ANNUAL REPORT

2019

NIPPECRAFT

This Annual Report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor").

This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report. The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

Corporate Statement

Nippecraft Limited ("Nippecraft") is an established provider of high quality business and lifestyle stationery. This includes a wide range of diaries, notebooks, organisers and other products for the office, home and school environment.

Our core brands are Collins and Debden. Collins has a strong heritage that dates back to the early 1800's in the United Kingdom, when the founder William Collins opened a small print shop in Glasgow, Scotland. Collins is a leading stationery brand in the UK and Australia.

The Debden brand was introduced into Australia and New Zealand in 1978. The brand is named after the old Debden road in Singapore, which is now part of the Changi International Airport.

In addition to the stationery business, Nippecraft has also a pulp trading division which seeks to identify and respond to the supply and demand differential of pulp on a global scale.

The Company is headquartered in Singapore, with offices in the United Kingdom and Australia. We are actively expanding into other markets to extend our global reach to our customers.

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Corporate Initiatives

Nippecraft Limited believes strongly in sustainability. As a Company we are committed to continually improving our environmental performance and to the prevention of pollution and the minimisation of wastage.

We work closely with our key vendors to implement a sustainable sourcing and procurement program. We only use raw materials from reputable, well established suppliers who are compliant with environmental legislation and procedures.

Pulp and paper are the key raw materials in our product today, and we are committed to responsible forestry management. The Company is both Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC") certified, and we are committed to increasing the proportion of material from sources that are certified under Chain of Custody ("CoC") programs.

In addition to sustainable sourcing, we also adhere to high social and ethical standards along our supply chain. The Company is a member of Supplier Ethical Data Exchange ("SEDEX"), a global organisation that helps companies manage an ethical supply chain. The SEDEX Members Ethical Trade Audit ("SMETA") is one of the most widely used audit procedures in the world. It provides a globally recognised way to assess responsible supply chain activities, including labour rights, health & safety, the environment and business ethics. Furthermore, we have been instrumental in our key vendors adopting the SEDEX standards.

For more details about the Company's sustainability efforts, please refer to our annual Sustainability Report.

FSC
www.fsc.org
FSC™ C107892

The mark of responsible forestry

PEFC™
PEFC/01-31-489

Promoting Sustainable Forest Management

www.pefc.org

CORPORATE INFORMATION

Executive Chairlady and Chief Executive Officer	Connie Oi Yan Chan
Independent Directors	Khoo Song Koon (Lead Independent Director) Lim Yu Neng Paul Chow Wai San
Audit Committee	Khoo Song Koon (Chairman, Lead Independent Director) Lim Yu Neng Paul (Independent Director) Chow Wai San (Independent Director)
Remuneration Committee	Chow Wai San (Chairman, Independent Director) Khoo Song Koon (Lead Independent Director) Lim Yu Neng Paul (Independent Director)
Nominating Committee	Lim Yu Neng Paul (Chairman, Independent Director) Khoo Song Koon (Lead Independent Director) Chow Wai San (Independent Director)
Auditors	Crowe Horwath First Trust LLP (Appointed on 19 September 2014) 8 Shenton Way #05-01 AXA Tower Singapore 068811 Partner-in-charge: Kow Wei-Jue Duncan (Appointed on 4 August 2017)
Company Secretaries	Raymond Lam Kuo Wei Lee Lih Feng
Registered Office	9 Fan Yoong Road Singapore 629787 Tel: (65) 6262 2662 Fax: (65) 6268 4827 Email: investors@nippecraft.com.sg
Share Registrar	M & C Services Private Limited 112 Robinson Road #05-01 Singapore 068902
Continuing Sponsor	SAC Capital Private Limited 1 Robinson Road #21-00 AIA Tower Singapore 048542

MARKETING UPDATE

It was an exciting year for the Group's stationery business. We expanded the lifestyle product portfolio and strengthened footprint globally. It was also the 200th anniversary of the Colins brand's founding, and we launched a series of events from Tokyo, Jakarta, Sydney and London to Glasgow. These activities helped garnered features in key publications and we were excited to engage customers online and through these activities.

MEDIA COVERAGES

Collins Debden product launches were widely covered in numerous key publications in Singapore, United Kingdom and Australia.

PR EVENTS

Through a series of engaging PR events, we strengthened our brand image and enhanced relationships with customers and media partners.

POP-UP STORES

Besides amplifying our brand awareness, the pop-up stores in Tokyo, London and Glasgow were instrumental in driving sales and engagement with our target customers.

Key Financial Data

Key Financial Data	FY2019	FY2018	FY2017	FY2016	FY2015
US$'000					
Sales for the Group	**120,629**	115,037	125,810	114,569	239,169
(Loss) / Profit before tax	**(753)**	(299)	97	(2,053)	718
EBITDA*	**564**	949	1,064	183	2,304
At year-end (US$'000)					
Shareholders' funds / Net assets	**30,319**	31,050	32,287	31,222	34,475
Total assets	**47,663**	50,596	66,662	52,284	64,871
Total borrowings	**–**	–	–	43	13
Per Share Data (cents)					
Net (loss) / earnings **	**(0.246)**	(0.017)	0.005	(0.560)	0.120
Net assets***	**8.63**	8.84	9.19	8.89	9.81
Financial Ratios					
Return on equity (%)	**(2.82)**	(0.19)	0.05	(6.29)	1.26
Net gearing (times)	**N.M.**	N.M.	N.M.	N.M.	N.M.

* *EBITDA means earnings before interest, taxes, depreciation, amortisation, impairment and exceptional items.*

** *Net (loss) / earnings per share is based on the weighted average number of shares.*

*** *Net assets per share is based on the number of issued shares (excluding treasury share) as at period end.*

N.M. *Not Meaningful*

Chairlady's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of the Company for the year ended 31 December 2019.

2019 was an eventful year. The Group exited the Singapore Exchange watch list in 2018, and the team was fully focused on growing the business. It was also 200 years from when William Collins, the founder of the Collins brand, started his first print shop in Glasgow, Scotland. This provided us with the perfect opportunity to showcase the Collins brand and new product designs. At the same time, trade tensions and weak retail sentiments made 2019 one of the most difficult years for the stationery industry. Fortunately, the trading business remained relatively stable.

Overall revenue was 5% higher at US$120.6 million. Stationery business revenue decreased by US$2.1 million or 12%. Excluding the effect of weaker Sterling and Australia dollars to US dollars, stationery revenue decreased by US$1.3 million or 7%. Sales were lower mainly due to continual decline in the traditional stationery business as well as a highly challenging environment in both the United Kingdom ("UK") and Australia. In UK, the situation was compounded by loss of sales from a key customer that went into administration. While sales from new markets and lifestyle stationery growth were healthy compared to FY2018, these were in the early stage of development and insufficient to cover the core decline in FY2019. Trading business revenue increased by US$7.7 million or 8% to US$104.9 million mainly due to increase in sales to a mandated interested person in Indonesia and increase in sales to customer in Europe partially offset by lower sales to customers in Hong Kong and Singapore.

As the Group continues to drive cost efficiencies and improve the sales mix, the Gross Profit Margin ("GPM") for stationery business improved from 33.1% in FY2018 to 34.7% in FY2019. GPM for the trading business increased slightly by 0.1 percentage point to 2.6% due to sales mix.

The Group generated a positive EBITDA of US$0.6 million. The Group's cash balance remained strong at US$14.1 million.

We remained focused in being sustainable in the activities that we are involved in and were pleased to publish the second issue of our Sustainability Report in 2019. Most of our business are paper-based, and therefore, we are committed to promoting responsible forestry practices. A fair portion of our stationery product is already certified by both the Forest Steward Council ("FSC") and the Programme for Endorsement of Forest Certificate ("PEFC"). FSC and PEFC are the most recognised international organisations on responsible forestry management. Moving forward, the Group will continue to increase the share of stationery product certified by either FSC or PEFC.

Moving forward, the Group will remain focused on our long-term strategy of driving sustainable growth and value for our shareholders. With our clear vision and foundation, Nippecraft will grow our brands to be a leading lifestyle stationery in the region and beyond.

Sincerely,

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer

26 March 2020

BOARD OF DIRECTORS

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer

Ms Chan is the Executive Chairlady of our Board and Chief Executive Officer of Nippecraft Limited. She was appointed as the Executive Director and Chief Executive Officer on 2 December 2015 and subsequently appointed as an Executive Chairlady of the Board on 3 August 2017.

Ms Chan has extensive professional experience of more than 20 years. She worked for General Electric from 1997 to 2009 across a spectrum of different business units and countries. From 2009, she joined British American Tobacco as the Head of Strategy and Business Development before being appointed as the General Manager of British American Tobacco Singapore from 2012 to 2014.

Ms Chan holds a Bachelor’s degree in Economics from the University of Chicago, and a joint Master of Business Administration degree from the Kellogg Business School at Northwestern University and the Hong Kong University of Science & Technology.

Date of last re-election as a Director: 24 April 2019

Khoo Song Koon
Lead Independent Director

Mr Khoo was appointed as an Independent Director of Nippecraft Limited on 27 February 2015 and subsequently appointed as the Lead Independent Director on 26 October 2016. He is also the Chairman of the Audit Committee and a member of both Nominating Committee and Remuneration Committee.

Mr Khoo is currently the Executive Director of JKhoo Consultancy Pte. Ltd. He is also an Independent Director of Resources Prima Group Limited and XMH Holdings Ltd.

Mr Khoo started his career in one of the internationally recognised accounting firm before moving on to a boutique corporate advisory firm. He has over 20 years of professional experience in various corporate advisory work, including corporate restructuring, mergers and acquisitions as well as dispute resolutions.

Mr Khoo holds a Bachelor of Accountancy degree from Nanyang Technological University of Singapore. He is both a member of the Institute of Singapore Chartered Accountants and CPA Australia. He is also an associate member of the Singapore Institute of Directors.

Date of next re-election as a Director: 24 June 2020

Lim Yu Neng Paul
Independent Director

Mr Lim was appointed as an Independent Director of Nippecraft Limited on 29 July 2011. He is also the Chairman of the Nominating Committee and a member of both Audit Committee and Remuneration Committee.

Mr Lim is currently the Managing Director and Head of Private Equity of SBI Ven Capital Pte Ltd. He is also an Independent Director of China Everbright Water Limited and Golden Energy and Resources Limited.

He has over 25 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, Citigroup and Bankers Trust.

Mr Lim holds a Master's Degree in Business Administration in Finance and a Bachelor of Science in Computer Science from the University of Wisconsin-Madison, USA. He is also a Chartered Financial Analyst ("CFA").

Date of last re-election as a Director: 27 April 2018

Chow Wai San
Independent Director

Mr Chow was appointed as an Independent Director of Nippecraft Limited on 26 October 2016. He is also the Chairman of the Remuneration Committee and a member of both Audit Committee and Nominating Committee.

Mr Chow is currently the Managing Director of Aquifer Consulting Pte Ltd, a corporate advisory firm. He is also an Independent Director of Universal Resource and Services Limited, Resources Prima Group Limited and K Group Holdings Limited.

He started his career in one of the big four accounting firms before moving on to a boutique corporate advisory firm. He has over 20 years of professional experience in various corporate advisory work, including cross-border corporate restructuring, mergers and acquisitions as well as litigation consultancy and support.

Mr Chow holds a Bachelor of Accountancy degree from Nanyang Technological University of Singapore and went on to successfully completed the Chartered Financial Analyst program, an international professional credential program for finance and investment professionals, offered by the CFA Institute, USA. He is a member of both the Institute of Singapore Chartered Accountants and CPA Australia. He is also an associate member of the Singapore Institute of Directors.

Date of next re-election as a Director: 24 June 2020

EXECUTIVE OFFICER

CHAN CHENG FEI
Chief Financial Officer

Mr Chan joined as the Managing Director of Paperich Pte Ltd on 6 June 2018 and was subsequently appointed as the Chief Financial Officer of Nippecraft Limited on 29 June 2018. He has direct oversight of the functions of treasury, financial reporting and control, risk management, tax and compliance matters of the Group.

Prior to joining Nippecraft Limited, Mr Chan has served more than 20 years in both corporate and operational finance roles in companies listed on the Singapore Exchange.

Mr Chan obtained both his Master of Business Administration and Bachelor of Accountancy degree from the Nanyang Technological University of Singapore. He is a member of the Institute of Singapore Chartered Accountants.

Corporate Governance Statement

Nippecraft Limited (the **"Company"**, and together with its subsidiaries, the **"Group"**), views corporate accountability, transparency and sustainability as strategic tools for enhancing long-term shareholders' value and are committed to observing high standards of corporate governance.

The Listing Manual – Section B: Rules of Catalist (**"Catalist Rules"**) of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) requires an issuer to describe its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 (**"2018 Code"**) in its annual report, as well as disclose any deviation from any provision of the 2018 Code and explain how the practices it had adopted are consistent with the intent of the relevant principle. This report outlines the policies adopted and practised by the Group for its annual report for the financial year ended 31 December 2019 (**"FY2019"**) (**"Annual Report 2019"**) with specific reference to the relevant principles and provisions of the 2018 Code. The Company has generally adopted principles and practices of corporate governance in line with the recommendations of the 2018 Code, save as highlighted and explained in this report.

