cheong Poh Hua
6. Chee Teck Kwong Patrick
7. Lien Kait Long
8. Kuik See Juan

Dr Allan Yap
Executive Chairman

Dr Allan Yap was appointed as an Executive Chairman of our Group on 21 November 2005. His portfolio includes 27 years of experience in finance, investment and banking. Dr Yap is also the Executive Chairman of PSC Corporation Ltd and Intraco Limited. He is an Executive Director of Wing On Travel (Holdings) Limited and the Chairman of Hanny Holdings Limited, both of which are Hong Kong-listed companies. He is also the Chairman of MRI Holdings Limited, an Australian-listed company and the Chairman of China Enterprises Limited, a company whose shares are traded on the OTC Securities Market in the United States of America. Dr Yap is the Chairman and Chief Executive Officer of Burcon NutraScience Corporation, a Canada-listed company. He received an Honorary Degree of Doctor of Laws from the University of Victoria, Canada.

Dr John Chen Seow Phun
Deputy Chairman

Dr John Chen Seow Phun joined our Group on 21 November 2005 as a Non-Executive Director and was concurrently appointed as a Deputy Chairman of our Board. Dr Chen was a Member of Parliament from 1988 to 2006. He served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. He was a Minister of State from 1997 to 2001. He is presently the Managing Director of JCL Business Development Pte Ltd, the Chairman of SAC Capital Private Limited, the Deputy Chairman and Non-Executive Director of PSC Corporation Ltd and sits on the Board of a number of publicly listed companies. 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.

Loh See Moon
Managing Director/Chief Executive Officer

Mr Loh See Moon was appointed as the Managing Director/ Chief Executive Officer of our Group on 21 November 2005. Prior to his current appointment, Mr Loh was the Deputy Managing Director of our Group. He was appointed as an Executive Director and concurrently as the Factory Manager of our Company in 1977. In 1981, he was promoted to the position of General Manager. In 1989, he was appointed as the Deputy Managing Director. Mr Loh graduated from Nanyang University in 1971 with a Bachelor of Science Degree. He has more than 30 years of experience in the corrugated products industry.

Foo Der Rong
Executive Director

Mr Foo Der Rong has served as an Executive Director on the Board since 21 November 2005. He holds the position of Managing Director/CEO of PSC Corporation Ltd for the past 7 years, and is presently the Executive Director of Intraco Limited, both Singapore-listed companies.

Mr Foo graduated with a Bachelor of Commerce from Nanyang University. He has a wealth of experience and knowledge in business development, corporate restructuring, investment strategies and operations management in the FMCG, services and manufacturing.

Mr Foo is also active in community service and is the Vice Chairman of Teck Ghee Community Club.

Cheong Poh Hua
Executive Director

Ms Cheong Poh Hua, is an Executive Director of our Group. She joined our Company in September 1981 and was later promoted to Finance and Administration Manager in 1984. Ms Cheong is responsible for all the financial and administrative affairs of our Group. She was appointed as an Executive Director of our Group on 1 July 2002. Between 1978 to 1981, Ms Cheong was an auditor in S.L. Chua & Company. Ms Cheong graduated from Nanyang University in 1978 with a Bachelor of Commerce Degree in Accountancy. Ms Cheong is a non-practising member of the Institute of Certified Public Accountants of Singapore ("ICPAS") and a Fellow member of the CPA Australia.

Chee Teck Kwong Patrick
Independent Director

Mr Chee Teck Kwong Patrick, PBM, was appointed as an Independent Director and Chairman of the Remuneration Committee of our Group on 24 November 2005. Mr Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. He is an Advocate and Solicitor of the Supreme Court of the Republic of Singapore since 1980. He is now a Senior Legal Consultant with KhattarWong.

Mr Chee is a Notary Public and a Commissioner for Oaths. He is a member of both Singapore Institute of Arbitrators and Singapore Institute of Directors. He also sits on the Board of other public listed companies.

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

Lien Kait Long
Independent Director

Mr Lien Kait Long was appointed as an Independent Director of our Group on 24 November 2005 and is also the Chairman of the Audit Committee. He has extensive experience in accounting and finance, corporate management and business investments. He has held a number of senior management positions and executive directorships in various public and private corporations in Singapore, Hong Kong and China.

Currently, he serves as an Independent Director on the boards of several Singapore and Chinese companies listed on the Singapore Exchange. The listed companies that he has present and prior experience in are from diverse industries including manufacturing, telecommunications, offshore and marine, oil and gas service provider, stockist cum trading, textile and food and beverage.

Mr Lien holds a Bachelor of Commerce Degree from Nanyang University, and is a Fellow member of the Institute of Certified Public Accountants of Singapore ("ICPAS") and CPA Australia.

Kuik See Juan
Independent Director

Mr Kuik See Juan was appointed as an Independent Director of our Group on 14 February 2001. He was appointed as Chairman of the Nominating Committee of our Group on 24 November 2005. From 1972 to 1981, he held various senior officer positions with Bank of America NT & SA in Singapore and Jakarta. Thereafter, he spent more than twenty years as executive director in many private and listed public companies as board member during various periods, managing wide ranging businesses in mostly ASEAN countries and China. Currently, he has been appointed as independent director to four other public companies listed on SGX. Since 1969, he has been an Associate Member of the Chartered Institute of Bankers, U.K., known currently as Institute of Financial Services.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Allan Yap	(Executive Chairman)
Dr John Chen Seow Phun	(Deputy Chairman)
Loh See Moon	(Managing Director/ Chief Executive Officer)
Foo Der Rong	(Executive Director)
Cheong Poh Hua	(Executive Director)
Chee Teck Kwong Patrick	(Independent Director)
Kuik See Juan	(Independent Director)
Lien Kait Long	(Independent Director)

AUDIT COMMITTEE

Lien Kait Long	(Chairman)
Chee Teck Kwong Patrick	
Kuik See Juan	
Dr John Chen Seow Phun	

REMUNERATION COMMITTEE

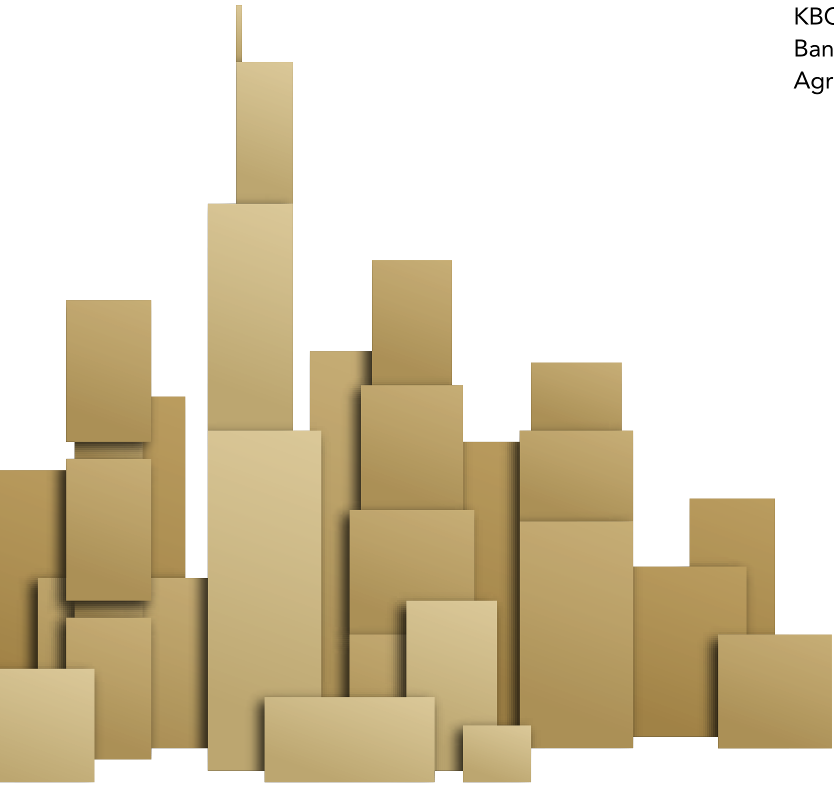
Chee Teck Kwong Patrick	(Chairman)
Kuik See Juan	
Lien Kait Long	

NOMINATING COMMITTEE

Kuik See Juan	(Chairman)
Chee Teck Kwong Patrick	
Lien Kait Long	

COMPANY SECRETARY

Chew Kok Liang



REGISTERED OFFICE

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Singapore 758214
Tel: (65) 6257 5558
Fax: (65) 6754 7953
E-mail: corpsec@tspg.sg
Company Registration Number: 197702806M

REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
8 Cross Street
11-00 PWC Building
Singapore 048424

AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
#18-01 North Tower
Singapore 048583

Partner-in-charge: Daniel Soh
(Since financial year ended 31 December 2009)

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Ltd
Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Huishang Bank Co., Ltd.
KBC Bank N.V.
Bank of Communications Limited
Agricultural Bank of China

CORPORATE REPORTS

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Tat Seng Packaging Group Ltd is committed to achieve a high standard of corporate governance within the Group in line with the recommendations of the Code of Corporate Governance 2005 ("the Code"). This statement outlines the main corporate governance practices that were in place during the financial year ended 31 December 2009.

A. 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 success of the company. The Board works with Management to achieve this and Management remains accountable to the Board.

The Company is headed by a Board of Directors to lead and control its business operations and affairs of the Group. The Board's primary role is to protect and enhance long-term shareholders' value. In addition to its statutory duties, the Board is responsible for the following functions:

(a) reviews and sets the Group's policies, strategic plans and direction;

(b) reviews and approves the funding proposals, annual budgets, major investment and divestment proposals, acquisitions and disposals;

(c) reviews financial performance of the Group;

(d) reviews and endorses the recommended framework of remuneration for the Board and key executives; and

(e) assumes the responsibilities for corporate governance and ensures the Group's compliance with all the laws and regulations that are relevant to the business.

The Board is assisted by three Board Committees namely, the Nominating Committee ("NC"), the Audit Committee ("AC") and the Remuneration Committee ("RC") in carrying out its responsibilities. The roles and functions of these committees are provided for in the latter sections of this Annual Report.

The Board meets at least twice a year with additional meetings convened as and when necessary to address any specific significant matters that may arise. Telephonic attendance, or other communication facilities at Board meetings are allowed under the Company's Articles of Association.

The attendance of Directors at the meetings of the Board and various Board Committees held during the Financial Year 2009 is as follows:

Meetings / Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Dr Allan Yap	2	1	NA	NA	NA	NA	NA	NA
Dr John Chen Seow Phun	2	2	3	2	NA	NA	NA	NA
Mr Loh See Moon	2	2	NA	NA	NA	NA	NA	NA
Mr Foo Der Rong	2	2	NA	NA	NA	NA	NA	NA
Ms Cheong Poh Hua	2	2	NA	NA	NA	NA	NA	NA
Mr Lien Kait Long	2	2	3	3	1	1	1	1
Mr Chee Teck Kwong Patrick	2	2	3	3	1	1	1	1
Mr Kuik See Juan	2	2	3	3	1	1	1	1

NA: Not applicable.

Board Composition and Guidance

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

Currently, the Board consists of eight (8) members, three (3) of whom are Independent Directors. The present composition of the Board complies with the Code's guidelines that Independent Directors make up at least one third of the Board, which is as follows:

(a)	Dr Allan Yap	(Executive Chairman)
(b)	Dr John Chen Seow Phun	(Non-Executive Deputy Chairman)
(c)	Mr Loh See Moon	(Managing Director/ Chief Executive Officer)
(d)	Mr Foo Der Rong	(Executive Director)
(e)	Ms Cheong Poh Hua	(Executive Director)
(f)	Mr Lien Kait Long	(Non-Executive & Independent Director)
(g)	Mr Chee Teck Kwong Patrick	(Non-Executive & Independent Director)
(h)	Mr Kuik See Juan	(Non-Executive & Independent Director)

The Company is led by a competent Board, comprising Directors who as a group, provide with a wide range of experience to control the Company and contribute effectively. The profile of each Director is presented in page 6 and 7 (Board of Directors) of this Annual Report.

