

**TAT SENG PACKAGING GROUP LTD.**  
**COMPANY REGISTRATION NO.: 197702806M**

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**FULL YEAR RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (“ANNOUNCEMENT”)**

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In response to the query raised by Singapore Exchange Limited (“SGX”) on 27 February 2007, the Company wishes to furnish the following information in connection with the Results Announcement issued on 22 February 2007:-

**SGX Query**

1. We refer to your announcement of 22 February 2007 on the above.
2. Please provide further information on the following in an announcement to be released via SGXNET by 1 March 2007. In your announcement, please disclose our questions and your corresponding answers to enable investors to understand the matters raised by the Exchange. If any our queries have been addressed previously, please contact us to clarify this:-
  - a. We note on Pg 2 of the announcement that 'Inventories' increased significantly by 43.8% or S\$2.2m from S\$4.9m to S\$7.1m, while 'Revenue' only increased by 20.6% or S\$9.4m from S\$45.5m to S\$54.8m. In respect of the above, please provide the following information:-
    - i) Reasons for the significant increase in 'Inventories';
    - ii) Nature of the 'Inventories';
    - iii) Ageing schedule as at 31 Dec 2006; and
    - iv) Directors' views on whether there is obsolescence risk and inventory impairment arising from the inventory increase, and the basis for their views.
  - b. We note on Pg 2 of the announcement that 'Other debtors, deposits and prepayments' increased by 220% or S\$0.55m from S\$0.25m to S\$0.8m. Please provide the following information:-
    - i) Nature and breakdown on 'Other debtors, deposits and prepayments'; and
    - ii) Reasons for the significant increase in 'Other debtors, deposits and prepayments'.
  - c. We note on Pg 5 of the announcement that "Group turnover increased S\$9.3m or 20.4% from S\$45.5m to S\$54.8m" due to "the increase in sales from Tat Seng Packaging Suzhou Co., Ltd and contribution from Hefei Dansun.." Noting that Hefei Dansun was recently acquired in September 2006, please provide the breakdown of 'Revenue' contribution arising from Tat Seng Packaging Suzhou Co., Ltd and from Hefei Dansun respectively, for a reasonable understanding of the impact on the Company's operations arising from the acquisition.

**Company's Response**

- 2a.
  - i) The significant increase in inventories is due to the increase in inventories of Tat Seng Packaging Suzhou Co., Ltd. (“Tat Seng Suzhou”) and the inclusion of inventory balance of S\$1.5 million from Hefei Dansun Packaging Co., Ltd. (“Hefei Dansun”). Hefei Dansun is a new subsidiary acquired in end-September 2006. As such, only its results from the date of acquisition; the last quarter of 2006 were consolidated into the Group's results. The increase in Tat Seng Suzhou's inventory balance of S\$0.7 million is in line with the increase in their sales volume.

Had the full year sales of Hefei Dansun been taken into account, the Group's revenue would be S\$61.1 million on a proforma basis. Therefore the increase in stocks is in line with the increase in revenue on a proforma basis.

ii) Inventories consist of:

- raw materials – paper and other converting materials,
- work in progress – semi finished cartons,
- finished goods – boards and cartons that are ready for delivery, and,
- goods in transit – paper materials that had been shipped by the suppliers and were on the way to our factories.

iii) The ageing schedule of the Group's inventories as at 31 Dec 2006 is as follows:

(S\$'000)	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Stock balance (gross)	6,946	80	123	60	7,209
Provision for stock obsolescence	-	-	-	(60)	(60)
Stock balance (net)	6,946	80	123	-	7,149

iv) The main portion of the inventories consists of the principal raw material – paper materials. The Directors are of opinion that paper materials are non-perishable and a 100% provision for stock obsolescence for stocks over 3 years of age is made due to the low level of usage for stocks aged over 3 years.

All stocks aged below 3 years are still being used in production during the year and are expected to be used for production based on the Group's production plans. As such, the Directors do not expect any inventory obsolescence or impairment risks in relation to these stocks.

2b.

i) Other debtors are amounts due to the Group for non-trade related transactions. Deposits consist of monies paid to or withheld by authorities and contractors for securing provision of goods and services. Prepayments are monies paid in advance for goods and services to be utilized in the following financial year.

The breakdown of other debtors, deposits and prepayments are as follows:

(S\$'000)	2006	2005
Other debtors	156	137
Deposits	61	44
Prepayments	582	68
	798	249

ii) The increase in other debtors, deposits and prepayments is mainly due to the increase in prepayments in Tat Seng Suzhou and the acquisition of Hefei Dansun. The increase in prepayments is mainly attributable to payments in advance for rental of additional land in Tat Seng Suzhou and down payment for acquisition of land and machinery for Hefei Dansun's expansion.

2c.

The breakdown of revenue contribution arising from Tat Seng Suzhou and Hefei Dansun is as follows:

(S\$'000)	Tat Seng Singapore	Tat Seng Suzhou	Hefei Dansun	Group
Revenue for 12 months ended 31 December 2006	16,502	35,669	2,656	54,827
Revenue for 12 months ended 31 December 2005	18,427	27,031	-	45,458

Overall, Tat Seng Suzhou and Hefei Dansun contributed to 19.0% and 5.8% respectively to the increase in the Group's sales. This is being offset by the decrease in sales of Tat Seng Singapore by 4.2%.

By Order of the Board  
Lotus Isabella Lim Mei Hua  
Company Secretary  
1 March 2007