<table>
<tr><td colspan="2">BOARD MATTERS</td></tr>
<tr><td>The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.</td><td>Principle 1:
THE BOARD'S CONDUCT OF AFFAIRS</td></tr>
<tr><td>As at the date of this report, the Board of Directors of the Company (the "Board" or the "Directors") is made up of the following members:

Connie Oi Yan Chan — Executive Chairlady and Chief Executive Officer ("CEO")
Khoo Song Koon — Lead Independent Director
Lim Yu Neng Paul — Independent Director
Chow Wai San — Independent Director

The Board is accountable to the shareholders for overseeing the effective management of the business. The Board works closely with the management of the Company (the "Management") and the Management remains accountable to the Board. The primary functions of the Board, apart from its statutory duties, include:

• Guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives;
• Oversee the evaluation of the adequacy and effectiveness of financial reporting, internal controls and risk management frameworks;
• Monitor the financial performance of the business including approval of release of the annual and interim financial reports and interested person transactions;
• Identify the key shareholders groups and recognise that their perceptions affect the Company's reputation;
• Approve the nomination of Directors and appointment of key executives;
• Approve major proposals involving funding, investments, acquisitions and/or divestments;
• Set the Group's approach to corporate governance, including the establishment of the Company's ethical values and standards;
• Balance the demands of the business with those of the Company's stakeholders and ensure obligations to material stakeholder groups (including shareholders) are met; and
• Consider sustainability issues.

The Board adopted a set of ethical values and standards which establishes the fundamental principles of professional and ethical conduct expected of the Directors in the performance of their duties. It includes guidelines on matters relating to conflicts of interest. When an actual, potential and perceived conflict of interest arises, the concerned Director must disclose such interest, recuse himself or herself from discussions and decisions involving the matter and abstain from voting on resolutions regarding the matter.</td><td>Provision 1.1 of the 2018 Code: Directors are fiduciaries who act objectively in the best interests of the Company</td></tr>
</table>

All Directors are aware of their fiduciary duties and are committed to exercising due care and diligence in making their decisions and to objectively discharge their duties and responsibilities in the best interest of the Company. Aside from their statutory duties, the key roles of different classes of Directors are set out below: • Our only Executive Director, who is also the Executive Chairlady and CEO, is a member of the Management who is involved in the day-to-day running of the Group's business operations. She works closely with the Independent Directors on the long-term sustainability and success of the Group. She provides insights and recommendations on the Group's operations at the Board and Board Committee meetings. • Our Independent Directors do not participate in the Group's business operations and are deemed independent by the Board. They provide independent and objective advice and insights to the Board and the Management. They constructively challenge the Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of the Management's performance in achieving the strategic goals as well as the appointment, assessment and remuneration of the Executive Director and the Executive Officer. The Executive Director is appointed by way of service agreement while the Independent Directors are appointed by way of letters of appointment. The duties and responsibilities of Directors are clearly set out in these service agreement and letters of appointment. New Directors would be briefed on the Group's industry, business, organisation structure, and strategic plans and objectives. Relevant policies and procedural guidelines would also be provided. Orientation for new Directors includes meetings with various key executives of the Management and visits to the Group's key premises to familiarise themselves with the operations. Furthermore, it is a requirement under Rule 406(3)(a) of the Catalist Rules for first-time appointees on boards of public listed companies in Singapore to attend the Listed Entity Director ("**LED**") programme organised by the Singapore Institute of Directors ("**SID**") as prescribed under Practice Note 4D of the Catalist Rules. There is no incoming Director during the course of the financial year. During FY2019, the Directors were provided with updates on changes in laws and regulations, including the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), the Catalist Rules and the Code of Corporate Governance, which are relevant to the Group. The external auditors regularly update the Audit Committee and the Board on the developments in the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") which are applicable to the Group. Changes to regulations and accounting standards are monitored closely by the Management. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Group during Board and Board Committee meetings. Some Directors have also attended courses organised by Singapore Institute of Directors, Institute of Singapore Chartered Accountants, Accounting and Corporate Regulatory Authority, Singapore Exchange Ltd, Certified Practising Accountant, Australia, Thomson Reuters and RSM Singapore. The Nominating Committee evaluates the individual Directors' competencies and recommends to the Board on training and development programmes for each Director. Our Directors are also encouraged to attend relevant seminar and training programmes to enhance their skills and knowledge, the expenses of which will be borne by the Company.	Provision 1.2 of the 2018 Code: Directors' duties, induction, training and development

Although the day-to-day management of the Company is delegated to the Executive Director, there are matters which are required to be decided by the Board as a whole. Matters specifically reserved for the Board's decision include but not limited to: • Changes to the Group's capital structure and corporate structure; • Material investments, acquisitions and disposals of assets; • Material capital expenditure; • Material Group policies; • Recommendation/declaration of dividend; • Annual budgets, financial statements (interim and full year), annual reports, circulars to shareholders and announcements to be submitted to the SGX-ST; and • Appointment or removal of Directors, company secretary and Executive Officers of the Company. Certain important matters could be subject to the recommendation by the respective Board Committees. Matters which the Board considers suitable for delegation to a Board Committee are contained in the terms of reference of the respective Board Committees.	Provision 1.3 of the 2018 Code: Matters requiring Board's approval
Board Committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") have been established to assist the Board. Each Board Committee has its own terms of reference, setting out the composition, authorities and duties, which are approved by the Board. All Board Committees are chaired by an Independent Director. While these Board Committees are delegated with certain responsibilities, the responsibility for decisions relating to matters under the purview of the Board Committees ultimately lies with the entire Board. The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other relevant information on the Board Committees can be found in the subsequent sections of this report.	Provision 1.4 of the 2018 Code: Board Committees
Board and Board Committee meetings are held regularly, with Board and AC meetings held at least twice a year and RC and NC meetings held at least once a year. Board and Board Committee meetings and annual general meetings are scheduled in advance to facilitate the Directors' attendance. Ad-hoc meetings will be convened when the Board's guidance or approval is required, outside of the scheduled Board meetings. The number of Board and Board Committees meetings held during FY2019 and the attendances of the Directors at these meetings are set out below:	Provision 1.5 of the 2018 Code: Attendance and participation in Board and Board Committee meetings

	Board Meetings		Board Committees Meetings					
			AC		NC		RC	
Name of Directors	A	B	A	B	A	B	A	B
Connie Oi Yan Chan	2	2	2	2*	1	1*	1	1*
Lim Yu Neng Paul	2	2	2	2	1	1	1	1
Khoo Song Koon	2	2	2	2	1	1	1	1
Chow Wai San	2	2	2	2	1	1	1	1

Notes: A – Represents number of meetings held
B – Represents number of attendances
* – By invitation

In accordance with the Company's Constitution, a Director who is unable to attend a Board meeting can still participate in the meeting via telephone conference, video conference or similar communication means whereby all persons participating can hear each other. Important matters concerning the Group can also be put to the Board and Board Committees for decision by way of written resolutions. Our Directors have made a conscious effort to make themselves available and accessible to the Management for discussion and consultation outside the framework of formal meetings. Directors contribute by providing the Management with guidance and counsel on the strategic direction of the Company's plan, business and operations. As a consequence, the contribution of our Directors goes beyond attendance at formal Board and Board Committees meetings. Attendance at formal meetings alone is not a fair reflection of the true value and substance of their invaluable contributions. When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. In support of their candidature for directorship or re-election, Directors are to provide the NC with details of their other commitments and an indication of the time involved. The Board and the NC have established a guideline on the maximum number of listed company directorships and other principal commitments that each Director is allowed to hold and this guideline can be found under Principle 4 of this report.	
The Management recognises that relevant, complete and accurate information needs to be provided to the Directors prior to meetings and on an on-going basis to enable the Directors to make informed decisions and discharge their duties and responsibilities effectively and efficiently. The Management provides members of the Board with quarterly management accounts, as well as relevant background information relating to the matters that are discussed at the Board and Board Committees meetings. Such reports keep the Board informed of the Group's performance, financial position and prospects, and consist of the consolidated financial statements, major operational updates, background or updates on matters before the Board for decision or information. The Board is also provided with minutes of the previous Board meeting, and minutes of meetings of all Board Committees held. Detailed Board papers are sent out to the Directors at least seven (7) calendar days before the scheduled meetings so that the Directors may better understand the issues beforehand, allowing for more time at such meetings for questions that Directors may have. Any additional materials or information requested by the Directors are promptly furnished. If necessary, management staff who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentation and answer any queries that the Directors may have. In respect of the annual budget of the Group, material variance between budgeted results and actual results would be disclosed and explained by the Management at Board meetings. The Management will also inform the Board of all significant events as and when they occur and circulate Board papers and supporting information on major transactions to facilitate a robust discussion before the transactions are entered into.	Provision 1.6 of the 2018 Code: Complete, adequate and timely information to make informed decisions

The Board has separate and independent access to the Management, the company secretaries and external professionals, including our Sponsor, legal counsels and auditors. The role of the company secretaries is clearly defined and includes: • Attending all Board and Board Committees meetings and ensuring that meeting procedures are followed; • Together with the Management, ensuring that the Company complies with all relevant requirements of the Companies Act and the Catalist Rules; • Advising the Board on all corporate governance matters; and • Assisting the Executive Chairlady and the Chairman of each Board Committee in ensuring adequate and timely flow of information within the Board or the Board Committees and between the Management and the Board or the Board Committees. The appointment and removal of the company secretaries are subject to the approval of the Board as a whole.	Provision 1.7 of the 2018 Code: Separate and independent access to Management, company secretary and external advisers; Appointment and removal of the company secretary
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.	**Principle 2: BOARD COMPOSITION AND GUIDANCE**
As the Executive Chairlady is part of the Management and therefore not independent, the majority of the Board are made up of Independent Directors. The Board comprises a total of four (4) Directors, of whom three (3) are considered independent by the Board. The independent element on the Board is strong and this enables the Board to exercise objective independent judgement on corporate affairs and provide the Management with a diverse and objective perspective on issues. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a checklist annually to confirm his independence in accordance with the guidelines on independence set out in the 2018 Code and the Catalist Rules. An Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. The NC and the Board have reviewed and ascertained that all Independent Directors are independent according to the 2018 Code, its Practice Guidance and Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules and noted that none of the Independent Directors has any relationship with the Company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the Director's independent judgement. No Independent Director has served on the Board for more than nine (9) years.	Provision 2.1 of the 2018 Code: Director independence Provision 2.2 of the 2018 Code: Independent Directors make up a majority of the Board Provision 2.3 of the 2018 Code: Non-executive Directors make up a majority of the Board
The Company recognises and embraces Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment.	Provision 2.4 of the 2018 Code: Size and composition of the Board and Board Committees; Board diversity policy

In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board has one (1) female director in recognition of the importance and value of gender diversity. However, diversity is not merely limited to gender or any other personal attributes. The benefits of Board diversity could only be harnessed if Directors adopt an independent mindset when carrying out their responsibilities. In order to gather and leverage on diverse perspectives, the Executive Chairlady strives to cultivate an inclusive environment where all Directors are able to speak up and participate in decision making. The ultimate decision for new Board appointments will be based on merit and contribution that the selected candidates are expected to bring to the Board. The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, considering the nature and scope of the Group's operations. No individual or small group of individuals dominate the Board's decision making. The Board comprises business leaders and professionals taking into account the scope and nature of the operations of the Group. The standing of the members of the Board in the business and professional communities, and with their combined business, management and professional experience, knowledge and expertise, provide the necessary core competencies to meet the Group's needs and to allow for diverse and objective perspectives on the Group's strategic direction and growth. The profiles of the Directors are set out in the "Board of Directors" section of the Annual Report 2019.	
To facilitate a more effective check on the Management, the Independent Directors meet at least once a year with the internal and external auditors without the presence of the Management. The Independent Directors also communicate with each other from time to time without the presence of the Management to discuss the performance of the Management and any matters of concern such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Director. Feedback arising from such meetings or discussions is provided to the Board or Executive Chairlady, as appropriate.	Provision 2.5 of the 2018 Code: Independent Directors meet regularly without the presence of the Management
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.	**Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER**
The Executive Chairlady and the CEO is the same person. The role of the Executive Chairlady is not separated from that of the CEO as the Board is of the view that, based on the current size and business status of the Group, it is in the best interests of the Company to adopt a single leadership structure, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. The Board also believes that there is an appropriate balance of power, adequate accountability and capacity of the Board for independent decision making as the Executive Chairlady is the only Executive Director in the Board and the majority of the Board are made up of Independent Directors with all Board Committees consist of only Independent Directors.	Provision 3.1 of the 2018 Code: Chairman and CEO are separate persons

In addition, all major proposals and decisions made by the Executive Chairlady and CEO are discussed and reviewed by the AC. Her performance and appointment to the Board is reviewed periodically by the NC and her remuneration package is reviewed periodically by the RC. With the existence of Board Committees imbued with the power and authority to perform key functions, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in any single individual. The Board will take into consideration the separation of the role of the Chairlady and the CEO as stipulated as part of the ongoing succession planning and Board renewal process.	
The Executive Chairlady, Ms Connie Oi Yan Chan, promotes a culture of openness and debate at the Board level and ensures that corporate information is adequately disseminated to all Directors on a timely manner to facilitate discussions at meetings. In addition, she encourages constructive relations within the Board and between the Board and the Management to facilitate effective contribution of all Directors. The Executive Chairlady also ensures effective communication with shareholders and other stakeholders. The Executive Chairlady is assisted by the Board Committees in ensuring compliance with the Company's standards of corporate governance. In Ms Chan's role as the CEO, she is responsible for the overall management of the Group and charting the corporate strategies for future growth with the support of the Management.	Provision 3.2 of the 2018 Code: Division of responsibilities between Chairman and CEO
As the Executive Chairlady is part of the Management and therefore not independent, Mr Khoo Song Koon has been appointed as the Lead Independent Director, as recommended by the 2018 Code, as the principal liaison on Board issues between the Independent Directors and the Chairlady and CEO. The responsibilities of the Lead Independent Director include: • Acting as the principal liaison to address shareholders' and other stakeholders' concerns for which contact through the normal channels of communication with the Executive Chairlady or Executive Officer are inappropriate or failed to resolve the concerns in question; • Chairing Board meetings in the absence of the Executive Chairlady; • Working with the Executive Chairlady in leading the Board; and • Providing a channel to Independent Directors for confidential discussions on any concerns they may have and to resolve conflicts of interest, as and when necessary. Mr Khoo can be contacted via the following electronic mail address: AC_Chairman@nippecraft.com.sg	Provision 3.3 of the 2018 Code: Lead Independent Director
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.	**Principle 4: BOARD MEMBERSHIP**
The NC comprises three (3) Independent Directors (including the Lead Independent Director), namely Mr Lim Yu Neng Paul (Chairman), Mr Khoo Song Koon and Mr Chow Wai San. The NC's responsibilities, as set out in its terms of reference, include, *inter alia*, the following: • To develop and maintain a formal and transparent process for the appointment of new Directors and making recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;	Provision 4.1 of the 2018 Code: NC to make recommendations to the Board on relevant matters Provision 4.2 of the 2018 Code: Composition of NC