Name of Director	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding three years
Dr Allan Yap	Executive Chairman of Intraco Limited Executive Chairman of PSC Corporation Ltd Chairman, Executive Director of Hanny Holdings Limited Executive Director of Wing On Travel (Holdings) Limited Chairman, CEO and Director of China Enterprises Limited Chairman, CEO and Director of Burcon NutraScience Corporation Chairman and Director of MRI Holdings Limited Executive Director of See Corporation Limited	Executive Director of BIG Media Group Limited

CORPORATE GOVERNANCE STATEMENT

Name of Director	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding three years
Dr John Chen Seow Phun	Non-Executive Chairman of Matex International Limited Non-Executive Chairman of Fu Yu Corporation Limited Non-Executive Deputy Chairman of PSC Corporation Ltd Independent Director of Thai Village Holdings Ltd, OKP Holdings Ltd, Hiap Seng Engineering Ltd, Hongguo International Holdings Limited, HLH Group Limited (previously known as PDC Corp Ltd)	Nil
Mr Loh See Moon	Nil	Nil
Mr Foo Der Rong	Executive Director of Intraco Limited Managing Director & Chief Executive Officer of PSC Corporation Ltd	Independent Director of Sino Techfibre Ltd and China Farm Equipment Limited
Ms Cheong Poh Hua	Nil	Nil
Mr Kuik See Juan	Independent Director of Super Coffeemix Manufacturing Limited, China Kangda Food Company Limited, China Farm Equipment Limited, China YuanBang Property Holdings Limited	Nil
Mr Chee Teck Kwong Patrick	Non-Executive Chairman of CSC Holdings Limited Independent Director of Ramba Energy Limited, PSC Corporation Ltd, Singapore Windsor Holdings Ltd, Hengxin Technology Ltd, Hai Leck Holdings Limited and China Infrastructure Holdings Limited	Independent Director of King's Safetywear Limited (Delisted)
Mr Lien Kait Long	Director of China Enterprises Limited Independent Director of PSC Corporation Ltd, 8Telecom International Holdings Co., Ltd., China Jishan Holdings Limited, Memstar Technology Ltd, MRI Holdings Limited, Ocean International Holdings Limited, Falcon Energy Group Limited, Youcan Foods International Limited, CMZ Holdings Ltd and Kian Ho Bearings Ltd Non-Executive Director of Novena Holdings Limited	

The independence of each Director is reviewed annually by the NC which is of the view that the current Board size of eight (8) Directors, three (3) of whom are Independent Directors, is appropriate and facilitates effective decision-making for the Group.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Executive Chairman of the Board and the Chief Executive Officer ("CEO") each has a clear division of responsibilities to ensure an appropriate balance of power, increased accountabilities and greater capacity of the Board for independent decision making. These positions are held by Dr Allan Yap and Mr Loh See Moon respectively.

The Chairman is responsible for leading the Board and ensuring its compliance with the Company's guidelines on corporate governance. The CEO is responsible for the Group's daily operations and plays a leading role in developing the businesses of the Group. In addition, he carries out the strategic plans of the Board and to ensure that the Board is kept abreast of the Group's operations.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

The NC comprises three (3) members, all of whom are Independent and Non-Executive Directors as set out below:

(a) Mr Kuik See Juan (Chairman)
(b) Mr Lien Kait Long
(c) Mr Chee Teck Kwong Patrick

The NC is held at least once a year. The NC has adopted a set of Terms of Reference and its principal functions are inter alia, as follows:

(a) to make recommendations to the Board on all board appointments having regard to the Director's contribution and performance;

(b) to determine annually whether or not a Director is independent, bearing in mind the definition as set out in the Singapore Exchange Limited's Listing Manual on a yearly basis;

(c) to decide whether a Director is able to and has adequately carried out his duties as a Director of the company in particular where the Director concerned has multiple board representations; and

(d) to evaluate and assess the effectiveness of the Board as a whole.

The Company's Articles provide that at least one-third of the Board shall retire annually by rotation at its Annual General Meeting ("AGM") and any newly appointed Director is subject for retirement until the next AGM following his appointment. Retiring Directors are eligible to submit themselves for re-nomination and re-election at regular intervals. The CEO is not subject to retirement by rotation.

The NC has reviewed the independence of each Director for Financial Year 2009 in accordance with the Code's definition of independence and is satisfied that one-third of the Board comprises Independent Directors.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole.

The NC decides on how the Board's performance is to be evaluated annually based on a set of quantitative and qualitative criteria, which includes the financial performance indicators, share price performance and the successful implementation of the strategic plans.

During the Financial Year 2009, the NC has conducted a formal assessment of the Board's performance and all the NC members attended the meeting.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

The Board has a separate and independent access to the senior management of the Group at all times and is informed of all material events and transactions as and when they occur. The Company makes available to all Directors its half year and full year financial results, corporate development and audit reports with all other relevant information. The management also consults with the Board members regularly whenever necessary and appropriate. The Board is furnished with sufficient information within a reasonable period in advance of the Board meetings.

All Directors also have separate and independent access to the advice and services of the company secretary. The company secretary attends the Board meetings and responsible for ensuring the appropriate Board procedures are followed and that applicable rules and regulations are complied with.

B. REMUNERATION MATTERS

Procedures 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 RC comprises solely Non-Executive Directors and all of the three (3) members are also Independent Directors. The RC members are:

(a) Mr Chee Teck Kwong Patrick (Chairman)
(b) Mr Lien Kait Long
(c) Mr Kuik See Juan

The RC carries out duties that include:

(a) to structure a proportion of Executive Directors' remuneration so as to link rewards to group or corporate and individual performance. The performance related elements of remuneration shall form a significant proportion of the total remuneration package of Executive Directors and shall be designed to align their interests with those of shareholders and to give these Directors keen incentives to perform at the highest levels;

(b) to review and recommend to the Board the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired;

(c) to consider the various disclosure requirements for Directors' remuneration, particularly those required by regulatory bodies such as the SGX, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the company and relevant interested parties;

(d) to make recommendations to the Board on the company's framework of executive remuneration, such as senior managers;

(e) to oversee the award of share options and the payment of fees to Non-Executive Directors ("NED") and to ensure, as far as is possible, that the quantum is commensurate with the NED's contribution to the Board and the company; and

(f) to determine and recommend for Board approval the terms of employment and remuneration packages for each Director.

All RC members attended the meeting during the Financial Year 2009. No Directors are involved in deciding their own remunerations.

<u>Level and Mix of Remuneration</u>

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The RC determines the remuneration package of the Executive Directors based on the performance of the Group. Directors' fees payable to Non-Executive Directors are based on contribution, effort, time spent and responsibilities of each individual Director. The Directors' fees paid to the Directors of the Company each year are subjected to the approval of the Company's shareholders at the AGM.

<u>Disclosure on Remuneration</u>

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

The following table reflects the breakdown of the remuneration of the Directors for the Financial Year 2009:

Remuneration Band and Name of Director	Director's Fees' %	Salary/ Allowance %	Bonus/Profit Share %	Benefits-in-kind %	Total %
$500,000 and above					
Mr Loh See Moon	–	52.14	40.05	7.81	100
Dr Allan Yap	–	67.58	32.42	–	100
$250,000 to below $500,000					
Ms Cheong Poh Hua	–	70.75	29.25	–	100
Below $250,000					
Mr Foo Der Rong	–	67.65	32.35	–	100
Dr John Chen Seow Phun	100	–	–	–	100
Mr Lien Kait Long	100	–	–	–	100
Mr Chee Teck Kwong Patrick	100	–	–	–	100
Mr Kuik See Juan	100	–	–	–	100

Note:

Directors' fees are subjected to approval of the shareholders at the forthcoming AGM.

During the financial year ended 31 December 2009, there were no employees of the Group who were immediate family members of any Director or the CEO of the Company and whose remuneration exceeded S$150,000.

CORPORATE GOVERNANCE STATEMENT

C. ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is accountable for the shareholders by presenting the annual financial statements and announcement of the financial results. It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company and the Group's performance, financial position and prospects.

Price sensitive information will be publicly released either before the Company meets with any group of investor or analysis or simultaneous with such meetings. Financial results and annual report are announced and issued within the statutory prescribed periods.

Management provides the AC with the half year and full year results of the Group. The AC reviews the results and recommends them to the Board for approval. The Board approves the results and authorises the release of the results to the SGX-ST and the public via SGXNET.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises the following Non-Executive Directors, most of whom are Independent Directors:

(a) Mr Lien Kait Long (Chairman)
(b) Mr Chee Teck Kwong Patrick
(c) Mr Kuik See Juan
(d) Dr John Chen Seow Phun

The AC has adopted a set of Terms of Reference and meets at least twice a year to perform, inter alia, the following functions:

(a) gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management;

(b) gain an understanding of the current areas of greatest financial risk and how management is managing these effectively;

(c) consider with the internal and external auditors any fraud, illegal acts, deficiencies internal control or other similar issues;

(d) review significant accounting and reporting issues, including recent professional and regulatory pronouncement, and understand their impact on the financial statements;

(e) ask Management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks;

(f) review the effectiveness of the internal audit function;

(g) meet separately with the Director of internal audit to discuss any matters that the committee or auditors believe should be discussed privately;

(h) review the performance of the external auditors;

(i) consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the company;

(j) meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately; and

(k) review and approve interested person transactions subject to the rules prescribed in the provisions of Chapter 9 of the Listing Manual of the SGX-ST and the Act.

The AC has full access to the Management and has full discretion to invite any Director or executive officer to attend AC meetings. It has been given reasonable resources to enable it to discharge its functions appropriately, not limited to investigating any matter within its terms of reference.

In accordance with the Code, the AC has implemented a 'whistle-blowing' policy that provides an effective means for employees to anonymously report any possible improprieties in matters of financial reporting, or other matters that raised by 'whistle-blower' may be investigated and appropriate follow up action taken.

The Audit Committee Guidance Committee issued the Guidebook for AC in Singapore in October 2008. The Guidebook has been distributed to all members of the AC and the Board. Where appropriate, the AC will adopt relevant best practices set out in the Guidebook, which will be used as a reference to assist the Committee in performing its functions.

The AC has reviewed the non-audit services provided by the external auditors and is satisfied that the provision of such services has not affected the independence of the external auditors.

Internal Control

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board believes that the system of internal controls maintained by the management which was in place through the Financial Year 2009 and up to the date of this report is adequate to safeguard the shareholders' investment and the Company's assets, and provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk. The Board noted that no system of internal controls could provide absolute assurance against the occurrence of material error, poor judgement in decisions, human errors, losses, frauds or other irregularities.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

During the Financial Year 2009, the Company's internal audit function was outsourced to Paul Wan & Co. The internal auditors report directly to the Chairman of AC and administratively to the Chairman / CEO of the Group and determine whether the Group's risk management, control and governance processes, as designed by the Company is adequate and functioning in the required manner. The AC will review the adequacy of the function of the Internal Audit on an annual basis.

The AC has reviewed the Internal Auditor's findings and recommendations for improvement, and there was no material internal control weakness found in the processes under review for the financial year ended 31 December 2009.

D. COMMUNICATION WITH SHAREHOLDERS

The Company has followed closely the requirements in the Listing Rules of SGX-ST, in disclosing to shareholders all major development and material information through SGXNET relating to its business and operations. Shareholders are also informed on a timely basis, through:

(a) SGXNET announcement and news releases;

(b) Annual Report prepared and sent to all shareholders;

(c) Notice of AGM, together with explanatory notes on items of special business; and

(d) The Company's website at http://www.tspg.sg at which shareholders can access more information on the Group.

Shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company's business and accounts at the Company's AGMs. The Chairpersons of the AC, NC and RC will be present together with the external auditors at the AGMs to address the queries raised by shareholders.

Shareholders are encouraged to attend the AGM/EGM. The Group also allows a shareholder to appoint one to two proxies to attend a shareholders' meeting and vote on his behalf at all AGMs/EGMs.

E. RISK MANAGEMENT

The Board and management is responsible for monitoring the Group's risk management. They regularly review the Group's business and take necessary steps to identify and highlight areas of significant business risks as well as take the appropriate measures to control and mitigate these risks.

F. DEALING IN SECURITIES

The Group has adopted Rule 1207(18) of the Listing Manual issued by SGX-ST, in relation to dealings in the Company's securities. Directors and employees of the Company are notified that they are prohibited from trading in the Company's shares during the period commencing one month prior to the announcement of the Group's half year and full year results and ending on the date of the announcement of the results.

G. MATERIAL CONTRACTS

Saved as disclosed in the financial statements, there were no material contracts entered into by the Group or any of its subsidiaries involving the interest of the CEO, each Director, or Controlling Shareholders.

H. INTERESTED PERSON TRANSACTIONS

Save as disclosed in the financial statements, there were no interested person transactions with aggregate value of $100,000 or more for the financial year ended 31 December 2009.

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Tat Seng Packaging Group Ltd (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2009.

1. Directors

The Directors of the Company in office at the date of this report are:

Allan Yap – Chairman
John Chen Seow Phun – Deputy Chairman
Loh See Moon – Managing Director/Chief Executive Officer
Foo Der Rong
Cheong Poh Hua
Kuik See Juan
Chee Teck Kwong Patrick
Lien Kait Long

In accordance with Article 91 of the Company's Articles of Association, John Chen Seow Phun, Foo Der Rong and Kuik See Juan shall retire and, being eligible, offer themselves for re-election.

2. Arrangements to enable Directors to acquire shares and debentures

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 object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiary) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Loh See Moon	23,580,000	23,580,000	–	–
Cheong Poh Hua	516,000	516,000	260,000	260,000
Ordinary shares of the ultimate holding company (PSC Corporation Ltd)				
Foo Der Rong	876,750	876,750	–	–
Lien Kait Long	5,530	5,530	–	–
Loh See Moon	3,000	–	–	–

3. Directors' interests in shares and debentures (cont'd)

Name of Director	Direct interest: At the beginning of financial year	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year	Deemed interest: At the end of financial year
Share options of the ultimate holding company (PSC Corporation Ltd)				
Allan Yap	1,000,000	1,000,000	–	–
Foo Der Rong	800,000	800,000	–	–
Loh See Moon	–	400,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

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

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

5. Issue of shares, debentures or options

No shares or debentures or options to take up unissued shares of the Company, and its subsidiaries were issued or granted during the financial year. As at 31 December 2009, no options over the unissued shares of the Company and its subsidiaries were outstanding.

6. Audit committee

The Audit Committee (AC) carries out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the internal and external auditors;
- Reviews the half yearly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

6. Audit committee (cont'd)

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC met with internal and external auditors, without the presence of the Company's Management, at least once a year.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

7. Auditors

Ernst & Young LLP will not be seeking re-appointment at the forthcoming Annual General Meeting. KPMG LLP has been nominated for appointment as auditors for the financial year ending 31 December 2010. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the Board of Directors:

Loh See Moon	Cheong Poh Hua
Director	Director

5 March 2010

STATEMENT BY DIRECTORS

We, Loh See Moon and Cheong Poh Hua, being two of the Directors of Tat Seng Packaging Group Ltd, do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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.

On behalf of the Board of Directors:

Loh See Moon
Director

Cheong Poh Hua
Director

5 March 2010

INDEPENDENT AUDITORS' REPORT

For the financial year ended 31 December 2009

To the members of Tat Seng Packaging Group Ltd

We have audited the accompanying financial statements of Tat Seng Packaging Group Ltd (the Company) and its subsidiaries (collectively, the Group), set out on pages 24 to 76, which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

5 March 2010

BALANCE SHEETS

As at 31 December 2009

	Note	Group			Company	
		2009	2008	As at 1 January 2008	2009	2008
		$	$ (Restated)*	$ (Restated)*	$	$
ASSETS						
Non-current assets						
Property, plant and equipment	4	31,430,422	33,398,529	29,889,586	1,676,837	2,144,987
Intangible assets	5	1,231,497	668,131	653,447	39,000	42,000
Investments in subsidiaries	6	–	–	–	21,989,181	21,989,181
Loans to subsidiaries	7	–	–	–	2,764,411	4,764,411
Investment securities	8	576,000	448,263	1,113,373	576,000	448,263
Deferred tax assets	9	608,811	337,241	246,918	–	–
		33,846,730	34,852,164	31,903,324	27,045,429	29,388,842
Current assets						
Inventories	10	14,928,467	11,261,007	10,915,331	2,429,546	2,766,502
Prepaid operating expenses		292,719	270,256	252,865	21,367	37,178
Trade and bills receivables	11	39,988,007	22,763,214	18,118,607	3,682,824	2,686,198
Other receivables and deposits	12	2,156,643	896,715	1,193,772	74,189	121,623
Loans to subsidiaries	7	–	–	–	1,920,000	1,120,000
Amounts due from subsidiaries	13	–	–	–	1,444,563	724,128
Cash and cash equivalents	14	15,621,683	12,715,193	18,889,396	3,948,253	3,162,046
		72,987,519	47,906,385	49,369,971	13,520,742	10,617,675
TOTAL ASSETS		106,834,249	82,758,549	81,273,295	40,566,171	40,006,517
EQUITY AND LIABILITIES						
Current liabilities						
Deferred capital grant	15	14,819	9,894	2,912	–	–
Income tax payable		1,004,566	512,847	2,031,927	160,854	167,048
Loans and borrowings	16	11,271,582	11,109,789	6,522,780	–	–
Bills payable to banks	17	16,423,295	7,478,003	15,478,658	154,760	82,853
Trade and other payables	18	15,032,489	9,208,746	8,827,059	1,100,205	625,526
Other liabilities	19	4,943,528	3,275,642	2,602,442	2,595,738	1,656,117
		48,690,279	31,594,921	35,465,778	4,011,557	2,531,544
NET CURRENT ASSETS		24,297,240	16,311,464	13,904,193	9,509,185	8,086,131

* *Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2 and Note 39.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS
As at 31 December 2009

	Note	Group 2009 $	Group 2008 $ (Restated)*	Group As at 1 January 2008 $ (Restated)*	Company 2009 $	Company 2008 $
Non-current liabilities						
Deferred capital grant	15	114,192	142,127	72,313	–	–
Deferred tax liabilities	9	810,020	744,541	642,590	205,129	259,123
Loans and borrowings	16	96,704	375,538	–	–	–
		1,020,916	1,262,206	714,903	205,129	259,123
TOTAL LIABILITIES		49,711,195	32,857,127	36,180,681	4,216,686	2,790,667
NET ASSETS		57,123,054	49,901,422	45,092,614	36,349,485	37,215,850
Equity attributable to owners of the parent						
Share capital	20	31,440,000	31,440,000	31,440,000	31,440,000	31,440,000
Retained earnings		15,463,422	10,056,969	7,424,523	4,781,485	5,775,796
Other reserves	21	7,071,448	7,273,835	5,281,137	128,000	54
		53,974,870	48,770,804	44,145,660	36,349,485	37,215,850
Minority interests		3,148,184	1,130,618	946,954	–	–
TOTAL EQUITY		57,123,054	49,901,422	45,092,614	36,349,485	37,215,850
TOTAL EQUITY AND LIABILITIES		106,834,249	82,758,549	81,273,295	40,566,171	40,006,517

** Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2 and Note 39.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2009

	Note	2009	2008
		$	$
			(Restated)*
Revenue		113,360,958	96,352,587
Cost of sales		(88,681,535)	(80,354,409)
Gross profit		24,679,423	15,998,178
Other income	22	540,983	740,481
Distribution and selling expenses		(7,605,695)	(5,684,540)
General and administrative expenses		(7,076,257)	(5,694,864)
Other expenses	23	(381,200)	(941,076)
Finance costs	24	(666,755)	(900,164)
Profit before tax	25	9,490,499	3,518,015
Income tax expense	27	(1,602,479)	(541,904)
Profit for the year		7,888,020	2,976,111
Attributable to:			
Owners of the parent		7,447,316	2,857,638
Minority interests		440,704	118,473
		7,888,020	2,976,111
Earnings per share attributable to owners of the parent (cents per share)			
Basic and diluted	28	4.74	1.82

** Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2009

	Group	
	2009	**2008**
	$	$
		(Restated)*
Profit for the year	7,888,020	2,976,111
Other comprehensive income:		
Foreign currency translation	(839,451)	1,642,719
Available-for-sale financial assets: net movement in fair value reserve	127,946	189,978
Other comprehensive income for the year, net of tax	(711,505)	1,832,697
Total comprehensive income for the year	7,176,515	4,808,808
Total comprehensive income attributable to:		
Owners of the parent	6,776,066	4,625,144
Minority interests	400,449	183,664
	7,176,515	4,808,808

** Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2009

	Share capital (Note 20) $	Retained earnings $	Other reserves (Note 21) $	Equity attributable to owners of the parent, total $	Minority interests $	Equity, total $
Group						
Opening balance at 1 January 2008 – as previously reported	**31,440,000**	**7,146,175**	**8,872,354**	**47,458,529**	**926,392**	**48,384,921**
Effect of change in accounting policy	–	278,348	(3,591,217)	(3,312,869)	20,562	(3,292,307)
Opening balance at 1 January 2008 - as restated*	31,440,000	7,424,523	5,281,137	44,145,660	946,954	45,092,614
Total comprehensive income for the year	–	2,857,638	1,767,506	4,625,144	183,664	4,808,808
Appropriation to statutory reserve fund(Note 21(c))	–	(225,192)	225,192	–	–	–
Closing balance at 31 December 2008	31,440,000	10,056,969	7,273,835	48,770,804	1,130,618	49,901,422
Opening balance at 1 January 2009	31,440,000	10,056,969	7,273,835	48,770,804	1,130,618	49,901,422
Total comprehensive income for the year	–	7,447,316	(671,250)	6,776,066	400,449	7,176,515
Dividends on ordinary shares(Note 38)	–	(1,572,000)	–	(1,572,000)	–	(1,572,000)
Appropriation to statutory reserve fund(Note 21(c))	–	(468,863)	468,863	–	–	–
Acquisition of a subsidiary(Note 29(a))	–	–	–	–	232,040	232,040
Capital contribution arising from additional investment in a subsidiary	–	–	–	–	1,385,077	1,385,077
Closing balance at 31 December 2009	31,440,000	15,463,422	7,071,448	53,974,870	3,148,184	57,123,054

* *Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2 and Note 39.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2009

	Share capital (Note 20) $	Retained earnings $	Other reserves (Note 21) $	Equity, total $
Company				
Opening balance at 1 January 2008	31,440,000	6,034,334	(189,924)	37,284,410
Total comprehensive income for the year	–	(258,538)	189,978	(68,560)
Closing balance at 31 December 2008	31,440,000	5,775,796	54	37,215,850
Opening balance at 1 January 2009	31,440,000	5,775,796	54	37,215,850
Total comprehensive income for the year	–	577,689	127,946	705,635
Dividends on ordinary shares(Note 38)	–	(1,572,000)	–	(1,572,000)
Closing balance at 31 December 2009	31,440,000	4,781,485	128,000	36,349,485