• To regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary, including the review of training and professional development programmes for the Board and its Directors; • To determine the process and criteria for search, nomination, selection and appointment of new Board members and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent as well as to ensure that new Directors are aware of their duties and obligations and provides training where necessary; • To review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairlady and CEO) and Executive Officer; • To determine, upon appointment and subsequently on an annual basis, and as and when circumstances require, if a Director is independent; • To ensure that all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years, and to recommend Directors who are retiring by rotation to be put forward for re-election; • To decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations; • To recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and • To be responsible for assessing the effectiveness of the Board as a whole and for assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board.	Provision 4.1 of the 2018 Code: NC to make recommendations to the Board on relevant matters Provision 4.2 of the 2018 Code: Composition of NC
The NC conducts an annual review the nomination of the relevant Directors for re-election and re-appointment, as well as the independence of Directors. The NC conducts an annual performance assessment of individual Directors. When considering the nomination of Directors for re-election and re-appointment, the NC takes into account their contributions to the effectiveness of the Board, the preparedness, participation and competing time commitment faced by Directors who are faced with multiple board representations. The NC, in assessing the performance of each individual Director, considers sufficient time and attention has been given by the Directors to the affairs of the Company. The NC's criteria for the selection and appointment of new Directors is based on potential candidates' skills, knowledge and experience. The NC would conduct a review of the skills and experience that is needed of a potential candidate and thereafter actively seek out such potential nominees that can provide positive contributions in those areas to the Board by conducting external searches, including using headhunters and/or relying on personal and professional networks. The NC will take an active role in screening and interviewing potential candidates before assessing the candidate's suitability and recommending him/her for nomination to the Board. The NC will also consider the need to position and shape the Board in line with the evolving needs of the Company and the business. The Board retains the final discretion in appointing new Directors. Regulation 114 of the Company's Constitution states that any Director so appointed by the Board shall hold office only until the next annual general meeting of the Company ("**AGM**") and shall then be eligible for re-election. No new Director was appointed by the Board in FY2019.	Provision 4.3 of the 2018 Code: Process for the selection, appointment and re-appointment of Directors

In addition, Regulation 104 of the Company's Constitution states that at each AGM, one-third (or if their number is not three or a multiple of three, then the number nearest one-third) of the Directors for the time being, shall retire from office and that all Directors shall retire from office at least once in every three (3) years and such retiring Directors shall be eligible for re-election. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director. The NC recommended that both Independent Directors, Mr Khoo Song Koon and Mr Chow Wai San, who were re-elected in year 2017 be put forward for re-election at the forthcoming AGM. The Board accepted the recommendation and being eligible, both Mr Khoo and Mr Chow, will be offering themselves for re-election in the forthcoming AGM. The details of the Directors seeking for re-election as required under Rule 720(5) of the Catalist Rules are set out in the "Additional Information on Directors Seeking Re-election" section of the Annual Report 2019.	
As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each Independent Director is required to complete a checklist annually to confirm his independence. Further, an Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. The NC is of the view that the Independent Directors are independent. As at the date of this report, there is no relationship or circumstance set forth in Provision 2.1 of the 2018 Code which puts the independence of the Independent Directors in question.	Provision 4.4 of the 2018 Code: Circumstances affecting Director's independence
To ensure Directors devote sufficient time to and attention to the affairs of the Group, if a Director is holding a full-time commitment, the maximum number of directorships he may hold in listed companies is four (4) and if he is not holding a full-time commitment, the maximum number of directorships he may hold in listed companies is six (6). In addition to the number of listed company directorships and other principal commitments, the NC also takes into account of the results of the annual evaluation of each Director's effectiveness and the respective Directors' conduct at the Board and Board Committees meetings to determine whether the Director is able to discharge his or her duties diligently. In respect of FY2019, notwithstanding that some of the Directors have multiple board representations, the NC was satisfied that where Directors had other listed company board representations and/or other principal commitments, all Directors were able to carry out and had been adequately carrying out their duties as Directors of the Company. The NC took into account attendance and contribution at Board and Board Committees meetings and ad-hoc discussions by each Director in deciding the capacity of the Directors. Currently, none of the Directors holds more than the stipulated maximum number of directorships in listed companies. Please refer to the "Board of Directors" section of the Annual Report 2019 for the listed company directorships and other principal commitments of the Directors. No alternate Director has been appointed to the Board in the year under review.	Provision 4.5 of the 2018 Code: Multiple listed company directorships and other principal commitments
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.	**Principle 5: BOARD PERFORMANCE**

The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. During the financial year, all Directors were requested to complete Board Evaluation Questionnaire, Evaluation Questionnaire for each Board Committee and Individual Director Evaluation Checklist designed to seek their views on the various aspects of the Board, Board Committees and individual Directors performance so as to assess the overall effectiveness of the Board. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before they were submitted to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. The Company did not engage an external facilitator in respect of the Board performance assessment process. The performance criteria for the Board evaluation are in respect of Board size and composition, Board independence, Board processes, Board information and accountability. Board performance in relation to discharging its principal functions and Board Committees performance in relation to discharging their responsibilities as set out in their respective terms of reference. Individual Directors performance takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors. Where appropriate, the Board will review and make changes to the assessment forms to align with prevailing regulations and requirements. The performance criteria shall not be changed from year to year without justification. These assessments are carried out and overseen by the NC for each financial year to evaluate the effectiveness of the Board as a whole and recommendations based on these assessments would be tabled to the Board for discussion and/or adoption. The Executive Chairlady will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of Directors may be sought. Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.	Provisions 5.1 and 5.2 of the 2018 Code: Assessment of effectiveness of the Board and Board Committees and assessing the contribution by each Director
REMUNERATION MATTERS	
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.	**Principle 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**
The RC comprises three (3) Independent Directors (including the Lead Independent Director), namely Mr Chow Wai San (Chairman), Mr Khoo Song Koon and Mr Lim Yu Neng Paul. The RC's responsibilities, as set out in its terms of reference, include, *inter alia*, the following: • To develop and maintain a formal and transparent policy for the determination of the remuneration packages of individual Director and Executive Officer; • To review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors,	Provision 6.1 of the 2018 Code: RC to recommend remuneration framework and packages Provision 6.2 of the 2018 Code: Composition of RC

CEO (or equivalent), Executive Officer and employees related to Directors or controlling shareholders of the Group; • As part of its review, to ensure, *inter alia*, that (i) all aspects of remuneration, decisions, including Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefit-in-kind and termination payments should be covered, (ii) the remuneration packages should be comparable within the industry and comparable organisations and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and Executive Officer's performance, and (iii) the Company's obligations arising in the event of termination of the Executive Director's and Executive Officer's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; • In the case of Directors with service contracts, to determine the period of employment, after which they are subject to re-election or renewal of their service contracts, whichever is earlier, and to consider what compensation commitments the Directors' service contracts, if any, would entail in the event of early termination; • To ensure all its recommendations to the Board should first be made in consultation with the CEO; and • To seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary and if external advice is obtained, to review whether the remuneration consultant has any relationship with the Company that could affect his or her independent and objectivity. The recommendations of the RC shall be submitted for endorsement by the Board. Each RC member shall abstain from reviewing, deliberating and voting on any resolution in respect of his remuneration package or that of any employees who are related to him.	
The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual Director and Executive Officer with an aim to be fair and to avoid rewarding poor performance, before making any recommendation to the Board. It reviews the remuneration packages with aim of building capable and committed management teams through competitive compensation and focused management and progression policies. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration decisions, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, benefits-in-kind, termination payments and specific remuneration package for each Director. In addition, the RC reviews the performance of the Group's Executive Officer taking into consideration the CEO's assessment and recommendation for remuneration and bonus. Please refer to Principle 7 below for further details on the RC's consideration in determining the remuneration of the Directors and Executive Officer.	Provision 6.3 of the 2018 Code: RC to consider and ensure all aspects of remuneration are fair
During FY2019, the Company did not engage any remuneration consultant to seek advice on remuneration matters. Moving forward, the RC will consider the need to engage such external remuneration consultants when specific needs arise and where applicable, it will review the independence of the external firm before engaging them.	Provision 6.4 of the 2018 Code: Expert advice on remuneration
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.	**Principle 7: LEVEL AND MIX OF REMUNERATION**

In determining the remuneration packages of the Executive Director and Executive Officer, the RC takes into consideration the remuneration and employment conditions within the same industry or comparable organisations as well as the Group's size and scope of operations. A significant and appropriate portion of the Executive Director's and Executive Officer's remuneration shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Executive Director's and Executive Officer's performance, including the review of the information on the relationships between remuneration, performance and value creation of the Company. Such performance related remuneration takes into account the risk policies of the Company, is symmetric with risk outcomes and is sensitive to the time horizon of risks. In assessing the performance of the Executive Director and Executive Officer, the RC takes into the account the financial and operational performance of the Group as well as the management's execution and expansion growth and strategic objective of the Company. Executive Director does not receive Director's fees but is remunerated as member of the management team. The remuneration packages of the Executive Director and Executive Officer comprise a basic salary component and a variable component which is the annual bonus based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. The RC has the discretion not to award incentives in any year if an executive is involved in misconduct or fraud resulting in financial loss to the Company. Service contract for Executive Director does not contain onerous removal clauses. Having reviewed and considered the variable component of the Executive Director and Executive Officer, the RC is of the view that there is no requirement to institute contractual provisions to allow Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the Executive Directors and Executive Officers. The Company does not offer any share-based compensation scheme or any long-term scheme involving the offer of shares or options to the Executive Director, CEO, Executive Officer and key management personnel. The RC may consider other forms of long-term incentive schemes for the Management when necessary.	Provisions 7.1 and 7.3 of the 2018 Code: Remuneration of Executive Directors and key management personnel are appropriately structured to encourage good stewardship and promote long-term success of the Company
The Independent Directors are paid Directors' fees which take into consideration their contribution, effort, time spent and responsibilities. They are not overly remunerated to the extent that their independence may be compromised. The Directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at the AGM. The Board concurred with the RC that the proposed Directors fees of S$106,000 (equivalent to US$76,000) for the year ending 31 December 2020 to be paid quarterly in arrears is appropriate. The 2020 Directors' fees are set out in ordinary resolution 4 of the notice of AGM for approval by shareholders of the Company. Except as disclosed in the Annual Report 2019, the Independent Directors do not receive any remuneration from the Company.	Provision 7.2 of the 2018 Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

The Company does not offer any share-based compensation scheme or any long-term scheme involving the offer of shares or options to the Independent Directors.	
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.	**Principle 8: DISCLOSURE ON REMUNERATION**
A summary compensation table of the Directors' remuneration of the Group for FY2019 is set out below:	Provisions 8.1 and 8.3 of the 2018 Code: Remuneration disclosures of Directors and key management personnel; Details of employee share schemes

Name of Directors	Salary inclusive of AWS and Employer's CPF	Variable Component or Bonuses inclusive of Employer's CPF	Benefits-in-Kind, Allowances and Other Incentives	Directors' Fees	Total
	S$	S$	S$	S$	S$
Connie Oi Yan Chan	655,362	–	–	–	655,362
Khoo Song Koon	–	–	–	37,000	37,000
Lim Yu Neng Paul	–	–	–	34,500	34,500
Chow Wai San	–	–	–	34,500	34,500
Total	655,362	–	–	106,000	761,362

A breakdown (in percentage terms) of the remuneration earned by the Executive Officer and top 5 key management personnel (who are not Directors or the CEO of the Company) during FY2019 is as follows:

Name of Executive Officer and Key Management Personnel	Designation	Salary inclusive of AWS and Employer's CPF	Variable Component or Bonuses inclusive of Employer's CPF	Benefits-in-Kind, Allowances and Other Incentives	Total
		%	%	%	%
Below S$250,000					
Executive Officer					
Chan Cheng Fei	Chief Financial Officer ("**CFO**")	100	–	–	100
Key Management Personnel					
Shahrazz Raja Hayat	Managing Director, Collins Debden Limited	94	–	6	100
Matthew Zec	General Manager, Sales, Collins Debden Pty Ltd	100	–	–	100
Koh Sally	General Manager, North and Southeast Asia	94	–	6	100
Lee Kelvin	Group Head of Marketing	100	–	–	100
Philip Anthony Barr	Group Head of Supply Chain	100	–	–	100

No termination, retirement and post-employment benefits was granted to the Directors, the CEO, the Executive Officer and the key management personnel.

The Board is of the view that full disclosure in aggregate of the total remuneration paid to the Executive Officer and each of the above key management personnel would not be in the interest of the Company as such information is confidential and sensitive, may be exploited by competitors and the importance of maintaining the cohesion and spirit of team work prevailing among senior management executives of the Group. The total remuneration paid to the Executive Officer and top 5 key management personnel of the Group (who are not Directors or the CEO of the Company) in FY2019 amounted to S$1,131,000 (equivalent to approximately US$795,000).