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2009

	Note	2009 $	2008 $ (Restated)*
OPERATING ACTIVITIES			
Profit before tax		9,490,499	3,518,015
Adjustments for:			
Amortisation of deferred capital grant	15, 22	(20,142)	(4,064)
Bad trade debts written off	23	–	10,644
Depreciation of property, plant and equipment	4	3,532,691	3,101,659
Dividend income from investment securities	22	(265,600)	(16,378)
Impairment loss on property, plant and equipment	4	166,451	–
Impairment loss on quoted equity securities	23	–	848,000
Finance cost	24	601,253	849,027
Interest income	22	(72,262)	(164,484)
Net gain on disposal of property, plant and equipment	22	(6,179)	(90,417)
Gain on disposal of quoted equities	22	(61)	(6,113)
Net effect of exchange differences		(538,253)	339,100
Property, plant and equipment written off	23	96,306	6,025
Reversal of write-down of inventories	22	(18,624)	(3,220)
Amortisation of club membership	5	3,000	3,000
Allowance made/(write back of allowance) for doubtful trade receivables	11, 22	21,402	(25,860)
Operating cash flows before changes in working capital		12,990,481	8,364,934
(Increase)/decrease in inventories		(2,357,741)	2,297,327
Increase in trade and other receivables and prepaid operating expenses		(17,473,396)	(4,349,724)
Increase/(decrease) in trade and other payables and other liabilities		14,153,259	(7,505,806)
Cash flows from/(used in) operations		7,312,603	(1,193,269)
Interest paid		(601,253)	(849,027)
Income tax paid		(1,385,125)	(2,197,711)
Net cash flows from/(used in) operating activities		5,326,225	(4,240,007)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		27,315	922,511
Purchase of property, plant and equipment		(1,773,998)	(1,676,558)
Acquisition of a subsidiary, net of cash acquired	29 (a)	(998,230)	–
Acquisition of a business, net of cash acquired	29 (b)	–	(5,075,815)
Proceeds from disposal of quoted equity securities		270	13,200
Interest received		72,262	164,484
Dividend received		265,600	16,378
Net cash flows used in investing activities		(2,406,781)	(5,635,800)

** Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2 and Note 4.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2009

	Note	2009 $	2008 $ (Restated)*
FINANCING ACTIVITIES			
Dividends paid		(1,572,000)	–
Investment in a subsidiary by a minority shareholder		1,385,077	–
Proceeds from loans and borrowings		14,370,014	23,482,241
Repayment of loans and borrowings		(14,196,045)	(19,780,637)
(Increase)/decrease in pledge in cash and bank balances		(314,943)	2,590,803
Net cash flows (used in)/from financing activities		(327,897)	6,292,407
Net increase/(decrease) in cash and cash equivalents		2,591,547	(3,583,400)
Cash and cash equivalents at 1 January		10,658,106	14,241,506
Cash and cash equivalents at 31 December	14	13,249,653	10,658,106

** Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in Note 2.2 and Note 4.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Tat Seng Packaging Group Ltd (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The immediate and ultimate holding company is PSC Corporation Ltd, incorporated in the Republic of Singapore.

The registered office and principal place of business of the Company is located at 28 Senoko Drive, Singapore 758214.

The principal activities of the Company and its subsidiaries (Note 6) are in the manufacture and sales of corrugated paper products and sales of other packaging products. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for available-for-sales financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ("SGD" or "$").

The accounting policies have been consistently applied by the Group except for the change in accounting policy as disclosed in Note 39 in relation to leasehold land and building carried at fair value in prior years. In addition, on 1 January 2009, the Group adopted all the new and revised FRS mandatory for annual financial periods beginning on or after 1 January 2009. The adoption of these FRS does not have a financial impact on the Group.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives
- INT FRS 118 Transfers of Asset from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

The principal effects of these changes are as follows:

FRS 1 *Presentation of Financial Statements* – Revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

Amendments to FRS 107 *Financial Instruments: Disclosures*

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 34 and Note 35 (b) to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 37, including revised comparative information.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 27 *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to FRS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Item	1 July 2009
Revised FRS 103 *Business Combinations*	1 July 2009
Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2009
INT FRS 117 *Distributions of Non-cash Assets to Owners*	1 July 2009
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 *Intangible Assets*	1 July 2009
– Amendments to FRS 102 *Share-based Payment*	1 July 2009
– Amendments to FRS 108 *Operating Segments*	1 July 2009
– Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
– Amendments to INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*	1 July 2009

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Description	*Effective for annual periods beginning on or after*
– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2010
– Amendments to FRS 7 *Statement of Cash Flows*	1 January 2010
– Amendments to FRS 17 *Leases*	1 January 2010
– Amendments to FRS 36 *Impairment of Assets*	1 January 2010
– FRS 39 *Financial Instruments: Recognition and Measurement*	1 January 2010
– Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2010
– Amendments to FRS 108 *Operating Segments*	1 January 2010

Except for the revised FRS 103 and the amendments to FRS 27, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

<u>Revised FRS 103 *Business Combinations* and Amendments to FRS 27 *Consolidated and Separate Financial Statements*</u>

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8 (a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Functional and foreign currency

(a) Functional currency

The Directors have determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment and furniture and fittings are measured at cost less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the asset as follows:

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

Assets under construction and installation-in-progress are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit and loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6 (b).

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets (cont'd)

(b) Other intangible assets

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

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

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

Club membership

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

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the profit and loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.11 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognized in other comprehensive income is recognised in profit and loss.

All regular way purchase and sales of financial assets are recognised or derecognised on the trade date i.e. the date of the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classified the following financial assets as loans and receivables:

- Cash and cash equivalents
- Trade and bills receivables, other receivables and deposits, amounts due from subsidiaries and loans to subsidiaries

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit and loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(b) *Assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies (cont'd)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials – purchase costs on specific identification basis;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. These costs are assigned on a specific identification basis.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.17 Financial liabilities

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2. Summary of significant accounting policies (cont'd)

2.18 Borrowing costs

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

2.19 Employee benefits

(a) *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *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 the income statement when incurred.

(c) *Employee leaves entitlement*

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

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.21 Revenue

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

(a) *Sales of goods*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.22 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2. Summary of significant accounting policies (cont'd)

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Contingencies

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

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(a) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables deferred tax assets and deferred tax liabilities at the balance sheet date was $1,004,566 (2008: $512,847), $608,811 (2008: $337,241) and $810,020 (2008: $744,541) respectively.

(b) *Impairment of available-for-sale financial assets*

The Group classifies certain assets as available-for-sale financial assets and recognises changes in their fair value in equity. When the fair value declines, management exercises judgement based on the observable data relating to the possible events that may have caused the decline in value to determine whether the decline in value is an impairment that should be recognised in the income statement. For the financial year ended 31 December 2009, the amount of impairment loss recognised for available-for-sale financial assets was Nil (2008: $848,000).

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) *Useful lives of plant and equipment*

The cost of plant and machinery for the manufacture of finished goods is depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 10 years. These are common life expectancies applied in the packaging industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the balance sheet date is disclosed in Note 4 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2% (2008: 5%) variance in the Group's profit for the year.

(b) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill, is given in Note 5 to the financial statements.

4. Property, plant and equipment

	At cost						
	Leasehold land and buildings	Plant and machinery	Furniture and fittings	Motor vehicles	Construction in progress	Installation in progress	Total
	$	$	$	$	$	$	$
Group							
Cost :							
1 January 2008 - as restated	14,970,291	40,407,429	1,759,484	613,085	1,408,401	1,057,873	60,216,563
Additions	39,595	1,624,158	202,981	372,912	542,217	142,568	2,924,431
Arising from the acquisition of business(Note 29(b))	–	2,691,000	78,140	3,021	–	–	2,772,161
Disposals/write-offs	–	(957,329)	(92,032)	(369,070)	–	–	(1,418,431)
Reclassification	1,987,785	142,568	–	–	(1,987,785)	(142,568)	–
Net exchange differences	1,037,598	1,413,712	26,377	19,965	37,167	83,446	2,618,265
At 31 December 2008 and 1 January 2009	18,035,269	45,321,538	1,974,950	639,913	–	1,141,319	67,112,989
Additions	145,153	480,403	137,435	125,074	802,168	205,079	1,895,312
Arising from the acquisition of subsidiary (Note 29(a))	–	268,849	57,149	254,491	–	–	580,489
Disposals/write-offs	(3,448)	(921,968)	(8,650)	(48,723)	–	(3,665)	(986,454)
Reclassification	–	200,536	4,543	–	–	(205,079)	–
Net exchange Differences	(421,448)	(538,130)	(12,889)	(12,055)	(25,700)	(31,808)	(1,042,030)
At 31 December 2009	17,755,526	44,811,228	2,152,538	958,700	776,468	1,105,846	67,560,306
Accumulated depreciation and impairment:							
At 1 January 2008 - as restated	2,253,820	25,522,842	1,389,266	413,107	–	747,942	30,326,977
Depreciation charge for the year	708,647	2,225,224	89,007	78,781	–	–	3,101,659
Disposals/write-off	–	(149,476)	(70,375)	(360,461)	–	–	(580,312)
Net exchange differences	171,117	606,423	16,495	8,586	–	63,515	866,136
At 31 December 2008 and 1 January 2009	3,133,584	28,205,013	1,424,393	140,013	–	811,457	33,714,460
Depreciation charge for the year	817,460	2,473,870	107,476	133,885	–	–	3,532,691
Impairment loss	–	–	–	–	–	166,451	166,451
Disposals/write-off	(621)	(829,151)	(6,341)	(29,234)	–	(3,665)	(869,012)
Net exchange differences	(98,607)	(274,257)	(8,191)	(4,136)	–	(29,515)	(414,706)
At 31 December 2009	3,851,816	29,575,475	1,517,337	240,528	–	944,728	36,129,884
Net carrying amount:							
At 31 December 2008	14,901,685	17,116,525	550,557	499,900	–	329,862	33,398,529
At 31 December 2009	13,903,710	15,235,753	635,201	718,172	776,468	161,118	31,430,422

4. Property, plant and equipment (cont'd)

	At cost			
	Plant and machinery $	Furniture and fittings $	Motor vehicles $	Total $
Company				
Cost :				
At 1 January 2008	18,789,062	1,372,949	283,010	20,445,021
Additions	173,885	145,527	320,988	640,400
Disposals/write-offs	(309)	(76,015)	(283,010)	(359,334)
At 31 December 2008 and 1 January 2009	18,962,638	1,442,461	320,988	20,726,087
Additions	2,080	36,840	–	38,920
Disposals/write-offs	(427)	(540)	–	(967)
At 31 December 2009	18,964,291	1,478,761	320,988	20,764,040
Accumulated depreciation:				
At 1 January 2008	16,864,110	1,148,932	254,709	18,267,751
Depreciation charge for the year	565,189	43,198	44,347	652,734
Disposals/write-offs	(247)	(56,131)	(283,007)	(339,385)
At 31 December 2008 and 1 January 2009	17,429,052	1,135,999	16,049	18,581,100
Depreciation charge for the year	399,335	43,094	64,198	506,627
Disposals/write-offs	(232)	(292)	–	(524)
At 31 December 2009	17,828,155	1,178,801	80,247	19,087,203
Net carrying amount:				
At 31 December 2008	1,533,586	306,462	304,939	2,144,987
At 31 December 2009	1,136,136	299,960	240,741	1,676,837

The carrying amount of plant and machinery held under finance leases at the balance sheet date were $672,502 (2008: $773,577). Leased assets are pledged as security for the related finance leases liabilities.

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

	Group	
	2009 $	2008 $ (Restated)
Leasehold land and buildings (at cost)	12,060,722	12,661,698
Plant and machinery	8,565,715	11,717,802
	20,626,437	24,379,500

During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,895,312. In addition, included in other payables (Note 18) is an amount of $121,314 for acquisition of property, plant and equipment.

4. Property, plant and equipment (cont'd)

Impairment of assets

During the financial year, a subsidiary of the Group carried out a review of the recoverable amount of its installation-in-progress as it has not been put into production since they were assembled. An impairment loss of $166,451 (2008: $Nil), representing the write down of these equipments to its recoverable amount was recognised in "Other expenses" (Note 23). The recoverable amount of the equipment was based on their fair value less costs to sell.

5. Intangible assets

	Group			Company
	Goodwill $	Club membership $	Total $	Club membership $
Cost:				
1 January 2008	608,447	95,000	703,447	95,000
Arising from acquisition of a business (Note 29(b))	17,684	–	17,684	–
At 31 December 2008 and 1 January 2009	626,131	95,000	721,131	95,000
Arising from acquisition of a subsidiary (Note 29(a))	547,355	–	547,355	–
Net exchange differences	19,011	–	19,011	–
At 31 December 2009	1,192,497	95,000	1,287,497	95,000
Accumulated amortisation and impairment:				
At 1 January 2008	–	50,000	50,000	50,000
Amortisation	–	3,000	3,000	3,000
As 31 December 2008 and 1 January 2009	–	53,000	53,000	53,000
Amortisation	–	3,000	3,000	3,000
At 31 December 2009	–	56,000	56,000	56,000
Net carrying amount:				
At 31 December 2008	626,131	42,000	668,131	42,000
At 31 December 2009	1,192,497	39,000	1,231,497	39,000

Impairment testing of goodwill

Goodwill arising from business combination has been allocated to the cash-generating units, which are located in Singapore and China. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rates applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flows for a five-year period range from 7% to 10% (2008: 6% to 10%) and 3% to 6% (2008: 3%) respectively.

5. Intangible assets (cont'd)

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Growth rates – The forecasted growth rate is estimated based on past performance and the expectations of market developments relevant to each of the CGU.

Pre-tax discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital to each CGU at the beginning of the budgeted year.

6. Investments in subsidiaries

	Company	
	2009	2008
	$	$
Shares, at cost	21,989,181	21,989,181

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2009 $	2008 $
Held by the Company:				
United Packaging Industries Pte. Ltd. [(1)]	Singapore	Manufacture and sales of corrugated boards, corrugated cartons and other packing products	100	100
Tat Seng Packaging (Suzhou) Co., Ltd. [(2)]	People's Republic of China	Manufacture and sales of corrugated boards, corrugated cartons and other packing products	100	100
Hefei Dansun Packaging Co., Ltd. [(2)]	People's Republic of China	Manufacture and sales of corrugated boards, corrugated cartons and other packing products	80	80
Held through Tat Seng Packaging (Suzhou) Co., Ltd.:				
Nantong Hengcheng Paper Industry Co., Ltd [(2)]	People's Republic of China	Manufacture and sales of corrugated boards	70	–
Held through Nantong Hengcheng Paper Industry Co., Ltd:				
Nantong Tat Seng Packaging Co., Ltd [(2)]	People's Republic of China	Manufacture and sales of corrugated boards	100	–

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by Ernst & Young, Shanghai for group consolidation purposes

7. Loans to subsidiaries

		Company	
		2009	2008
		$	$
Current:			
Loan to Hefei Dansun Packaging Co., Ltd.	(Note A)	720,000	720,000
Loan to United Packaging Industries Pte. Ltd.	(Note B)	1,200,000	400,000
		1,920,000	1,120,000
Non-current:			
Loan to Hefei Dansun Packaging Co., Ltd.	(Note A)	1,980,000	2,880,000
Loan to United Packaging Industries Pte. Ltd.	(Note B)	784,411	1,884,411
		2,764,411	4,764,411

Note A

The loan to Hefei Dansun Packaging Co., Ltd is unsecured, bears interest at 5.5% per annum (2008: 5.5%) and is repayable over a period of 5 years from date of drawdown in 2007. The Company expects to receive $720,000 of loan repayments from this subsidiary in 2010.

Note B

The loan to United Packaging Industries Pte. Ltd. is unsecured, bears interest at 5.5% per annum (2008: 5.5%) and is repayable over 3 years commencing from September 2009.

8. Investment securities

	Group and Company	
	2009	2008
	$	$
Available-for-sale financial assets		
Equity instruments (quoted)	576,000	448,263

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

Impairment loss

In the prior year, the Group recognized an impairment loss of $848,000 reflected the write-down of its carrying value of a quoted equity investment.

Included in the impairment loss of prior year was a reversal from fair value adjustment reserve to income statement amounted to $189,978 (Note 21(a)).

9. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
	2009 $	2008 $ (Restated)	As at 1 January 2008 $ (Restated)	2009 $	2008 $ (Restated)	As at 1 January 2008 $ (Restated)
Group						
Property, plant and equipment	–	–	–	606,741	555,606	488,649
Provisions	(405,532)	(148,306)	(49,163)	–	–	–
Tax value of loss carry forward	–	–	(43,814)	–	–	–
Deferred tax (assets)/liabilities	(405,532)	(148,306)	(92,977)	606,741	555,606	488,649
Set off of tax	(203,279)	(188,935)	(153,941)	203,279	188,935	153,941
Net deferred tax (assets)/liabilities	(608,811)	(337,241)	(246,918)	810,020	744,541	642,590

	Assets		Liabilities	
	2009 $	2008 $	2009 $	2008 $
Company				
Property, plant and equipment	–	–	224,359	291,496
Provisions	(19,230)	(32,373)	–	–
Deferred tax (assets)/liabilities	(19,230)	(32,373)	224,359	291,496
Set off of tax	19,230	32,373	(19,230)	(32,373)
Net deferred tax liabilities	–	–	205,129	259,123

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

Movements in temporary differences during the year.

	At 1 January 2008 $ (Restated)	Recognised in income statement $	Acquisition of a subsidiary $	Exchange Translation differences $	At 31 December 2008 $ (Restated)	Recognised in income statement $	Exchange Translation differences $	At 31 December 2009 $
Group								
Property plant and equipment	488,649	(86,152)	146,783	6,326	555,606	39,579	11,556	606,741
Provisions	(49,163)	(75,333)	(20,365)	(3,445)	(148,306)	(254,544)	(2,682)	(405,532)
Tax value of loss carry forward	(43,814)	44,971	–	(1,157)	–	–	–	–
Total	395,672	(116,514)	126,418	1,724	407,300	(214,965)	8,874	201,209

	At 1 January 2008 $	Recognised in income statement $	At 31 December 2008 $	Recognised in income statement $	At 31 December 2009 $
Company					
Property plant and equipment	380,250	(88,754)	291,496	(67,138)	224,358
Provisions	(45,991)	13,618	(32,373)	13,144	(19,229)
Total	334,259	(75,136)	259,123	(53,994)	205,129

10. Inventories

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Balance sheet:				
Raw materials	12,412,281	8,863,158	1,902,820	2,313,060
Work-in-progress	557,507	436,335	117,544	84,127
Finished goods	1,421,134	1,486,977	234,103	266,143
Goods-in-transit	205,694	104,348	154,760	82,853
Machinery parts	331,851	370,189	20,319	20,319
	14,928,467	11,261,007	2,429,546	2,766,502

	Group 2009 $	Group 2008 $ (Restated)
Income statement:		
Inventories recognised as an expense in cost of sales	88,212,842	80,012,223
Reversal of write-down of inventories	18,624	3,220

The reversal of write-down of inventories was made when the raw materials were used in production and the related finished goods were sold above their carrying amounts.

11. Trade and bills receivables

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Current				
Trade receivables	32,717,030	21,658,301	3,682,824	2,686,198
Bills receivables	7,270,977	1,104,913	–	–
	39,988,007	22,763,214	3,682,824	2,686,198
Other receivables and deposits (Note 12)	2,156,643	896,715	74,189	121,623
Loans to subsidiaries (Note 7)	–	–	1,920,000	1,120,000
Amounts due from subsidiaries (Note 13)	–	–	1,444,563	724,128
	42,144,650	23,659,929	7,121,576	4,651,949
Non-current				
Loans to subsidiaries (Note 7)	–	–	2,764,411	4,764,411
Total current and non-current	42,144,650	23,659,929	9,885,987	9,416,360
Add: Cash and cash equivalents (Note 14)	15,621,683	12,715,193	3,948,253	3,162,046
Total loans and receivables	57,766,333	36,375,122	13,834,240	12,578,406

11. Trade and bills receivables (cont'd)

Trade receivables and bills receivables are non-interest bearing and are generally on 30 – 90 days' and 90 – 180 days' terms respectively. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $5,235,428 (2008: $2,893,586) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2009	**2008**
	$	$
Trade receivables past due:		
Lesser than 91 days	4,588,312	2,680,492
91 to 180 days	204,323	210,112
181 to 365 days	442,793	2,982
	5,235,428	2,893,586

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2009	**2008**
	$	$
Trade receivables – nominal amounts	93,850	78,971
Less: Allowance for impairment	(93,850)	(78,971)
	–	–
Movement in allowance accounts:		
At 1 January	78,971	102,352
Charge/(reversal) for the year	21,402	(25,860)
Written off	(5,836)	–
Exchange differences	(687)	2,479
At 31 December	93,850	78,971

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

11. Trade and bills receivables (cont'd)

Trade and bills receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
- Singapore dollars	7,397,706	7,038,092	3,372,928	2,686,198
- Renminbi	32,243,640	15,492,838	–	–
- US dollars	346,661	232,284	309,896	–
	39,988,007	22,763,214	3,682,824	2,686,198

12. Other receivables and deposits

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Other receivables	290,385	103,361	–	55,471
Advance to suppliers	1,728,426	670,599	–	–
Deposits	137,832	122,755	74,189	66,152
	2,156,643	896,715	74,189	121,623

Other receivables and deposits are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
- Singapore dollars	76,589	122,649	74,189	121,623
- Renminbi	2,080,054	774,066	–	–
	2,156,643	896,715	74,189	121,623

13. Amounts due from subsidiaries

The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and are to be settled in cash.

14. Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Fixed deposits	1,000,000	1,000,000	1,000,000	1,000,000
Cash at banks and in hand	14,621,683	11,715,193	2,948,253	2,162,046
	15,621,683	12,715,193	3,948,253	3,162,046

14. Cash and cash equivalents (cont'd)

Included in cash at banks is an amount of $9,622,804 (2008: $8,305,044) which earns interest at floating rates based on daily bank deposit rates of 0.02% to 0.36% (2008: 0.02% to 0.36%) per annum. Fixed deposits have an average maturity of 7 days (2008: 7 days) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of fixed deposits is 0.09% (2008: 0.91%) per annum.

Included in the cash and bank balances is an amount of $2,372,030 (2008: $2,057,087) pledged to banks for bills payable facilities of subsidiaries (Note 17).

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following as at 31 December:

	Group	
	2009	**2008**
	$	$
Fixed deposits	1,000,000	1,000,000
Cash at banks and in hand	14,621,683	11,715,193
	15,621,683	12,715,193
Cash and bank balances pledged as security for bills payable granted to the Group	(2,372,030)	(2,057,087)
Cash and cash equivalents	13,249,653	10,658,106

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$	$	$	$
- Singapore dollars	5,822,231	4,392,142	3,874,020	3,125,964
- Renminbi	9,677,463	8,225,887	–	–
- US dollars	121,989	97,164	74,233	36,082
	15,621,683	12,715,193	3,948,253	3,162,046

15. Deferred capital grant

	Group	
	2009	**2008**
	$	$
Cost:		
At 1 January	158,300	77,167
Received during the financial year	–	76,172
Exchange differences	(3,658)	4,961
At 31 December	154,642	158,300
Accumulated amortisation:		
At 1 January	6,279	1,942
Amortisation	20,142	4,064
Exchange differences	(790)	273
At 31 December	25,631	6,279
Net carrying amount:		
Current	14,819	9,894
Non-current	114,192	142,127
	129,011	152,021

Deferred capital grant relates to subsidies received for the acquisition of factory building, and plant and machinery by a subsidiary. The grant is amortised to match the depreciation of the related property, plant and equipment acquired. There are no unfulfilled conditions or contingencies attached to this grant.