None of the Executive Director, Executive Officer, key management personnel and employee were substantial shareholders of the Company in FY2019. There is no employee whom is the immediate family members of a Director, the CEO or a substantial shareholder of the Company, whose remuneration exceeded S$100,000 (equivalent to approximately US$71,000) in FY2019.	Provision 8.2 of the 2018 Code: Remuneration disclosure of related employees
ACCOUNTABILITY AND AUDIT	
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.	**Principle 9: RISK MANAGEMENT AND INTERNAL CONTROLS**
The Board recognises its responsibilities over the governance of risks and has set in place management procedures for ensuring a sound system of risk management and internal controls. These procedures include introducing a structured Enterprise Risk Management (“**ERM**”) programme to the Group, management reviews of key transactions, and the assistance of independent consultants such as the Group’s external and internal auditors to review financial statements and internal controls covering key risk areas. The following are key components of the ERM programme of the Group: • Risk Management Manual The overall framework for risk management has been documented in a manual and disseminated to personnel responsible for oversight of risks and operations of risk counter measures. This ERM manual includes the terms of reference of the various personnel and committees responsible for monitoring and managing risks in the Group. The ERM process will also require ongoing identification of risks and whether appropriate measures have been taken to address relevant risks. • Risk Appetite of the Company The Group has assessed its tolerance to various risk events as they emerge. Generally, the Group will rely on management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to Board approval. The Company has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. • Risk Assessment and Monitoring Based on the ERM framework, the nature and extent of risks to the Group will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board and the AC at least on a yearly basis. A set of risk registers has been developed to document the various risks faced by the Group, measures in place to address them and who the risk owners are. By identifying and managing risks through this ERM programme, the Group should be able to make more informed and collective decisions and to benefit from a better balance between risk and reward. This can help protect and also create shareholders’ value. As part of the programme, Management will also have more structured review processes as new risks emerge so as to be cognisant of the potential impact from such new risks and to undertake meaningful measures to address them.	Provision 9.1 of the 2018 Code: Board determines the nature and extent of significant risks

The AC, with the assistance of the internal and external auditors, annually reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls. This helps to ensure that safeguards, checks and balances are put in place to prevent any conflicts of interests or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.	
The internal auditor, BDO LLP, has carried out internal audit on the system of internal controls and reported the findings to the AC. The external auditor, Crowe Horwath First Trust LLP, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit processes. No material internal control weakness had been raised by our internal and external auditors in the course of their audits for FY2019. The Board received assurance from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. In addition, the Board received assurance from the CEO and the CFO that the Company's risk management and internal control systems are adequate and effective. Based on the ERM framework established, reviews carried out by the AC, work performed by the internal and external auditors and assurance from the Management referred to in the preceding paragraphs, the Board, with the concurrence of the AC, is satisfied that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place are adequate and effective as at 31 December 2019. The Board notes that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities. As such, the Company's risk management and internal controls systems are regularly evaluated and improved to ensure its relevance to the Company's operations.	Provision 9.2 of the 2018 Code: Assurance from CEO, CFO and other key management personnel
The Board has an Audit Committee which discharges its duties objectively.	**Principle 10:** **AUDIT COMMITTEE**
The AC comprises three (3) Independent Directors (including the Lead Independent Director), namely Mr Khoo Song Koon (Chairman), Mr Lim Yu Neng Paul and Mr Chow Wai San. All members of the AC are appropriately qualified and have relevant accounting or related financial management expertise and experience. They are not former partners or directors of the Company's auditing firm.	Provision 10.1 of the 2018 Code: Duties of AC Provision 10.2 of the 2018 Code: Composition of AC Provision 10.3 of the 2018 Code: AC does not comprise former partners or directors of the Company's auditing firm

The AC's duties and responsibilities, as set out in its terms of reference, include, *inter alia*, the following: • Reviewing the audit plan of the external and internal auditors of the Company, and their reports arising from the audit; • Ensuring the adequacy of the assistance and cooperation given by the Management to the external and internal auditors; • Reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board for approval; • Reviewing the half yearly and annual announcements of the results of the Group before submission to the Board for approval; • Reviewing at least annually the effectiveness and adequacy of the Company's internal controls in addressing the financial, operational, compliance and information technology risks; • Reviewing the Group's risk management structure and any oversight of our risk management processes and activities to mitigate risk at acceptable levels determined by the Board; • Reviewing the external auditors' audit report, their management letter (if any) and management's response on internal control; • Discussing problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence of management, where necessary); • Reviewing and discussing with the external and internal auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response; • Reporting to the Board on its findings from time to time on matters arising and requiring the attention of the AC; • Reviewing interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; • Reviewing adequacy and effectiveness of internal audit function, at least annually; • Reviewing the independence of the external auditors annually, making recommendation to the Board the appointment/re-appointment of the external and internal auditors, the audit fee and matters relating to the resignation or dismissal of the auditors; • Reviewing the assurance provided by the CEO and the CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances; and • Undertaking such other reviews and projects as may be requested by the Board. The AC is also responsible for reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on as well as to ensuring that the Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns. The AC has explicit authority to conduct or authorise investigations into any aspect of the Group's financial affairs, audits and exposure to risks of a regulatory or legal nature, with full access to records, resources and personnel, to enable it to discharge its function properly. The AC has full access to and cooperation of the Management, and has full discretion to invite any Director and Executive Officer to attend its meetings. Management is invited to attend all meetings of the AC. Reasonable resources were made available to the AC to enable it to discharge its functions properly.	

The external and internal auditors have unrestricted access to the AC. The meetings with external auditors will include a review of the Group's financial statements, the internal control procedures, prospects of the Group and the independence of the external auditor. When there are changes to the various accounting standards that has an important bearing on the Company's disclosure obligations, the Directors are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during the Board meetings. The external auditors also provide periodic updates and briefings to the AC on changes or amendments to accounting standards to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. The AC has reviewed the adequacy of and effectiveness of the Group's risk management system and key internal controls that address financial, operational, compliance and information technology risks, with the assistance of the internal and external auditors as well as the management, who provide regular reports during the financial year to the AC in addition to the briefings and updates provided at the AC meetings. The AC also conducted a review of the Group's interested person transactions. The aggregate audit fees paid and payable to the external auditors, Crowe Horwath First Trust LLP ("**CHFT**"), for FY2019 amounted approximately to S$183,400 (equivalent to US$142,000). Non-audit services provided by CHFT for FY2019 amounted to S$13,800 (equivalent to US$8,000) was related to tax services. The AC, having reviewed all non-audit services provided by CHFT, is satisfied that the nature and extend of such services would not prejudice the independence and objectivity of the external auditors and recommends to the Board, the nomination of the external auditors for re-appointment. CHFT is an accounting firm registered with the Accounting and Corporate Regulatory Authority. The AC is satisfied that CHFT is able to meet its audit obligation, having considered that CHFT has adequate resources and the audit engagement team (including the audit engagement partner) has the relevant experience. In this connection, the Group confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules. In recommending the re-appointment of CHFT as the external auditor for the financial year ending 31 December 2020 to the Board, the AC considered the adequacy of their resources, training and quality control, experience of the engagement team and the firm as a whole and quality of work carried out by the external auditor. The Board has recommended the nomination of CHFT for re-appointment as external auditors of the Company at the forthcoming AGM.	
The Company recognises the importance of the internal audit function as an integral part of an effective system of good corporate governance. The AC reviews, on an annual basis, the adequacy and effectiveness of the internal audit ("**IA**") function of the Group. The AC approves the hiring, removal and evaluation and compensation of the internal auditors. For FY2019, the Company has outsourced its IA function to a professional service firm, BDO LLP, which is independent of the Group's business activities. The internal auditors report primarily to the AC Chairman and report administratively to CFO. The internal auditors have unrestricted access to the documents, records, properties and personnel of the Company and the Group. The AC is satisfied that the IA function has adequate resources to perform its function effectively, has appropriate standing within the Company and is independent of the activities it audits. The AC is also satisfied that the IA function is staffed by suitably qualified and experience professionals with the relevant experience.	Provision 10.4 of the 2018 Code: Primary reporting line of the internal audit function is to AC; Internal audit function has unfettered access to Company's documents, records, properties and personnel

The internal auditors conducts their work in accordance with the BDO Global IA methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing adopted by the Institute of Internal Auditors as a reference and guide when performing their reviews. The annual audit conducted by the internal auditors assesses the adequacy and effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC that the Group's risk management, controls and governance processes are adequate and effective. The IA function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the AC works closely with the Management to ensure that the internal controls are being reviewed and discussed with the Management of the significant internal audit observations. Key processes including revenue and receivables, cash management, procurement and payments, general controls, inventory management as well as human resource management and payroll processing of the principal subsidiary of the Group, Collins Debden Limited, were reviewed in FY2019. Summary of findings are recommendations by the internal auditors are discussed at the AC meetings. The related internal audit report, including the Management's responses and implementation status, have been reviewed and approved by the AC. No material weaknesses were identified based on the work done in FY2019. If any material weaknesses were identified, those would be disclosed in the Company's annual reports together with the steps taken to address them. The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Group's business and assets, while management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditors is to assist the AC in ensuring that the controls are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.	
The AC met two (2) times in FY2019. In performing its functions, apart from the two (2) formal meetings, the AC met with the external and internal auditors once during the financial year without the presence of the Management.	Provision 10.5 of the 2018 Code: AC meets with the auditors without the presence of Management annually
SIGNIFICANT ACCOUNTING MATTERS	
In the review of the financial statements for FY2019, the AC has discussed with the Management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements.	

The following key audit matter, which is included in the independent auditors' report for FY2019, was discussed with the Management and the external auditor and was reviewed by the AC:

Key audit matter	How the matter was addressed by the AC
Completeness of pulp trading revenue	Revenue from pulp trading amounted to approximately US$105 million, accounting for 87% of the Group's total revenue for FY2019. Pulp trading is the largest contributor to the revenue for the Group in the recent years. As such, the completeness and accuracy of the reported pulp trading revenue will have a significant impact on the financial statements. Having consulted with the internal and external auditors in respect of, *inter alia*, the applicable accounting standard and its application, the work performed by both auditors, review of the relevant controls and sample testing results in relation to the completeness of pulp trading revenue as well as discussed with Management, the AC was satisfied that correct accounting treatment has been adopted and consistently applied in the financial statements to ensure the completeness and accuracy of reported pulp trading revenue and the relevant controls are deemed satisfactory. Based on the recommendations by the AC, the Board had approved the audited financial statements on 26 March 2020.

WHISTLE-BLOWING CHANNELS

The Group is committed to a high standard of ethical conduct and adopts a zero-tolerance approach to fraud and corruption. It undertakes to investigate complaints of alleged wrongful acts, including suspected fraud and corruption, in an objective manner. As such, the Company has put in place a whistle blowing policy. In order to promote an environment conducive to employees to raise or report genuine concerns about possible improprieties in matters of business activities, financial reporting or other matters they may encounter in confidence and without fear of retaliatory action, all whistle blowing reports, shall be received by AC Chairman, who will conduct an initial review of the report received and recommend the remedial, disciplinary or other action to be taken by the Company. All investigations shall be reported to the AC for their attention and further action as necessary.

All employees who make a disclosure or raise a concern in accordance with such policy shall be protected if such employee:

(a) discloses the information in good faith;
(b) has reasonable grounds to believe disclosure or concern is substantially true;
(c) does not act maliciously; and
(d) does not seek any personal or financial gain.

While employees are strongly encouraged to disclose their identity when lodging complaints, efforts will be made to ensure confidentiality as far as reasonably practicable. Furthermore, anonymous complaints will not be disregarded and will be considered by the Independent Directors. The contact details of the Independent Directors have been made known to the employees for the purposes of raising their concerns under the whistle blowing policy. The Company has policies and procedures to protect an employee who reveals illegal or unethical behaviour from retaliation.

On an ongoing basis, the whistle blowing policy (including the procedures for raising concerns) is covered during the employee training and periodic communication to employee as part of the Group's efforts to promote awareness of fraud and corruption control.

The AC Chairman can also be contacted directly via his email address (AC_Chairman@nippecraft.com.sg).

There was no whistle blowing report received via the whistle-blowing channels in FY2019.

SHAREHOLDER RIGHTS AND ENGAGEMENT

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.	**Principle 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

The Company encourages active shareholder participation at its general meetings. Notices of meetings are given to all shareholders together with explanatory notes or a circular on items of special business, at least fourteen (14) clear days (for ordinary resolutions) or at least twenty-one (21) clear days (for special resolutions) before the meeting. Reports or circulars of the general meetings are despatched to all shareholders by post and disseminated through SGXNET. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The rules, including the voting process, will be explained by the scrutineers at such general meetings. The Company's Constitution permit a shareholder to appoint up to two (2) proxies to attend and vote in his stead at these meetings. Furthermore, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies to attend and vote on their behalf at general meetings. The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. The Company will employ electronic polling if necessary.	Provision 11.1 of the 2018 Code: Company provides shareholders with the opportunity to participate effectively and vote at general meetings
Voting in absentia and by electronic mail may only be possible following careful study to ensure integrity of the information and authentication of the identity of shareholder through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.	Provision 11.4 of the 2018 Code: Company's Constitution allow for absentia voting of shareholders
Shareholders are invited to attend general meetings to put forth any questions they may have on the motions to be debated and decided upon. Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions. The Company shall avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situations where resolutions are inter-conditional, the Company will provide clear explanations.	Provision 11.2 of the 2018 Code: Separate resolution on each substantially separate issue
The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. All the Directors, including the Chairmen of various Board Committees, and Executive Officer are normally available at the general meetings to answer those queries and receive feedback from shareholders. The external auditors are also usually present to assist the Directors in addressing any relevant queries by shareholders. All Directors had attended the AGM held on 24 April 2019. The Executive Chairlady will facilitate constructive dialogue between shareholders and the Board, the Management, the external auditors and other relevant professionals.	Provision 11.3 of the 2018 Code: All Directors attend general meetings

The Company Secretary prepares minutes of general meetings which incorporate substantial comments or queries from shareholders and responses from the Board and the Management. These minutes are available to shareholders upon written requests. The Company does not intend to publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting. The Company is of the view that its position is consistent with the intend of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. In addition, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equally by the Company.	Provision 11.5 of the 2018 Code: Minutes of general meetings are published on the Company's corporate website as soon as practicable
The Company does not have a formal dividend policy. While this would mean that its practice varies from Provision 11.6 of the 2018 Code which implies that companies should have a dividend policy, the Company is of the view that the following disclosure would constitute a balanced and understandable assessment of its position on a dividend policy, and that this practice is consistent with the intent of Principle 11. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deemed appropriate. In accordance to its Constitution and Companies Act, the Company may, by ordinary resolution of shareholders, declare dividends out of profits at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors subject to the approval of the shareholders. The Directors may also declare an interim dividend out of profits without the approval of the shareholders. No dividends have been declared for FY2019 in view of the negative earning.	Provision 11.6 of the 2018 Code: Dividend policy
The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.	**Principle 12: ENGAGEMENT WITH SHAREHOLDERS**
The Company is firmly committed to corporate governance and transparency by disclosing to its stakeholder, including its shareholder, as much relevant information as possible, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. All material information on the performance and development of the Group and of the Company is disclosed in an accurate, comprehensive and timely manner through SGXNET. The Company does not practice selective disclosure of material information.	Provision 12.1 of the 2018 Code: Company provides avenues for communication between the Board and shareholders and discloses steps taken to solicit and understand the views of shareholders

Material information is excluded from briefings with investor or analyst, unless it has been publicly released either before or concurrently with such meetings. Communication to shareholders is normally made through: (a) annual reports that are prepared and issued to all shareholders; (b) financial results containing a summary of the financial information and affairs of the Group for the period; (c) notices and explanatory memoranda for AGM and other general meetings; (d) other announcements on SGXNET; and (e) the Group's website at http://www.nippecraft.com.sg at which shareholders can access information of the Group.	
In addition to general meetings, the Company uses mainly the SGXNET to disseminate information to the shareholders and investment community on a timely, accurate, fair and transparent basis. When the opportunity arises, the Management will also meet with investors, analysts and the media as well as participate in investor relations activities to solicit and understand the views of the investment community. Shareholders and the investment community can contact the Company by telephone at +65 6262 2662, fax at +65 6268 4827 or email us at: investors@nippecraft.com.sg to address their queries, concerns and feedback.	Provisions 12.2 and 12.3 of the 2018 Code: Company has in place an investor relations policy; Investor relations policy sets out mechanism of communication between the shareholders and the Company
MANAGING STAKEHOLDERS RELATIONSHIPS	
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.	**Principle 13: ENGAGEMENT WITH STAKEHOLDERS**
The Company takes pride in meeting and exceeding the expectations of our stakeholders. Our engagement with material stakeholder groups, including key areas of focus and engagement channels, are disclosed in the latest Sustainability Report. The Group seizes opportunities to engage our stakeholders and welcomes feedback on our sustainability reports. The Company's sustainability team can be contacted via email at: sustainability@nippecraft.com.sg.	Provisions 13.1 and 13.2 of the 2018 Code: Engagement with material stakeholder groups
Stakeholders who wish to know more about the Group and our business and governance practices can visit our website (www.nippecraft.com.sg).	Provision 13.3 of the 2018 Code: Corporate website to engage stakeholders
DEALINGS IN SECURITIES	
In line with Rule 1204(19) of the Catalist Rules, the Group has issued a policy on share dealings by Directors and key officers of the Company, setting out the implications of insider trading and recommendations of the best practices set out in Rule 1204(19). The Group adopts a code of conduct to provide guidance to its Directors and officers with regard to dealing in the Company's shares, which includes an annual declaration by the Company's Directors and officers with regard to securities trading and disclosure by the Company's Directors and officers when they deal in the Company's shares.	

The Group also issues periodic circulars to its Directors, officers and employees reminding them that the issuer and its officer must not have dealings in the Company's shares:

(i) on short-term considerations;
(ii) during the period commencing one (1) month before the announcement of the Company's half yearly or full year financial results, as the case may be; and
(iii) if they are in possession of unpublished material price sensitive information.

During the year under review, there was no known trading of the Company's shares by insiders.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for identification, monitoring, reviewing and approving the Company's interested person transactions ("**IPT**") to ensure that the relevant rules in Chapter 9 of the Catalist Rules are complied with.

The Company has adopted a general mandate in respect of IPT ("**IPT Mandate**") which has been effective since 24 October 2017, and renewed at the AGM held on 24 April 2019. The Company has established procedures to ensure that all IPT are reported in a timely manner to the AC, and that the IPT are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The Company will seek renewal of the IPT Mandate at the forthcoming AGM and further information is set out in the Appendix to the Annual Report 2019

The aggregate value of IPT during FY2019 was as follows:

Name of interested person and nature of transactions	Nature of relationship	Aggregate value of all IPT during the financial period under review (excluding transactions less than S$100,000)	
		Not conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules	Conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules
		US$'000	US$'000
Sales (pulp trading)			
PT Paramitra Gunakarya Cemerlang*	Common controlling shareholders	–	43,263

* *PT Paramitra Gunakarya Cemerlang is an entity under the APP group, ultimately owned by the controlling shareholder of the Company, Asia Pulp & Paper Company Ltd.*

MATERIAL CONTRACTS AND LOANS

The Company and its subsidiaries did not enter into any material contract (including loan) involving the interests of the CEO, Director or controlling shareholder, which is either subsisting as at end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

SPONSORSHIP

With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsorship fees paid/payable to the Company's Sponsor, SAC Capital Private Limited, in FY2019.

Additional Information on Directors Seeking Re-election

Mr Khoo Song Koon and Mr Chow Wai San are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 24 June 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to the Retiring Directors is set out below and to be read in conjunction with their respective biographies under the section entitled "Board of Directors" in the Annual Report 2019:

Name of Director	Mr Khoo Song Koon	Mr Chow Wai San
Date of appointment	27 February 2015	26 October 2016
Date of last re-appointment	27 April 2017	27 April 2017
Age	49	48
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the qualifications and working experience of Mr Khoo Song Koon as well as his contributions and performance during the financial year, has accepted the recommendation of the Nominating Committe and approved his re-appointment as the Lead Independent Director of the Company, the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.	The Board, having considered the qualifications and working experience of Mr Chow Wai San as well as his contributions and performance during the financial year, has accepted the recommendation of the Nominating Committee and approved his re-appointment as an Independent Director of the Company, the Chairman of the Remuneration Commettee and a member of the Audit Committe and the Nominating Committee.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Audit Committee Chairman, Nominating Committee Member and Remuneration Committee Member	Remuneration Committee Chairman, Audit Committee Member and Nominating Committee Member
Professional qualifications	• Bachelor of Accountancy, Nanyang Technological University • Chartered Accountant (Singapore) • Certified Public Accountant (Australia) • Associate Member, Singapore Institute of Directors	• Bachelor of Accountancy, Nanyang Technological University • Chartered Financial Analyst • Chartered Accountant (Singapore) • Certified Public Accountant (Australia) • Associate Member, Singapore Institute of Directors

Working experience and occupation(s) during the past 10 years	Mr Khoo currently holds the position of an Executive Director of JKhoo Consultancy Pte. Ltd. His previous working experience were as follows: <u>October 2001 to April 2012</u> Director at NTan Corporate Advisory Pte Ltd <u>April 2000 to September 2001</u> Associate Director at Global Corporate Finance, Arthur Andersen Singapore <u>July 1995 to March 2000</u> Assistant Manager at Audit and Business Advisory Department and Corporate & Insolvency Department at PricewaterhouseCoopers Singapore	Mr Chow currently holds the position of Managing Director of Aquifer Consulting Pte Ltd His previous working experience were as follows: <u>October 2001 to September 2014</u> Director at NTan Corporate Advisory Pte Ltd <u>December 1999 to September 2001</u> Associate Director at Global Corporate Finance, Arthur Andersen Singapore <u>July 1995 to March 2000</u> Assistant Manager at Financial Advisory Services at PricewaterhouseCoopers Singapore
Shareholding interest in the listed issuer and its subsidiaries	None	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments* including directorships * *Excludes the working experience and occupation(s) as listed in the previous section* Past (for the last 5 years)	<u>Directorships</u> 1. KRAM Pte. Ltd. 2. PT KRAM 3. Workforce Advancement Federation Ltd 4. Red Carpet International (BVI) <u>Other principle commitments</u> Nil	<u>Directorships</u> 1. Acton & Goldhill Pte Ltd 2. Amarilla Investments Pte Ltd 3. Apex Asia Opportunities Pte. Ltd. 4. AP Lariang Pte Ltd 5. Asia Everbright Pte. Ltd. 6. Asia Five Star Quality Investment Pte. Ltd. 7. Cormorant Pte. Ltd. 8. East Gate Commodities Pte Ltd

		9. Energy Mega Persada Pte. Ltd. 10. Fiorenza Pte Ltd 11. Flamingo Corporation Pte. Ltd. 12. Fortune Asia Pacific Investments Pte Ltd 13. Fountaininvest Partners International Pte Ltd 14. Mavericks Financial Group Pte Ltd 15. Portage Advisory Pte Ltd 16. Presidio Equator Pte. Ltd. 17. Royalvale Pte. Ltd. 18. Skybeau Investments Pte Ltd 19. Storage King (Singapore) Pte Ltd 20. TPB Advisory Pte Ltd 21. Trans Asia Mining Pte Ltd 22. U.S. Flow Control Group Pte Ltd 23. Wymer Directorship Pte Ltd <u>Other principle commitments</u> Nil
Present	<u>Directorships</u> 1. Nippecraft Limited (listed on SGX) 2. Resources Prima Group Limited (listed on SGX) 3. XMH Holdings Ltd. (listed on SGX) 4. Questcor International Pte Ltd 5. Gadera Pte Ltd 6. Cassville Pte. Ltd. 7. Amarilla Investments Pte. Ltd. 8. Faerma Pte Ltd 9. Posh Digital Dental Laboratory Pte. Ltd. 10. Toptoo Industrial Limited 11. Tricania International Inc 12. Elegant Link International Trading Limited 13. Great Divine Investments Limited 14. Great Vanguard International Limited 15. Zicap Limited <u>Other principle commitments</u> Nil	<u>Directorships</u> 1. Universal Resource and Services Limited (listed on SGX) 2. Nippecraft Limited (listed on SGX) 3. Resources Prima Group Limited (listed on SGX) 4. K Group Holdings Limited (listed on Hong Kong Stock Exchange) 5. Abelton Capital Ltd 6. Alson & John Corporate Services Pte Ltd 7. Baxelta Pte Ltd 8. Cascadia Partners Pte Ltd 9. Charta Global Inc 10. Cloverland Pte Ltd 11. Coraco Investment S.A. 12. Elpan Pte Ltd 13. Great Asia Global Investments Pte Ltd 14. Jade Lotus Development Pte Ltd 15. Kwok Shing Investments Limited 16. Lambec Limited

		17. LMOC Serives (L) Berhad 18. Rivart Asia Pacific Pte Ltd 19. Silver Vantage Trading Limited 20. Southampton Holdings Pte Ltd 21. Triump Star Ltd <u>Other principle commitments</u> Nil
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

FINANCIAL REPORT

CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Nippecraft Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 55 to 111 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

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

Directors

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

Connie Oi Yan Chan	(Executive Chairlady and Chief Executive Officer)
Khoo Song Koon	(Lead Independent Director)
Lim Yu Neng Paul	(Independent Director)
Chow Wai San	(Independent Director)

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations either at the beginning or the end of financial year or as at 21 January 2020.

Arrangements to enable directors to acquire benefits by means of the acquisition of share and debentures

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

DIRECTORS' STATEMENT (Continued)

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Khoo Song Koon	(Chairman, Lead Independent Director)
Lim Yu Neng Paul	(Independent Director)
Chow Wai San	(Independent Director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

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

In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 prior to their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

DIRECTORS' STATEMENT (Continued)

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

CONNIE OI YAN CHAN Director	**KHOO SONG KOON** Director

26 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIPPECRAFT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nippecraft Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 111, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIPPECRAFT LIMITED (Continued)

Key Audit Matters (Continued)

Completeness of revenue - Pulp Trading
Refer to the following notes to the financial statements *Note 2 "Significant accounting policy - revenue from contacts with customers"* *Note 15 "Revenue from contracts with customers"*

The key audit matter	***How the matter was addressed in our audit***
The Group's pulp trading forms a significant portion 87% (2018: 84%) of the Group's revenue, amounting to US$104,856,401 (2018: US$97,144,178). As the sales transactions of pulp trading are voluminous with some individually material transactions, errors in the recording of the sales in the correct financial period represents a significant risk of misstatement. Manual, rather than automated process, also increases the risk that transactions might not be captured in financial statements in a complete manner. Reviews are undertaken by management to ensure that internal controls are operating effectively and proper revenue recognition policies are complied with.	Our audit of revenue focused on whether the Group's revenue recognition policies complied with SFRS(I) 15 Revenue from Contracts with Customers and in addressing the completeness of the recorded revenue. Our procedures applied include: - Assess whether the Group's revenue recognition policies complied with SFRS(I) 15 and test the implementation of these policies; - Obtain sales confirmations to ensure the completeness of the recorded revenue; - Perform test of controls on the back-to-back trading arrangement and ensure that the transactions are supported with documents and proper approval; and - Perform revenue cut off testing to ensure that revenue was recognised based on the transfer of the risks and rewards of ownership to the customer and the accounting period in which the trade occured by testing a sample of revenue items to contract and shipping documents, with a specific focus on transactions which occurred near the reporting date. Based on the results of the above procedures, we found no significant exceptions with regard to completeness of revenue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIPPECRAFT LIMITED (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NIPPECRAFT LIMITED (Continued)