16. Loans and borrowings

		Group	
	Maturity	**2009**	**2008**
		$	$
Current:			
Obligation under finance leases (secured)	2010	270,181	249,808
Renminbi (“Rmb”) loan A (secured)	2009	–	6,521,501
Rmb loan B (secured)	2010	3,904,652	–
Rmb loan C (unsecured)	2009	–	2,103,710
Rmb loan D (unsecured)	2010	7,096,749	–
SGD trust receipt (unsecured)	2009	–	1,520,589
USD trust receipt (unsecured)	2009	–	714,181
		11,271,582	11,109,789
Non-current:			
Obligation under finance leases (secured)	2011	96,704	375,538
		96,704	375,538

Obligations under finance leases (secured)

These obligations are secured by certain plant & machinery of a subsidiary located in the PRC (Note 4). The average discount rate implicit in the leases is 8.09% (2008: 8.36%) per annum. These obligations are denominated in RMB.

16. Loans and borrowings)(cont'd)

Rmb loan A (secured)

The loan consisted of five loans with different dates of maturity. The weighted average effective interest rate was 7.26% per annum. They were secured by certain leasehold land, building and plant & machinery of subsidiaries located in the PRC. The loans were fully repaid in 2009.

Rmb loan B (secured)

The loan consists of four loans with different dates of maturity. The weighted average effective interest rate is 5.31% per annum. They were secured by certain leasehold land and building of a subsidiary located in the PRC.

Rmb loan C (unsecured)

This loan was repaid on 27 May 2009. The weighted average effective interest rate was 7.84% per annum.

Rmb loan D (unsecured)

This loan consists of three loans with different dates of maturity. The weighted average effective interest rate is 4.18% per annum.

Trust receipts (unsecured <SGD and USD>)

Trust receipts were repaid within four months from the date of borrowing. The trust receipts were unconditionally and irrevocably guaranteed by the Company. The weighted average effective interest rates for trust receipt in SGD and USD are 5.09% and 6.67% per annum respectively.

17. Bills payable to banks

The bills payable of the Company are unsecured and non-interest bearing. The bills payable of the subsidiaries are secured by the leasehold land, certain leasehold buildings, certain plant and machinery, cash and bank balances of the subsidiaries, and are non-interest bearing and mature within 6 months from the financial year end (Note 4, 14 and 30).

18. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade payables	12,996,633	7,385,926	797,894	374,232
Other payables	2,035,856	1,822,820	302,311	251,294
	15,032,489	9,208,746	1,100,205	625,526
Loans and borrowings (Note 16)	11,271,582	11,109,789	–	–
Bills payable to banks (Note 17)	16,423,295	7,478,003	154,760	82,853
Other liabilities (Note 19)	4,943,528	3,275,642	2,595,738	1,656,117
	47,670,894	31,072,180	3,850,703	2,364,496
Non-current				
Loans and borrowings (Note 16)	96,704	375,538	–	–
Total financial liabilities carried at amortised cost	47,767,598	31,447,718	3,850,703	2,364,496

18. Trade and other payables (cont'd)

Trade payables

Trade payables are non-interest bearing and are normally settled on a 60-day terms.

Other payables

Other payables are non-interest bearing and have an average term of six months.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
- Singapore dollars	1,411,339	1,008,640	966,837	553,818
- Renminbi	12,836,506	7,445,807	–	–
- US dollars	773,816	658,263	124,170	29,335
- Others	10,828	96,036	9,198	42,373
	15,032,489	9,208,746	1,100,205	625,526

19. Other liabilities

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Accrued operating expenses	3,399,375	2,587,080	1,881,742	1,327,982
Accrued staff remuneration	1,378,724	571,255	662,454	277,635
Others	165,429	117,307	51,542	50,500
	4,943,528	3,275,642	2,595,738	1,656,117

20. Share capital

	Group and Company	
	2009	2008
	$	$
Issued and fully paid		
At 1 January and 31 December		
- 157,200,000 ordinary shares	31,440,000	31,440,000

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.

21. Other reserves

	Group			Company	
	2009	2008	As at 1 January 2008	2009	2008
	$	$	$	$	$
		(Restated)	(Restated)		
Fair value adjustment reserve	128,000	54	(189,924)	128,000	54
Foreign currency translation reserve	1,182,799	1,981,995	404,466	–	–
Statutory reserve fund	2,015,126	1,546,263	1,321,072	–	–
Capital reserve	3,745,523	3,745,523	3,745,523	–	–
	7,071,448	7,273,835	5,281,137	128,000	54

(a) *Fair value adjustment reserve*

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

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
At 1 January	54	(189,924)	54	(189,924)
Net gain on fair value changes during the year	127,946	–	127,946	–
Impairment loss transferred to income statement (Note 8)	–	189,978	–	189,978
At 31 December	128,000	54	128,000	54

(b) *Foreign currency translation reserve*

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

	Group	
	2009	2008
	$	$
		(Restated)
At 1 January	1,981,995	404,466
Net effect of exchange differences arising from translation of financial statements of foreign operations	(799,196)	1,577,529
At 31 December	1,182,799	1,981,995

(c) *Statutory reserve fund*

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China (PRC), these 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.

21. Other reserves (cont'd)

(c) *Statutory reserve fund (cont'd)*

	Group 2009 $	Group 2008 $
At 1 January	1,546,263	1,321,071
Transferred from retained earnings	468,863	225,192
At 31 December	2,015,126	1,546,263

(d) *Capital reserve*

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

	Group 2009 $	Group 2008 $
At 1 January and 31 December	3,745,523	3,745,523

22. Other income

	Group 2009 $	Group 2008 $
Amortisation of deferred capital grant	20,142	4,064
Gain on disposal of investment securities	61	6,113
Dividend income from investment securities	265,600	16,378
Interest income from fixed deposit and others	72,262	164,484
Insurance compensation	–	119,181
Net gain on disposal of property, plant and equipment	6,179	90,417
Reversal of write-down of inventories	18,624	3,220
Write back of allowance for doubtful trade receivables	–	25,860
Net foreign exchange gain	–	217,987
Others	158,115	92,777
	540,983	740,481

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (Scheme). Under this scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Scheme is for one year, and the Group received its grant income of $331,745 (2008: nil) in four receipts in March, June, September and December 2009.

23. Other expenses

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

	Group	
	2009	2008
	$	$
Net foreign exchange loss	56,286	–
Bad trade debts written off	–	10,644
Impairment loss of property, plant and equipment	166,451	–
Impairment loss on quoted equity securities	–	848,000
Property, plant and equipment written off	96,306	6,025

24. Finance costs

	Group	
	2009	2008
	$	$
Interest expense on bank loans and borrowings	601,253	849,027
Bank charges	65,502	51,137
	666,755	900,164

25. Profit before tax

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

	Group	
	2009	2008
	$	$
		(Restated)
Non-audit fees paid to:		
Auditors of the Company	19,200	9,200
Depreciation of property, plant and equipment (Note 4)	3,532,691	3,101,659
Amortisation of club membership (Note 5)	3,000	3,000
Directors' fees		
- Current year	217,000	168,000
- Under accrued in prior year	6,000	–
Directors' remuneration (Note 31(b))	1,877,463	1,390,007
Operating lease expenses	2,974,412	2,381,548
Employee benefits expense including Directors' remuneration (Note 26)	15,366,495	11,325,175

26. Employee benefits

	Group 2009 $	Group 2008 $
Employee benefits expense (including Directors):		
Salaries and bonuses	13,463,838	10,027,393
Central Provident Fund contributions	1,055,854	721,122
Other short-term benefits	846,803	576,660
	15,366,495	11,325,175

The above includes Directors' remuneration shown in Note 25.

27. Income tax expense

(a) **Major components of income tax expense**

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

	Group 2009 $	Group 2008 $ (Restated)
Statement of comprehensive income:		
Current income tax		
- current income taxation	2,026,923	1,027,093
- overprovision in respect of previous years	(209,479)	(368,675)
Deferred income tax		
- movement in temporary differences	(148,801)	(116,514)
- effect of reduction in tax rate	(55,833)	–
- overprovision in respect of previous years	(10,331)	–
Income tax expense recognised in the income statement	1,602,479	541,904

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

27. Income tax expense (cont'd)

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2009 and 2008 are as follows:

	Group	
	2009	**2008**
	$	$ (Restated)
Profit before tax	9,490,499	3,518,015
Tax at applicable rate of 17% (2008: 18%)	1,613,385	633,243
Adjustments:		
Non deductible expenses	380,171	187,094
Income not subject to taxation	(498,106)	(48,337)
Overprovision in respect of previous years	(219,810)	(368,675)
Effect of partial tax exemption	(47,387)	(22,426)
Effect of reduction in tax rate	(55,833)	–
Tax effect of different tax rate for the subsidiary	496,645	205,975
Others	(66,586)	(44,970)
Income tax expense recognised in the income statement	1,602,479	541,904

28. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent 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 parent 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	
	2009	**2008**
	$	$ (Restated)
Profit net of tax attributable to owners of the parent	7,447,316	2,857,638
	No. of shares	**No. of shares**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	157,200,000	157,200,000

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

29. Business combination and goodwill

(a) Acquisition of subsidiary, Nantong Hengcheng Paper Industry Co., Ltd.

On 30 September 2009, the Company's subsidiary Tat Seng Packaging (Suzhou) Co., Ltd acquired 70% of the voting shares of Nantong Hengcheng Paper Industry Co., Ltd. ("Nantong Hengcheng"), a company based in the People's Republic of China ("PRC") specializing in the manufacture of corrugated paper boards.

The fair values of the identifiable assets and liabilities of Nantong Hengcheng as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Recognised on acquisition $	Carrying amount before combination $
Property, plant and equipment	580,489	580,489
Trade and bills receivables	805,563	805,563
Other receivables and deposits	231,811	231,811
Inventories	1,291,095	1,291,095
Prepaid operating expenses	17,817	17,817
Cash and cash equivalents	90,552	90,552
	3,017,327	3,017,327
Trade and other payables	(1,922,466)	(1,922,466)
Other liabilities	(239,882)	(239,882)
Income tax payable	(81,512)	(81,512)
	(2,243,860)	(2,243,860)
Net identifiable assets	773,467	773,467
Goodwill arising on acquisition (Note 5)	547,355	
	1,320,822	
Minority interests	(232,040)	
Total purchase consideration	1,088,782	

Cost of acquisition

	$
Cash settlement	1,088,782
Total cost of acquisition	1,088,782
Net cash acquired with the subsidiary	90,552
Cash paid	(1,088,782)
Net cash outflow on acquisition	(998,230)

29. Business combination and goodwill (cont'd)

(a) Acquisition of subsidiary, Nantong Hengcheng Paper Industry Co., Ltd. (cont'd)

From the date of acquisition, Nantong Hengcheng has contributed $104,385 to the Group's profit net of tax. If the combination had taken place at the beginning of the financial year, the Group's profit from continuing operations, net of tax would have been $8,112,482 and revenue from continuing operations would have been $120,754,604.

The goodwill of $547,355 arising from the acquisition of Nantong Hengcheng has been reflected under the balance sheets as an intangible asset, and is attributed to the excess of the purchase consideration over the fair value of the tangible net assets acquired.

Provisional accounting of acquisition

Goodwill arising from this acquisition will be adjusted on a retrospective basis when the valuation of the land has been finalised.

(b) Acquisition of business, United Packaging Industries Pte. Ltd.

On 9 May 2008, United Packaging Industries Pte. Ltd.("UPKG") was incorporated with an issued and paid up share capital of $1. On 6 June 2008, the Company entered into an agreement with United Paper Industries Pte. Ltd.("UPI") for the acquisition of certain assets and business of UPI. The effective date of the acquisition is 21 July 2008. The acquired assets and business of UPI is injected into UPKG on 21 July 2008.

The fair values of the identifiable assets and liabilities of UPI as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Recognised on acquisition $	Carrying amount before combination $
Property, plant and equipment	2,772,161	1,956,699
Inventories	2,639,782	2,639,782
Cash and cash equivalents	60,000	60,000
	5,471,943	4,656,481
Other liabilities	(227,394)	(227,394)
Deferred tax liability on fair value adjustment	(126,418)	–
	(353,812)	(227,394)
Net identifiable assets	5,118,131	4,429,087
Goodwill arising on acquisition (Note 5)	17,684	
Total purchase consideration	5,135,815	

29. Business combination and goodwill (cont'd)

(b) Acquisition of business, United Packaging Industries Pte. Ltd.

Cost of acquisition

	$
Costs directly attributable to the acquisition	39,334
Cash settlement	5,096,481
Total cost of acquisition	5,135,815
Net cash acquired with the assets and business of UPI	60,000
Cash paid	(5,135,815)
Net cash outflow on acquisition	(5,075,815)

It is not practicable to disclose the net profit and revenue impact to the Group had the combination taken place at the beginning of the year as the Group has only acquired certain assets and liabilities from UPI and it is not practicable to estimate the allocation of revenue and net profit to the acquired assets prior to the acquisition.

The goodwill of $17,684 arising from the acquisition of certain assets and business of UPI has been reflected under the balance sheets as an intangible asset, and is attributed to the excess of the purchase consideration over the fair value of the tangible net assets acquired. Fair value adjustments amounting to $815,462 and $126,418 were made to the carrying value of property, plant and equipment and deferred tax liability, in arriving at the recognised value of $2,772,161 and $126,418 respectively.

30. Banking facilities

The banking facilities of the Group and of the Company as at the year end were as follows:

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Trade finances	49,564,091	20,729,943	7,000,000	7,000,000
Overdraft facilities	4,000,000	4,000,000	2,000,000	2,000,000
Term loan	11,001,401	15,596,786	–	–
Foreign exchange contracts	4,500,000	4,500,000	2,500,000	2,500,000

The banking facilities of the Company are unsecured.

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).

31. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Sales to related companies	4,676	2,270	4,676	2,270
Interest charged to subsidiary companies	–	–	303,240	246,046

(b) Compensation of key management personnel

	Group	
	2009	2008
	$	$
Short-term employee benefits	1,787,307	1,320,572
Central Provident Fund contributions	21,118	20,473
Other short-term benefits	69,038	48,962
Total compensation paid to Directors of the Company	1,877,463	1,390,007

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

32. Commitments

(a) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain factory equipments, office equipments and leasehold land & properties. These non-cancellable leases have remaining lease terms of between 1 to 37 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.

Future minimum rental payable under non-cancellable operating lease at the balance sheet date are as follows:

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Not later than one year	3,001,535	2,539,841	1,526,474	1,476,613
Later than one year but not later than five years	11,320,889	11,244,635	6,180,637	6,084,811
Later than five years	13,744,663	16,420,703	13,028,101	14,630,961
	28,067,087	30,205,179	20,735,212	22,192,385

32. Commitments (cont'd)

(b) Capital commitments

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$	$	$	$
Capital commitments in respect of purchase of property, plant and equipment	2,724,544	3,681	–	–

(c) **Finance lease commitments**

The Group has finance leases for certain items of plant and equipment. These leases have options to purchase 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:

	Group 2009 $		Group 2008 $	
	Minimum lease payment	Present value of payment (Note 16)	Minimum lease payment	Present value of payment (Note 16)
Not later than one year	283,227	270,181	281,956	249,808
Later than one year but not later than five years	97,587	96,704	391,588	375,538
Total minimum lease payments	380,814	366,885	673,544	625,346
Less: Amounts representing finance charges	(13,929)	–	(48,198)	–
Present value of minimum lease payments	366,885	366,885	625,346	625,346

33. Contingencies

Guarantees

The Group has provided the following guarantees at the balance sheet date:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$	$	$	$
Banker's guarantee issued for lease rental	3,232,569	3,000,000	2,100,000	2,100,000
Guarantees issued for employment of foreign workers	170,000	230,000	170,000	230,000
Letters of credit	30,419	3,660	6,665	3,660
	3,432,988	3,233,660	2,276,665	2,333,660

34. Fair value of financial instruments

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Quoted equity instruments (Note 8): Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Management has determined that the carrying amounts of trade and bills receivables (Note 11), other receivables and deposits (Note 12), loan to subsidiaries (Note 7), amount due from subsidiaries (Note 13), cash and cash equivalents (Note 14), loans and borrowings (Note 16), bills payable to banks (Note 17), trade and other payables (Note 18) and other liabilities (Note 19) based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk, foreign currency risk and market price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's practice that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company'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 subject to interest rate risk.

The Group's financial liabilities at fixed and variable rate are contractually repriced at intervals of 1 to 11 months (2008: 1 to 11 months) from the balance sheet date. The Group's and the Company's financial assets at fixed rate are contractually repriced at intervals of 7 days (2008: 7 days).

35. Financial risk management objectives and policies (cont'd)

(a) ***Interest rate risk (cont'd)***

Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

<u>Sensitivity analysis for interest rate risk</u>

The table below demonstrates the sensitivity to a reasonably possible change in the SGD and Renminbi interest rates, with all other variables held constant, of the Group's profit net of tax (through the impact on interest expense on fixed and variable interest rate loans and borrowings which are repriced on 1 to 12-months interval).

		Group	
	Increase/ decrease in basis points	Effect on profit net of tax $	Effect on equity $
2009			
- Singapore dollar	+ 100	8,000	8,000
- Renminbi	+ 50	(44,000)	(39,000)
- Singapore dollar	- 100	(8,000)	(8,000)
- Renminbi	- 50	44,000	39,000
2008			
- Singapore dollar	+ 100	(1,000)	(1,000)
- Renminbi	+ 50	(39,000)	(34,000)
- Singapore dollar	- 100	1,000	1,000
- Renminbi	- 50	39,000	34,000

(b) ***Liquidity risk***

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

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

At balance sheet date, 99% (2008: 97%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

35. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2009			2008		
	Within 1 year $	1-2 years $	Total $	Within 1 year $	1-2 years $	Total $
Group						
Trade and other payables	15,032,489	–	15,032,489	9,208,746	–	9,208,746
Bills payables to banks	16,423,295	–	16,423,295	7,478,003	–	7,478,003
Bank loans and borrowings	11,545,103	97,587	11,642,690	11,416,047	391,588	11,807,635
Other liabilities	4,943,528	–	4,943,528	3,275,642	–	3,275,642
	47,944,415	97,587	48,042,002	31,378,438	391,588	31,770,026
Company						
Trade and other payables	1,100,205	–	1,100,205	625,526	–	625,526
Bills payable to banks	154,760	–	154,760	82,853	–	82,853
Other liabilities	2,595,738	–	2,595,738	1,656,117	–	1,656,117
	3,850,703	–	3,850,703	2,364,496	–	2,364,496

(c) ***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 and monitoring procedures. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing with reputable counterparties. As at 31 December 2009, the Group's concentration of credit risk by geographical locations is mainly in Singapore and the People's Republic of China ("PRC").

Credit risk concentration profile

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

	2009 $	% of total	2008 $	% of total
Singapore	7,744,367	19%	7,270,375	32%
PRC	32,243,640	81%	15,492,839	68%
	39,988,007	100%	22,763,214	100%

At balance sheet date, approximately 33% (2008: 20%) of the Group trade receivables were due from 5 major customers who are multi-industry conglomerates located in Singapore and PRC.

35. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk (cont'd)***

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (Trade and bills receivables).

(d) ***Foreign currency risk***

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

Foreign currencies received are kept in foreign currency bank accounts and are used to make foreign currency payments so as to minimise the foreign exchange exposure. At the balance sheet date, such foreign currency bank balance (in USD) amount to $121,989 and $74,233 (2008: $97,164 and $36,082) for the Group and the Company respectively.

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.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate (against SGD), with all other variables held constant, of the Group's profit net of tax.

	2009 $ Profit net of tax	**2008 $ Profit net of tax**
USD - strengthened 5% (2008: 5%)	(13,000)	(41,000)
- weakened 5% (2008: 5%)	13,000	41,000

(e) ***Market price risk***

Market price 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 prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity investments. These instruments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for market price risk

At the balance sheet date, if the Straits Times Index had been 2% (2008: 2%) higher/lower with all other variables held constant, the Group's other reserve in equity would have been $26,000 (2008:$26,000) higher/lower, arising as a result of an increase/decrease in the fair value adjustment reserve.

In the prior year, the Group's income statement would have been $26,000 higher/lower.

36. 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 payment 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 2009 and 31 December 2008.

As disclosed in Note 21 (c), a subsidiary of the Group is 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 subsidiary for the financial years ended 31 December 2009 and 31 December 2008.

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, other liabilities, bills payable to banks, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve and the abovementioned restricted statutory reserve funds.

	Group	
	2009	**2008**
	$	$
		(Restated)
Trade and other payables	15,032,489	9,208,746
Bills payable to banks	16,423,295	7,478,003
Loans and borrowings	11,368,286	11,485,327
Other liabilities	4,943,528	3,275,642
Less: Cash and cash equivalents	(15,621,683)	(12,715,193)
Net debt	32,145,915	18,732,525
Equity attributable to owners of the parent	53,974,870	48,770,804
Less: Fair value adjustment reserve (Note 21(a))	(128,000)	(54)
Less: Statutory reserve fund (Note 21(c))	(2,015,126)	(1,546,263)
Total capital	51,831,744	47,224,487
Capital and net debt	83,977,659	65,957,012
Gearing ratio	38%	28%

37. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

37. Segment information (cont'd)

Business segments

The Group has only one principal activity which is the manufacture and sale of packaging products. Accordingly, no segmental reporting by business segments is presented.

Geographical segments

The Group's geographical segments are 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.

Allocation basis and transfer pricing

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.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. As at 31 December 2009 and 2008, there are no transfers between business segments.

	Singapore $	PRC $	Group $
2009			
Revenue:			
Sales to external customers	36,563,240	76,797,718	113,360,958
Segment results	1,613,064	8,544,190	10,157,254
Finance cost			(666,755)
Taxation			(1,602,479)
Net profit for the year			7,888,020
Segment assets	24,003,393	82,222,046	106,225,439
Unallocated assets			608,811
Total assets			106,834,250
Segment liabilities	5,970,955	41,925,654	47,896,609
Unallocated liabilities			1,814,586
Total liabilities			49,711,195
Amortisation of club membership	3,000	–	3,000
Capital expenditure	191,197	1,704,115	1,895,312
Depreciation of property, plant and equipment	854,537	2,678,153	3,532,690
Impairment loss on property, plant and equipment	–	166,451	166,451

37. Segment information (cont'd)

	Singapore $	PRC $ (Restated)	Group $ (Restated)
2008			
Revenue:			
Sales to external customers	29,935,921	66,416,666	96,352,587
Segment results	(751,531)	5,169,710	4,418,179
Finance cost			(900,164)
Taxation			(541,904)
Net profit for the year			2,976,111
Segment assets	22,766,514	59,654,794	82,421,308
Unallocated assets			337,241
Total assets			82,758,549
Segment liabilities	6,267,449	25,332,290	31,599,739
Unallocated liabilities			1,257,388
Total liabilities			32,857,127
Amortisation of club membership	3,000	–	3,000
Capital expenditure	3,412,850	2,283,742	5,696,592
Depreciation of property, plant and equipment	824,667	2,276,992	3,101,659
Impairment loss on quoted equity securities	848,000	–	848,000

38. Dividends

	Group and Company 2009 $	2008 $
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Interim exempt (one-tier) dividend for 2009: $0.01 (2008: nil) per share	1,572,000	–

39. Prior year adjustment

In prior years, the Group's accounting policies on leasehold land and building are carried at fair value less accumulated depreciation and impairment losses recognized after the date of valuation.