Auditor’s Responsibilities for the Audit of the Financial Statements (Continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIPPECRAFT LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Kow Wei-Jue Duncan.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

26 March 2020

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019
(Amounts in United States dollars)

	Note	Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	5,103	5,035	4,691	4,991
Intangible assets	4	–	–	–	–
Subsidiaries	5	–	–	16,512	16,512
		5,103	5,035	21,203	21,503
Current assets					
Inventories	6	3,527	4,005	348	481
Trade and other receivables	7	24,629	26,013	3,665	4,343
Prepayments		332	470	38	176
Income tax recoverable		–	62	–	–
Cash and bank balances	8	14,072	15,011	620	1,092
		42,560	45,561	4,671	6,092
TOTAL ASSETS		47,663	50,596	25,874	27,595
LIABILITIES					
Current liabilities					
Trade and other payables	9	15,201	17,886	1,593	2,818
Lease liabilities	10	257	71	108	71
Income tax payable		101	–	–	–
		15,559	17,957	1,701	2,889
Non-current liabilities					
Deferred tax liabilities	11	–	–	–	–
Lease liabilities	10	1,785	1,589	1,566	1,589
		1,785	1,589	1,566	1,589
TOTAL LIABILITIES		17,344	19,546	3,267	4,478
NET ASSETS		30,319	31,050	22,607	23,117

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONTINUED) As at 31 December 2019

(Amounts in United States dollars)

	Note	Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	12	36,817	36,817	36,817	36,817
Reserves	13	1,133	1,000	748	748
Accumulated losses	14	(7,631)	(6,767)	(14,958)	(14,448)
TOTAL EQUITY		30,319	31,050	22,607	23,117

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Amounts in United States dollars)

	Note	2019	2018
		US$'000	**US$'000**
Revenue from contracts with customers	15	120,629	115,037
Cost of sales		(112,388)	(106,659)
Gross profit		8,241	8,378
Distribution and marketing expenses		(4,798)	(4,469)
Administrative expenses		(4,016)	(3,906)
Impairment loss on financial assets	24(iii)(a)	–	(14)
Other income, net	16	442	240
Finance expense, net	17	(622)	(528)
Loss before tax	18	(753)	(299)
Tax (expense) / credit	19	(111)	238
Loss for the year		(864)	(61)
Other comprehensive income / (loss):			
Item that may be reclassified subsequently to profit or loss			
- Foreign currency translation differences for foreign operations		133	(797)
Other comprehensive income / (loss) for the year, net of tax		133	(797)
Total comprehensive loss for the year		(731)	(858)
Loss per share (cents)			
Basic and diluted	21	(0.246)	(0.017)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in United States dollars)

	Attributable to equity holders of the Company				
	Share capital	**Asset revaluation reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance as at 1 January 2018	36,817	748	1,049	(6,327)	32,287
Effects on adoption of SFRS(I) 9 (Note 24(iii)(a))	–	–	–	(379)	(379)
Loss for the year	–	–	–	(61)	(61)
Other comprehensive loss, net of tax					
- Currency translation differences	–	–	(797)	–	(797)
Total comprehensive loss for the year	–	–	(797)	(61)	(858)
Balance as at 31 December 2018	36,817	748	252	(6,767)	31,050
Balance as at 1 January 2019	36,817	748	252	(6,767)	31,050
Loss for the year	–	–	–	(864)	(864)
Other comprehensive income, net of tax					
- Currency translation differences	–	–	133	–	133
Total comprehensive loss for the year	–	–	133	(864)	(731)
Balance as at 31 December 2019	36,817	748	385	(7,631)	30,319

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in United States dollars)

	Note	2019	2018
		US$'000	**US$'000**
Cash flows from operating activities			
Loss before tax		(753)	(299)
Adjustments:			
Depreciation of property, plant and equipment	3	506	471
Gain on disposal of property, plant and equipment	18	–	(19)
Bad debts		128	–
Impairment loss on financial assets	24(iii)(a)	–	14
Interest income	17	(61)	(22)
Interest expense	17	683	550
Write-down of inventories	18	1,388	1,278
Operating profit before working capital changes		1,891	1,973
Inventories		(884)	(1,076)
Trade and other receivables		1,389	19,044
Trade and other payables		(2,708)	(15,441)
Cash (used in) / generated from operations		(312)	4,500
Income tax refund / (paid), net of tax paid / (refund)		53	(175)
Net cash (used in) / from operating activities		(259)	4,325
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(73)	(107)
Interest received		61	22
Proceeds from disposal of property, plant and equipment		–	227
Net cash (used in) / from investing activities		(12)	142
Cash flows from financing activities			
Interest paid for trade financing	17	(594)	(476)
Payment of lease liabilities including interest	10	(232)	(144)
Net cash used in financing activities		(826)	(620)
Net (decrease) / increase in cash and cash equivalents		(1,097)	3,847
Cash and cash equivalents at beginning of year		12,911	9,534
Effects of exchange rate changes on cash and cash equivalents		158	(470)
Cash and cash equivalents at end of year	8	11,972	12,911

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Amounts in United States dollars)

	Note	2019	2018
		US$'000	US$'000
Note A:			
Total addition of property, plant and equipment	3	574	107
Less: Addition of right-of-use assets		(501)	–
Acquisition of property, plant and equipment		73	107

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in United States dollars unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Nippecraft Limited (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Company's registered office and principal place of business is 9 Fan Yoong Road, Singapore 629787.

APP Printing (Holding) Pte Ltd ("APP Printing"), a company incorporated in Singapore, holds 49% (2018: 49%) of the share capital of the Company and is deemed to be the controlling shareholder of the Company. APP Printing is a wholly-owned subsidiary of PT Andalan Prapanca Pertiwi ("PT APP"), and Asia Pulp & Paper Company Ltd ("APP") owns 89.9% (2018: 89.9%) of the shares in PT APP. APP Golden Limited, a company incorporated with limited liability under the laws of the British Virgin Islands, currently controls approximately 63.32% (2018: 63.32%) of the voting power of APP and is considered as the ultimate holding company.

The principal activities of the Group and the Company are those relating to the design, manufacture, distribution and trading of paper, personal and business organising tools, as well as general trading of pulp, chemical, and recycled waste and other products.

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 26 March 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"). These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand (US$'000), unless otherwise stated.

The preparation of the financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

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

Descriptions	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark Reform*	1 January 2020
SFRS(I) 17: *Insurance Contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

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.

Group accounting

Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in United States dollars, which is the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") 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 reporting 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 reporting 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 in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into United States dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

Property, plant and equipment

All items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for certain leasehold buildings, which are stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revalued amounts were based on external professional valuations carried out in July 1993 on the open market value basis for the Company's Initial Public Offering of shares in 1994. No subsequent revaluation has been performed and the Company does not have a policy of regularly revaluing the properties.

Any gain arising on revaluation is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific leasehold building, with any remaining gain recognised in other comprehensive income and presented in the asset revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the asset revaluation reserve in equity to the extent that an amount had previously been included in the asset revaluation reserve relating to the specific leasehold building, with any remaining loss recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

	Useful lives (Years)
Leasehold buildings	Over the terms of the lease which range from 40 to 60 years
Plant and machinery	10 to 25 years
Factory equipment	10 to 25 years
Office equipment	3 to 10 years
Furniture and fittings	3 to 25 years
Motor vehicles	5 to 10 years

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within “Other income / (expenses)” and the asset revaluation reserve related to those asset, if any, is transferred directly to retained earnings.

Intangible assets

Intangible assets consist of brands and are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated based on the cost of the asset. Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of two years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with SFRS(I) 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets, mainly trade and other receivables including amount due from related companies and subsidiaries, cash and bank balances, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group does not have financial assets at other categories.

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to related parties and subsidiaries, and loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(iii) Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

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

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liabilities when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

Impairment of financial assets

The Group applies impairment model in SFRS(I) 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortised costs (including trade receivables)
- Contract assets (determined in accordance with SFRS(I) 15)
- Lease receivables
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at life time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument (‘life-time ECL’). The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to those customers and the economic environment.

General approach

The Group applies general approach on all other financial instruments and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost are deducted from the gross carrying amount of those asset.

<u>Significant increase in credit risk (Stage 2)</u>

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor’s ability to meet its debt obligations
- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor’s ability to meet its debt obligations
- an actual or expected significant change in the operating results of the debtors

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

<u>Definition of default</u>

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligation in full, without recourse by the Group; or
- The financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

<u>Credit-impaired (Stage 3)</u>

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

<u>Write-off policy</u>

The Group writes off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. The costs of inventories is calculated using the weighted average cost formula, and includes expenditures incurred in acquiring the inventories, production conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Leases

The Group assess whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

At the lease commencement date, the Group recognises a Right-of-Use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and low-value leases as described below.

ROU asset

ROU assets are initially measured at cost, which comprise initial amount of lease liability, any lease payment made at or before commencement date, plus initial direct costs incurred, less lease incentives received. Initial direct costs are costs that would not have been incurred if the lease had not been obtained.

Whenever the Group incurs obligations for costs to dismantle and remove a leased asset, restore the site or the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognised and measured under SFRS(I)1-37; and included in the carrying amount of the ROU assets to the extent that the costs relate to a ROU asset.

ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from commencement date to the earlier of end of lease terms and useful life of the ROU assets. In addition, the ROU assets are also adjusted for certain remeasurement of lease liability.

ROU assets are presented within ‘Property, Plant and Equipment’ in the statement of financial position.

Lease liability

Lease liability is initially measured at the present value of lease payments discounted using interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee’s incremental borrowing rate. Generally the Group uses the incremental borrowing rate as the discount rate, which is estimated by reference to interests rates from various external financing sources for similar terms such as lease terms, type of assets leases and economic environment.

The following lease payments are included in the measurement of lease liability:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liability is measured at amortised cost using effective interest method. Remeasurement of lease liability (and corresponding adjustment to ROU asset, or to profit or loss when the ROU asset has been reduced to zero) is required when there is:

- a change in future lease payments arising from changes in an index or rate, in which case the initial discount rate is used;
- a change in the Group’s assessment of whether it will exercise an extension or termination option, in which case a revised discount rate is used; or
- modification in the scope or the consideration of the lease that was not part of the original term and not accounted for as separate lease, in which case a revised discount rate at effective date of modification is used.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Exemption / exclusion

The following leases / lease payments are not included in lease liabilities and ROU assets:

- The Group has elected not to recognise ROU assets and lease liabilities for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For such leases, the Group recognises the lease payments in profit or loss as an operating expense on a straight-line basis over the lease term.

Sub-leasing

The Company acts as intermediate lessor and sublet part of its leasehold property as allowed by the lessor, JTC Corporation.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within ‘’Other income’’. The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

Revenue from sale of goods is recognised upon transfer of control to the customers, indicated by the transfer of risks and rewards at the point in time when the goods have been delivered to customers’ warehouse; however, for some international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port in accordance with international trade term.

Other income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognised when the Group’s right to receive payment is established. Rental income arising from operating leases on investment properties is recognised on a straight-line basis over the lease terms. The aggregate costs of incentives provided to the lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits

(i) Retirement benefits

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

(ii) Short-term employee benefits

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

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

(iv) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Jobs credit scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, pledged deposits are excluded and form an integral part of the Group's cash management are included in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantially enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share capital

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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) Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories in stationery segment at the end of each period, and makes allowance of inventories that are identified as obsolete or slow-moving. The management estimates the net realisable value for undated products based on the future demand for the inventories by taking into consideration the ageing and condition of the inventories by categories. The allowance of dated products are based on actual sales order and sales subsequent to financial year. The carrying amount of inventories and the expense recognised on the write-down is disclosed in Note 6 to the financial statements.

(b) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group's past history, existing market conditions as well as forward-looking information relating to industry, market development and macroeconomic factors. For trade receivables, the Group applied the practical expedient of provision matrix based on ageing profile of the customers. Expected loss rate is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The cumulative allowance made, key assumptions and inputs used are disclosed in Note 24(iii)(a).