During the year, the Group has changed its accounting policy for leasehold land and building to the cost model due to the following reasons:

(a) To align the Group's accounting policy to its immediate and ultimate holding company, PSC Corporation Ltd; and

(b) The Group's main source of revenue is from its production of carton and related materials in the packaging industry and not in investment property.

Accordingly, the financial statements have been restated in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The consolidated income statements for the financial year ended 31 December 2008 and balance sheet as at 31 December 2008 have been restated.

The effects of the restatements are as follows:

	2008 As previously stated $	Prior Year adjustment $	2008 As restated total $
Consolidated income statement for the financial year ended 31 December 2008			
Cost of sales	(80,513,124)	158,715	(80,354,409)
Profit before tax	3,359,300	158,715	3,518,015
Income tax expense	(502,225)	(39,679)	(541,904)
Profit for the year	2,857,075	119,036	2,976,111
Balance sheet of the Group as at 31 December 2008			
Non-current assets			
Property, plant and equipment	38,051,890	(4,653,361)	33,398,529
Deferred taxation	–	337,241	337,241
Non-current liabilities			
Deferred taxation	(1,680,068)	935,527	(744,541)
Equity attributable to the owners of the parent			
Asset revaluation reserve	(3,785,399)	3,785,399	–
Foreign currency translation reserve	(1,996,458)	14,463	(1,981,995)
Retained earnings	(9,659,585)	(397,384)	(10,056,969)
Minority interests	(1,108,733)	(21,885)	(1,130,618)

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 5 March 2010.

LAND & BUILDINGS

As at 31 December 2009

CHINA, SUZHOU OPERATIONS

• Location	:	Suzhou Jiangsu Province, Wanting Town, 88 Wendu Road
• Usage	:	Factory premises, office building, dormitory, development
• Land area	:	58,798.63 square metres
• Tenure	:	Leasehold – 50 years lease of 33,333.5 square metres expiring on 14 December 2045 – 50 years lease of 12,667.13 square metres expiring on 22 September 2048 – 50 years lease of 12,798 square metres expiring on 12 February 2051
• Ownership	:	100% owned by Tat Seng Packaging Suzhou Co., Ltd.
• Net carrying amount as at 31 December 2009	:	RMB35.7 million (approximately S$7.3 million)

CHINA, HEFEI OPERATIONS

• Location	:	Hefei Anhui Province, 105, Zipeng Road
• Usage	:	Factory premises, office building
• Land area	:	49,400 square metres
• Tenure	:	Leasehold – 48 years lease of 35,800 square metres expiring in August 2053 – 49 years 8 months lease of 13,600 square metres expiring on 8 December 2056
• Ownership	:	100% owned by Hefei Dansun Packaging Co., Ltd.
• Net carrying amount as at 31 December 2009	:	RMB32 million (approximately S$6.6 million)

STATISTICS OF SHAREHOLDINGS

As at 08 March 2010

Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	-	999	4	0.35	500	0.00
1,000	-	10,000	769	67.40	2,217,500	1.41
10,001	-	1,000,000	362	31.73	23,365,000	14.86
1,000,001	-	and above	6	0.52	131,617,000	83.73
TOTAL			1,141	100.00	157,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	PSC CORPORATION LTD	100,529,000	63.95
2	LOH SEE MOON	23,580,000	15.00
3	KOH SER KIONG	2,290,000	1.46
4	SBS NOMINEES PTE LTD	2,202,000	1.40
5	PHILLIP SECURITIES PTE LTD	1,823,000	1.16
6	KIM TOON PRIVATE LIMITED	1,193,000	0.76
7	HANS SCHNIEWIND	800,000	0.51
8	UOB KAY HIAN PTE LTD	723,000	0.46
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	711,000	0.45
10	SEAH TENG TENG	602,000	0.38
11	CHEONG POH HUA	516,000	0.33
12	ANG HAO YAO	502,000	0.32
13	TAN WAN CHER GERALDINE	447,000	0.28
14	OCBC NOMINEES SINGAPORE PTE LTD	425,000	0.27
15	CIMB-GK SECURITIES PTE. LTD.	420,000	0.27
16	CHUA KIM BEE	400,000	0.25
17	LOW CHENG YEE (LU JINGYI)	331,000	0.21
18	LIM CHOONG SOONG	310,000	0.20
19	WU TIAK PONG	300,000	0.19
20	CHUA SEAW HUE	280,000	0.18
	Total:	**138,384,000**	**88.03**

LIST OF SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

Name of Substantial Shareholder	No. of Shares (Direct Interest)	No. of Shares (Deemed Interest)	Total	%
PSC Corporation Ltd	100,529,000	–	100,529,000	63.95
Loh See Moon (a Director)	23,580,000	–	23,580,000	15.00
Violet Profit Holdings Limited	–	100,529,000[1]	100,529,000	63.95
Ku Yun-Sen	–	100,529,000[1]	100,529,000	63.95

[1] Deemed interest arises from shares held by Violet Profit Holdings Limited and Ku Yun-Sen in PSC Corporation Ltd by virtue of section 7(4A) of the Companies Act, Cap .50.

Based on the information available to the Company as at 08 March 2010, approximately 20% of the issued ordinary shares of the Company is held by the public. Rule 723 of the Listing Manual issued by SGX-ST is therefore complied with.

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 Thursday, 22 April 2010 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$217,000 for the financial year ended 31 December 2009 (31 December 2008: S$174,000). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:-

   Mr Foo Der Rong **(Resolution 3)**
   Dr John Chen Seow Phun **(Resolution 4)**
   Mr Kuik See Juan **(Resolution 5)**

   Dr John Chen Seow Phun will, upon re-election as Director of the Company, remain as member of the Audit Committee, and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

   Mr Kuik See Juan will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee respectively, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

4. To appoint Messrs KPMG LLP as the Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young LLP and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
   (See Explanatory Note 1)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions 7 and 8 with or without amendments as ordinary resolutions:-

5. **Authority to allot and issue shares**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and the listing rules of the SGX-ST, authority be and is hereby given to the Directors of the Company to:

   (i) allot and issue shares in the Company; and

   (ii) issue convertible securities and (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) allot and issue any shares in the Company pursuant to the conversion or exercise of convertible securities issued while this Resolution was in force, (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that:-

(a) the aggregate number of shares (including any shares to be issued pursuant to the conversion or exercise of convertible securities) in the Company to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares (including any shares to be issued pursuant to the conversion or exercise of convertible securities) to be issued other than on a pro rata basis to the shareholders of the Company does not exceed 20 per cent (20%) of the total number of issued shares excluding treasury shares in the capital of the Company for the time being (as calculated in accordance with sub-paragraph (b) below);

(b) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares excluding treasury shares shall be based on the Company's total number of issued shares excluding treasury shares in the capital of the Company at the time this Resolution is passed, after adjusting for:

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

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the listing rules of the SGX-ST;

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

(c) The 50% limit in (a) above may be increased to 100% for the Company to undertake *pro rata* renounceable rights issue and unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force 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 or 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier."

(Resolution 7)
(See Explanatory Note 2)

6. Authority to allot and issue shares other than on a pro rata basis at a discount not exceeding 20 per centum (20%)

That subject to and pursuant to the Share Issued Mandate being obtained in Resolution 7 above, approval be and is hereby given to the Directors of the Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20%) to the weighted average price per share determine in accordance with the requirements of the SGX-ST and unless revoked or varied by the Company in a general meeting, such authority shall continue in force 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 or 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

(Resolution 8)
(See Explanatory Note 3)

NOTICE OF ANNUAL GENERAL MEETING

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

BY ORDER OF THE BOARD

Chew Kok Liang
Company Secretary
7 April 2010

Notes:-

(1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

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

(3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

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

Explanatory Notes:-

The Auditors, Ernst & Young LLP do not wish to seek reappointment as auditors of the Company at the Annual General Meeting. Messrs KPMG LLP, the group auditors have expressed their willingness to accept the appointment at the Annual General Meeting.

The Board of Directors have reviewed the proposal submitted by KPMG LLP and taking into consideration the Audit Committee's review and recommendation, are of the opinion that KPMG LLP will be able to meet the audit requirements of the Group and that Rule 712 of the Listing Manual has been compiled with.

Ernst & Young LLP had also confirmed that they are not aware of any professional reasons why the KPMG LLP should not accept appointment as Auditors of the Company.

The Directors have confirmed that there are no disagreements with Ernst & Young LLP on the accounting treatments within the last 12 months.

The Directors have confirmed that there are no circumstances connected with the proposed change of auditors that need to be brought to the attention of shareholders of the Company.

Therefore, as Rule 1203(5) of the Listing Manuals has been complied with, the Directors propose to seek the Shareholders' approval for the proposed change of Auditors from Ernst & Young LLP to KPMG LLP.

The Directors accept responsibility for the accuracy of the information in the Notice of Annual General Meeting in relation to the change of auditors of the Company sent to the Shareholders.

The Directors are at the opinion that the proposed appointment of KPMG LLP as the Auditors of the Company is in the best interests of the Company.

Having considered various factors, the Directors and the Audit Committee of the Company are of the opinion that Messrs KPMG LLP, Certified Public Accountants, is best suited to meet the needs of the Company and the Group and have recommended their appointment as Auditors in place of Messrs Ernst & Young LLP.

The SGX-ST assumes no responsibility for the accuracy for any statement made, opinion expressed or reports contained in the Notice of Annual General Meeting. If a shareholder is in doubt as to the action he should, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. The ordinary resolution in item no. 5 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of total number of issued shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

   The 100% renounceable pro rata rights issue limit in ordinary resolution in item no. 5(c) is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended by SGX-ST. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

3. The ordinary resolution in item no. 6 is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended by SGX-ST. The ordinary resolution in item no. 6, if passed, will empower the Directors of the Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at a discount of not more than 20% to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

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

I/We, ____

of ____

being a *member/members of Tat Seng Packaging Group Ltd (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 348 Jalan Boon Lay, Singapore 619529 on Thursday, 22 April 2010 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2009		
2	Approval of Directors' fees amounting to S$217,000		
3	Re-election of Mr Foo Der Rong as a Director		
4	Re-election of Dr John Chen Seow Phun as a Director		
5	Re-election of Mr Kuik See Juan as a Director		
6	Appointment of Messrs KPMG LLP as the Auditors of the Company in place of Messrs Ernst & Young LLP		
7	Authority to issue new shares		
8	Allot and issue shares and Instruments other than on a *pro rata* basis at a discount not exceeding 20%		

Dated this ____________ day of ____________________ 2010

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

____

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

*Delete where inapplicable

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 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 entitled to attend and vote at a meeting of the Company is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any other named proxy as alternate(s) to the first named.

4. 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.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 28 Senoko Drive, Singapore 758214 not later than 48 hours before the time appointed for the Meeting.

Fold along dotted line

AFFIX
STAMP

The Company Secretary
TAT SENG PACKAGING GROUP LTD
28 Senoko Drive
Singapore 758214

Fold along dotted line

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised 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.

7. A corporation which is a member may authorise 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.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

TAT SENG PACKAGING GROUP LTD

达成包装集团

Company Registration Number : 197702806M

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CHINA

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