(ii) Critical judgements in applying the entity's accounting policies

The management is of the opinion that any instances of judgements, other than those arising from the estimates described above, are not expected to have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings (d)	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Leasehold land (c)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
As at 1 January 2018	9,675	18,897	589	1,525	1,415	99	–	32,200
Additions	66	–	–	32	9	–	–	107
Effects of SFRS(I) 16	–	–	–	–	–	–	1,728	1,728
Disposals	(2)	(18,897)	–	–	–	–	–	(18,899)
Currency translation differences	–	–	–	(48)	(35)	(9)	–	(92)
As at 31 December 2018	9,739	–	589	1,509	1,389	90	1,728	15,044
As at 1 January 2019	9,739	–	589	1,509	1,389	90	1,728	15,044
Additions	501	–	–	7	66	–	–	574
Written off	–	–	–	(102)	(189)	(89)	–	(380)
Currency translation differences	–	–	–	2	7	(1)	–	8
As at 31 December 2019	10,240	–	589	1,416	1,273	–	1,728	15,246

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold buildings [(d)]	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Leasehold land [(c)]	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation and impairment losses								
As at 1 January 2018	6,245	18,631	584	1,343	1,379	99	–	28,281
Charge for the year	250	21	1	92	8	–	99	471
Disposals	(3)	(18,652)	–	–	–	–	–	(18,655)
Currency translation differences	–	–	–	(44)	(35)	(9)	–	(88)
As at 31 December 2018	6,492	–	585	1,391	1,352	90	99	10,009
As at 1 January 2019	6,492	–	585	1,391	1,352	90	99	10,009
Charge for the year	329	–	1	63	14	–	–	506
Written off	–	–	–	(102)	(189)	(89)	–	(380)
Currency translation differences	–	–	–	2	7	(1)	–	8
As at 31 December 2019	6,821	–	586	1,354	1,184	–	198	10,143
Net carrying amount								
As at 31 December 2019	3,419	–	3	62	89	–	1,530	5,103
As at 31 December 2018	3,247	–	4	118	37	–	1,629	5,035

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Leasehold buildings (d)	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Leasehold land (c)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
As at 1 January 2018	9,675	18,895	589	936	964	–	–	31,059
Additions	66	–	–	26	9	–	–	101
Effects of SFRS(I) 16	–	–	–	–	–	–	1,728	1,728
Disposals	(2)	(18,895)	–	–	–	–	–	(18,897)
As at 31 December 2018	9,739	–	589	962	973	–	1,728	13,991
As at 1 January 2019	9,739	–	589	962	973	–	1,728	13,991
Additions	66	–	–	2	44	–	–	112
As at 31 December 2019	9,805	–	589	964	1,017	–	1,728	14,103

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Leasehold buildings (d)	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Leasehold land (c)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation and impairment losses								
As at 1 January 2018	6,245	18,629	584	820	929	–	–	27,207
Charge for the year	250	20	1	69	6	–	99	445
Disposals	(3)	(18,649)	–	–	–	–	–	(18,652)
As at 31 December 2018	6,492	–	585	889	935	–	99	9,000
As at 1 January 2019	6,492	–	585	889	935	–	99	9,000
Charge for the year	256	–	1	43	13	–	99	412
As at 31 December 2019	6,748	–	586	932	948	–	198	9,412
Net carrying amount								
As at 31 December 2019	3,057	–	3	32	69	–	1,530	4,691
As at 31 December 2018	3,247	–	4	73	38	–	1,629	4,991

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group's major properties as at 31 December 2019 are as follows:

Type of property	Location	Approximate land area (in square metres)	Tenure
Four-storey factory cum office building	9 Fan Yoong Road Singapore 629787	4,622.4	60-year lease from 1 November 1967
Single-storey factory building	11 Fan Yoong Road Singapore 629789	4,499.3	60-year lease from 15 July 1982
Single-storey factory building	8 Kwong Min Road Singapore 628711	4,551.4	Lease of 55 years and 11 months from 1 July 1983

(b) The above leasehold buildings located at Jurong, Singapore, were revalued by the directors based on external professional valuations carried out in July 1993 on the open market value basis for the Company's Initial Public Offering of shares in 1994. The revaluation was done on a one-off basis and accordingly, the transitional provision in SFRS(I)1-16 *Property, Plant and Equipment* was adopted to continue with its existing policy of stating leasehold buildings at cost. Subsequent leasehold buildings are carried at cost less accumulated depreciation.

If the leasehold buildings stated at valuation had been included in the financial statements at cost less accumulated depreciation, their net book values would have been US$1,949,000 (2018: US$2,159,000).

(c) The Group has lease agreement for land with JTC Corporation. The average lease term is 55 – 60 years (2018: 55 – 60 years).

(d) The Group has entered into the new lease agreements for office premises and the average lease term is 3 years. Except for restriction on sub-leasing, there are no restrictions or covenants imposed by the lease contracts.

The total cash outflow for leases for the current financial year amount to US$275,000 (2018: US$454,000).

Potential exposure of future cash flows that are not included in lease liabilities as at 31 December 2019 are the lease payments under extension options not included in lease term as the Group has determined at commencement date, that it is not reasonably certain to be exercised. If the Group were to extend those leases, additional potential future cash outflows are US$591,500.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group		Company	
	Leasehold buildings	Leasehold land	Leasehold buildings	Leasehold land
	US$'000	US$'000	US$'000	US$'000
Carrying amounts as at 1 January 2019	–	1,629	–	1,629
Additions for the year	501	–	66	–
Depreciation for the year	(79)	(99)	(4)	(99)
Carrying amounts as at 31 December 2019	422	1,530	62	1,530

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INTANGIBLE ASSETS

	Group	
	2019	**2018**
	US$'000	**US$'000**
Cost		
As at 1 January	12,577	13,330
Currency translation differences	437	(753)
As at 31 December	13,014	12,577
Accumulated amortisation and impairment losses		
As at 1 January	12,577	13,330
Currency translation differences	437	(753)
As at 31 December	13,014	12,577
Net carrying amount		
As at 31 December	–	–

Intangible assets were trademark acquired by Collins Debden Limited in the United Kingdom in 1995 and had a deemed useful life of 20 years.

5. SUBSIDIARIES

	Company	
	2019	**2018**
	US$'000	**US$'000**
Equity investments, at cost		
At beginning and end of the year	26,038	26,038
Less: Impairment losses		
At beginning and end of the year	(9,526)	(9,526)
Net carrying amount	16,512	16,512

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SUBSIDIARIES (Continued)

Name of companies	Principal activities/ Country of incorporation	Proportion (%) of ownership interest 2019 %	2018 %
Held by Company			
Paperich Pte Ltd [1]	Trading of pulp and waste paper / Singapore	100	100
Debden Importing (UK) Limited ('DIUK') [2]	Design, marketing and sale of branded products / United Kingdom	100	100
Collins Debden Pty Ltd ('CDA') [3]	Supplier of paper based stationery products / Australia	100	100
Collins Office Products International Ltd [4]	To hold the Collins trademark in Australia / Mauritius	100	100
Held by DIUK			
Collins Debden Limited [2]	Design, marketing and sale of branded products / United Kingdom	100	100

(1) Audited by Crowe Horwath First Trust LLP, Singapore.
(2) Audited by Crowe U.K. LLP, a member firm of Crowe Global in United Kingdom.
(3) Audited by Crowe Australasia Sydney, a member firm of Crowe Global in Australia.
(4) Not required to be audited or not significant subsidiary.

6. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Raw materials	42	241	42	241
Finished goods	3,063	3,375	224	238
Goods in transit	422	389	82	2
	3,527	4,005	348	481

The Group's inventories recognised as expenses amounted to US$112,618,000 (2018: US$106,321,000). Inventories of the Group are stated at net realisable value after the write-down of inventories of US$1,388,000 (2018: US$1,278,000) respectively during the year (Note 18).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade receivables				
- Subsidiaries [(1)]	–	–	2,205	2,890
- Related companies [(1)]	2,469	4,389	–	8
- Third parties	21,913	22,161	257	208
	24,382	26,550	2,462	3,106
Less: Impairment losses (Note 24(iii)(a))				
- Subsidiaries	–	–	(32)	(32)
- Third parties	(52)	(810)	–	(88)
	(52)	(810)	(32)	(120)
Net trade receivables	24,330	25,740	2,430	2,986
Deposits [(2)]	30	266	11	10
Other receivables				
- Third parties	269	7	252	–
- Subsidiaries [(3)]	–	–	972	1,347
	24,629	26,013	3,665	4,343

(1) Trade receivables due from subsidiaries and related companies are unsecured, interest-free and with credit term of 30 to 180 days (2018: 30 to 180 days).

(2) The Group's deposits mainly relate to deposits placed with suppliers for the Group's pulp-trading business.

(3) Amount due from subsidiaries are non-trade in nature, unsecured, repayable on demand and non-interest bearing.

8. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Cash at bank and in hand	11,933	12,892	620	1,092
Short-term bank deposits [(i)]	2,139	2,119	–	–
Cash and bank balances	14,072	15,011	620	1,092
Bank balances and deposits pledged [(ii)]	(2,100)	(2,100)	–	–
Cash and cash equivalents per consolidated statement of cash flows	11,972	12,911	620	1,092

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. CASH AND BANK BALANCES (Continued)

(i) Short-term bank deposits at the reporting date had maturity of 1 month (2018: 1 month) from the end of the financial year.

(ii) Bank balances and deposit are pledged to banks as security by the Group to obtain trade finance facilities.

9. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Trade payables				
- Third parties	12,376	15,076	338	408
- Subsidiaries	–	–	310	329
- Related companies	172	142	–	11
Rental deposits received	123	142	123	131
Contract liabilities	–	–	476	729
Loan from a subsidiary	–	–	–	900
Accrued operating expenses	2,343	2,349	180	157
Other payables	187	177	166	153
	15,201	17,886	1,593	2,818

Contract liabilities represents advance payment received from a customer which is a subsidiary of the Company.

10. LEASE LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Current	257	71	108	71
Non-current	1,785	1,589	1,566	1,589
	2,042	1,660	1,674	1,660

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. LEASE LIABILITIES (Continued)

Reconciliation of liabilities arising from financing activities

				Non-cash changes		
	As at 1 January 2019	Addition	Financing cash flows	Currency translation	Accretion of interests	As at 31 December 2019
Group	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Lease liabilities	1,660	501	(232)	24	89	2,042

					Non-cash changes		
	As at 31 December 2017	Application of SFRS(I) 16	As at 1 January 2018	Financing cash flows	Currency translation	Accretion of interests	As at 31 December 2018
Group	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Lease liabilities	–	1,728	1,728	(144)	2	74	1,660

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. LEASE LIABILITIES (Continued)

Maturity analysis:

		Group		Company	
	Effective interest rate	**Lease liabilities**	**Contractual undiscounted cash flows**	**Lease liabilities**	**Contractual undiscounted cash flows**
2019		**US$'000**	**US$'000**	**US$'000**	**US$'000**
Not later than 1 year		257	340	108	178
Later than 1 year and not later than 5 years		579	833	360	603
Later than 5 years		1,206	1,651	1,206	1,651
	2.37% - 7.35%	2,042	2,824	1,674	2,432

		Group and Company	
	Effective interest rate	**Lease liabilities**	**Contractual undiscounted cash flows**
2018		**US$'000**	**US$'000**
Not later than 1 year		71	141
Later than 1 year and not later than 5 years		313	565
Later than 5 years		1,276	1,769
	4.27%	1,660	2,475

11. DEFERRED TAX LIABILITIES

The component and movement of deferred tax liabilities of the Group and the Company during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group and Company	**Property, plant and equipment**	**Provisions**	**Net**
	US$'000	**US$'000**	**US$'000**
As at 1 January 2018	412	(202)	210
Recognised in the profit or loss (Note 19)	(412)	202	(210)
As at 31 December 2018, 1 January 2019 and 31 December 2019	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. DEFERRED TAX LIABILITIES (Continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Tax losses	7,739	6,209	2,816	2,763

The unutilised tax losses do not expire under current tax legislation of Singapore, Australia and United Kingdom. These tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

12. SHARE CAPITAL

	Group and Company			
	2019		**2018**	
	Number of ordinary shares ('000)	**US$'000**	**Number of ordinary shares ('000)**	**US$'000**
Issued and fully paid ordinary shares				
At beginning and end of the year	351,398	36,817	351,398	36,817

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share at meeting of the Company. There is no par value for these ordinary shares.

13. RESERVES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Asset revaluation reserve	748	748	748	748
Foreign currency translation differences for foreign operations	385	252	–	–
Total reserve	1,133	1,000	748	748

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. RESERVES (Continued)

Asset revaluation reserve

The asset revaluation reserve arose from the one-off revaluation of leasehold buildings (Note 3(b)).

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

The above reserves are not distributable as dividends.

14. ACCUMULATED LOSSES

	Company	
	2019	**2018**
	US$'000	**US$'000**
At the beginning of the year	14,448	14,697
Loss / (Profit) for the year	510	(249)
At the end of the year	14,958	14,448

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

The Group derives revenue from the transfer of goods at a point in time and disaggregation by type of products and geographical location based on location of customers.

	Group	
	2019	**2018**
	US$'000	**US$'000**
Sales of goods		
- Stationery products	15,773	17,893
- Pulp and related trading products	104,856	97,144
	120,629	115,037

	Group	
	2019	**2018**
	US$'000	**US$'000**
Geographical markets		
Asia Pacific	113,718	107,027
Europe	6,668	7,916
Others	243	94
	120,629	115,037

(b) Contract balances

The contract liabilities are included in trade and other payables (Note 9). There were no significant changes in the contract balances during the year.

16. OTHER INCOME, NET

	Group	
	2019	**2018**
	US$'000	**US$'000**
Redundancy pay-out in respect of restructuring activities	–	(213)
Foreign exchange (loss) / gain, net	(72)	40
Job credit scheme	5	11
Rental income from sublet of premise (Note A)	477	360
Others	32	42
	442	240

16. OTHER INCOME, NET (Continued)

Note A

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Less than one year	448	473
One to two years	162	610
Total undiscounted lease payment	610	1,083

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. FINANCE EXPENSE, NET

	Group	
	2019	**2018**
	US$'000	**US$'000**
Interest income	(61)	(22)
Interest expense for trade financing	594	476
Interest expense on lease liabilities	89	74
	683	550
	622	528

18. LOSS BEFORE TAX

This is determined after charging / (crediting) the following:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Depreciation of property, plant and equipment (Note 3)	506	471
Audit fees payable to:		
- auditors of the Company	81	76
- other auditors	61	59
Directors' fees payable to:		
- directors of the Company	77	83
Non-audit fees payable to:		
- auditors of the Company	8	8
- other auditors	25	27
Short term lease	43	310
Personnel expenses (Note 20)	4,159	4,484
Write-down of inventories (Note 6)	1,388	1,278
Gain on disposals of property, plant and equipment	–	(19)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TAX EXPENSES / (CREDIT)

	Group	
	2019	**2018**
	US$'000	**US$'000**
Current tax		
Current year	104	53
Under / (Over) provision in prior years	7	(81)
Deferred tax		
Overprovision in prior years (Note 11)	–	(210)
Income tax expense / (credit)	111	(238)

The reconciliation of the tax expenses / (credit) and the product of accounting loss before tax multiplied by the applicable rate is as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Reconciliation of effective tax rate		
Loss before tax	(753)	(299)
Tax using the Singapore tax rate of 17% (2018: 17%)	(128)	(51)
Effect of different tax rates in foreign jurisdictions	(79)	(112)
Income not subject to tax	(7)	(9)
Non-deductible expenses	31	22
Deferred tax assets on tax losses not recognised	318	364
Utilisation of previously unrecognised deferred tax assets	–	(131)
Tax exemptions	(12)	(19)
Tax rebates and carried back	(19)	(11)
Under / (over) provision in prior years – income tax	7	(81)
Overprovision in prior years – deferred tax	–	(210)
	111	(238)

<u>The Company and its Singapore subsidiary</u>

The Company and its Singapore incorporated subsidiary are subject to an applicable tax rate of 17% (2018: 17%), constitute a group under the Group Relief System for Singapore tax purposes.

<u>United Kingdom subsidiaries</u>

These subsidiaries are subject to an applicable tax rate of 19% (2018: 19%).

<u>Australia subsidiary</u>

This subsidiary is subject to an applicable tax rate of 30% (2018: 30%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PERSONNEL EXPENSES

	Group	
	2019	**2018**
	US$'000	**US$'000**
Wages, salaries and bonuses *	3,693	3,765
Defined contribution plans *	297	279
Termination benefits	-	213
Others	169	227
	4,159	4,484

* This includes directors' remuneration as disclosed in Note 18 and 22.

Out of the above personnel expenses, an amount US$559,000 (2018: US$650,000) is included as cost of sales for the current financial year.

21. LOSS PER SHARE (CENTS)

	Group	
	2019	**2018**
	US$'000	**US$'000**
Net loss attributable to equity holders of the Company	(864)	(61)
	Number of shares ('000)	**Number of shares ('000)**
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	351,398	351,398
Basic and diluted loss per share (cents)	(0.246)	(0.017)

As at 31 December 2019 and 2018, there is no dilutive or anti-dilutive instrument outstanding. The diluted loss per share is the same as the basic loss per share.

22. RELATED PARTY INFORMATION

Related party transactions

Some of the arrangements with related parties (as defined in Note 2) and the effects of these bases determined between the parties are reflected elsewhere in this report. Details of transactions between the Group and other related companies are disclosed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY INFORMATION (Continued)

Related party transactions (Continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Sale of goods to related companies	43,263	36,765	–	14

Related companies refers to the fellow subsidiaries within the APP group which is controlled by the ultimate holding company.

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Short-term employee benefits	1,273	1,103
Defined contribution plans	66	52
Directors' fees	77	83
	1,416	1,238

Included in the above was total compensation to directors of the Company amounting to US$557,000 (2018: US$513,000).

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

23. OPERATING SEGMENTS

The Group has two strategic divisions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies. The Group's CEO (Chief Executive Officer), the chief operating decision maker, reviews internal management reports of each division on a monthly basis for segment performance assessment and resource allocation. The following summary describes the operations in each of the Group's reportable segments:

(i) Stationery business

The main activities are design, development, sales and marketing of planners/diaries, business accessories and related stationery products.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. OPERATING SEGMENTS (Continued)

(ii) Trading business

The main activities are trading and strategic sourcing of recycled waste, chemicals, papers, paper bags, pulp and other related materials.

Inter-segment pricing is determined on mutually agreed terms. Segment assets consist of primarily of property, plant and equipment, cash and cash equivalents, inventories, trade and other receivables and prepayments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment (loss) / profit before interest and tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment (loss) / profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment liabilities consist primarily of trade and other payables and lease liabilities. Capital expenditure consists of additions to property, plant and equipment.

The segment results, assets and liabilities of the above reportable segments are not disclosed by geographical markets as those markets are regarded by management to exhibit similar economic characteristics including nature of products, type of customers and distribution method.

Group	**Stationery**	**Trading**	**Total**
	US$'000	**US$'000**	**US$'000**
2019			
Segment revenue	23,329	104,897	128,226
Intra-segment revenue	(7,556)	(41)	(7,597)
External revenue	15,773	104,856	120,629
Segment (loss) / profit	(1,691)	1,560	(131)
Finance income			61
Finance expense			(683)
Loss before tax			(753)
Tax expenses			(111)
Consolidated loss for the year			(864)
Segment assets	22,708	24,955	47,663
Segment liabilities	5,585	11,759	17,344
Other segment information:			
Capital expenditure	48	–	48
Depreciation of property, plant and equipment	506	–	506
Write-down of inventories	1,388	–	1,388
Impairment loss on financial assets	126	2	128

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. OPERATING SEGMENTS (Continued)

Group	**Stationery**	**Trading**	**Total**
	US$'000	**US$'000**	**US$'000**
2018			
Segment revenue	26,975	97,184	124,159
Intra-segment revenue	(9,082)	(40)	(9,122)
External revenue	17,893	97,144	115,037
Segment (loss) / profit	(1,079)	1,308	229
Finance income			22
Finance expense			(550)
Loss before tax			(299)
Tax credit			238
Consolidated loss for the year			(61)
Segment assets	26,125	24,471	50,596
Segment liabilities	6,572	12,974	19,546
Other segment information:			
Capital expenditure	107	–	107
Depreciation of property, plant and equipment	471	–	471
Write-down of inventories	1,278	–	1,278

Geographical information

The stationery and trading segments are managed on a worldwide basis, but sales offices operate primarily in Singapore, Australia and United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. OPERATING SEGMENTS (Continued)

Geographical information (Continued)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets, the segmentation by countries are as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
External Revenue		
Indonesia	43,344	36,765
Singapore	21,536	28,338
Hong Kong	36,137	24,730
Australia	7,964	8,640
Malaysia	4,737	8,136
United Kingdom	6,540	7,736
Continental Europe	128	180
United States of America	65	418
Others	178	94
	120,629	115,037
Non-current assets		
Singapore	4,691	4,991
United Kingdom	215	32
Australia	197	12
	5,103	5,035

Major customers

Revenue made to related companies as disclosed in Note 22 amounted to US$43,263,000 (2018: US$36,751,000) and relates to the trading segment, representing approximately 36% (2018: 32%) of the Group's revenue for the year.

Revenue made to 1 major third party customer operating from Hong Kong amounted to US$28,304,000 (2018: US$8,253,000) which is included in the trading segment, represents 23% (2018: 7%) of the Group's revenue for the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Audit Committee provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk), liquidity risk and credit risk. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the Audit Committee.

It is the Group's policy not to trade in derivative contracts.

(i) Market risk

Foreign exchange risk

The Group is exposed to currency risk on sales and purchases, including intragroup sales, purchases and balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollars, United States dollars, Australian dollars, Great Britain pound, Euro, Japanese yen and others.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

<u>Foreign exchange risk</u> (Continued)

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

Group 2019	Singapore dollars	United States dollars	Australian dollars	Great Britain pound	Euro	JPY	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets							
Trade and other receivables	162	17,984	3,094	3,020	100	–	24,360
Cash and bank balances	396	7,294	2,353	4,028	1	–	14,072
Intragroup receivables	194	2,853	395	–	–	–	3,442
	752	28,131	5,842	7,048	101	–	41,874
Financial liabilities							
Trade and other payables	(612)	(11,595)	(1,314)	(1,680)	–	–	(15,201)
Lease liabilities	(1,674)	–	(184)	(184)	–	–	(2,042)
Intragroup payables	(194)	(2,853)	(395)	–	–	–	(3,442)
	(2,480)	(14,448)	(1,893)	(1,864)	–	–	(20,685)
Net financial (liabilities) / assets	(1,728)	13,683	3,949	5,184	101	–	21,189
Less: Net financial assets denominated in the respective entities functional currencies	–	(15,713)	(4,117)	(5,150)	–	–	(24,980)
Foreign currency exposure	(1,728)	(2,030)	(168)	34	101	–	(3,791)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

Group 2018	Singapore dollars	United States dollars	Australian dollars	Great Britain pound	Euro	JPY	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets							
Trade and other receivables	125	18,421	4,656	2,521	7	17	25,747
Cash and bank balances	415	8,069	1,381	5,143	3	–	15,011
Intragroup receivables	415	6,506	55	55	–	–	7,031
	955	32,996	6,092	7,719	10	17	47,789
Financial liabilities							
Trade and other payables	(305)	(14,707)	(1,320)	(1,543)	–	–	(17,875)
Lease liabilities	(1,660)	–	–	–	–	–	(1,660)
Intragroup payables	(415)	(6,506)	(55)	(55)	–	–	(7,031)
	(2,380)	(21,213)	(1,375)	(1,598)	–	–	(26,566)
Net financial (liabilities) / assets	(1,425)	11,783	4,717	6,121	10	17	21,223
Less: Net financial assets denominated in the respective entities functional currencies	–	(11,922)	(4,699)	(6,117)	–	–	(22,738)
Foreign currency exposure	(1,425)	(139)	18	4	10	17	(1,515)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

Company 2019	Singapore dollars	United States dollars	Australian dollars	Great Britain pound	Euro	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets							
Trade and other receivables	356	2,959	98	–	–	–	3,413
Cash and bnk balances	339	257	–	24	–	–	620
	695	3,216	98	24	–	–	4,033
Financial liabilities							
Trade and other payables	(420)	(530)	(167)	–	–	–	(1,117)
Lease liabilities	(1,674)	–	–	–	–	–	(1,674)
	(2,094)	(530)	(167)	–	–	–	(2,791)
Net financial (liabilities) / assets	(1,399)	2,686	(69)	24	–	–	1,242
Less: Net financial assets denominated in the functional currency of the Company	–	(2,686)	–	–	–	–	(2,686)
Foreign currency exposure	(1,399)	–	(69)	24	–	–	(1,444)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

Company 2018	Singapore dollars	United States dollars	Australian dollars	Great Britain pound	Euro	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets							
Trade and other receivables	530	3,710	55	13	8	17	4,333
Cash and bank balances	347	738	–	7	–	–	1,092
	877	4,448	55	20	8	17	5,425
Financial liabilities							
Trade and other payables	(286)	(1,750)	–	(53)	–	–	(2,089)
Lease liabilities	(1,660)	–	–	–	–	–	(1,660)
	(1,946)	(1,750)	–	(53)	–	–	(3,749)
Net financial (liabilities) / assets	(1,069)	2,698	55	(33)	8	17	1,676
Less: Net financial assets denominated in the functional currency of the Company	–	(2,698)	–	–	–	–	(2,698)
Foreign currency exposure	(1,069)	–	55	(33)	8	17	(1,022)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

A reasonably possible strengthening of Singapore dollars, United States dollars, Australian dollars, Great Britain pound, Euro and Japanese Yen by 10% (2018: 10%) against the respective entity's functional currency at 31 December will affect the measurement of financial instruments denominated in a foreign currency. This analysis assumes that all other variables, in particular interest rates, remain constant.

Group	**Singapore dollars**	**United States dollars**	**Australian dollars**	**Great Britain pound**	**Euro**	**Japanese Yen**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
2019						
Increase / (Decrease) in loss before tax	173	203	17	(3)	(10)	–
2018						
Increase / (Decrease) in profit before tax	142	14	(2)	N.M.	(1)	(2)
Company						
2019						
Increase / (Decrease) in profit before tax	140	–	7	(2)	–	–
2018						
Increase / (Decrease) in profit before tax	107	–	(6)	3	(1)	(2)

A weakening of the above foreign currencies against the respective entity's functional currency at 31 December would have had the equal but opposite effect on the loss before tax to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The maturity analysis of the contractual undiscounted cash flows of lease liabilities are disclosed in Note 10. All the other financial liabilities of the Group as at 31 December 2019 and 2018 are repayable on demand or due within 1 year from the reporting date.

(iii) Credit risk

Expected Credit Losses

The Group manages credit loss based on Expected Credit Losses (ECL) model.

The management assess that there are no material ECL on cash and bank balances and other receivables.

(a) Trade receivables

The Group's exposure to credit risk from trade receivables are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the industry or country brought about by the general economic condition.

The Group's exposure to credit losses can be analysed by the segments:

	Trade receivables - gross carrying amount	
Group	**2019**	**2018**
	US$'000	**US$'000**
Stationery	6,580	7,457
Trading		
- Not past due	14,748	18,445
- Past due 1 to 60 days	3,054	–
- Past due more than 90 days	–	648
	17,802	19,093
	24,382	26,550

Credit risk from Group's trading business normally are very low, as the Group deals only with a few companies with established relationship with the related companies, and trades on letter of credit payment terms for certain transactions. Such customers have a good payment record with the Group. Included in the balances for trading business was an amount of US$3,054,000 (2018: US$648,000) which was past due but not impaired, as the Group does not consider it represents significant increase in credit risk and amounts have been fully recovered subsequent to balance sheet date. Based on historical default rates and analysis of the profiles, the Group believes that no ECL allowance is necessary in respect of trading business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(a) Trade receivables (Continued)

On the other hand, customers from stationery business represents retailers (both online and physical stores), with a larger customer base than trading business. However, most of these customers are established business in the industry, and the Group has very low historical loss experience from the past track records.

The Group has established a provision matrix for trade receivables for stationery business which is based on historical credit loss experience, adjusted for forward-looking factors specific to those customers and economic environment, as disclosed below:

Group

	Not past due	Past due 1 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Total
As at 31 December 2018					
Expected loss rate	0%	0%	0%	100%	
Gross carrying (US$'000)	5,733	904	658	162	7,457
ECL allowance (US$'000)	–	–	–	162	162
As at 31 December 2019					
Expected loss rate	0%	3%	5.4%	100%	
Gross carrying (US$'000)	4,829	1,086	647	18	6,580
ECL assessed (US$'000)	–	33	35	18	86
ECL allowance (US$'000)	–	*	*	–	*
Individually impaired (US$'000)	–	32	20	–	52

* No loss allowance was provided as the relevant ECL assessed were noted to be immaterial. Even after taking into account forward looking information regarding economic environment in United Kingdom and Australia, the Group do not expect significant credit losses beyond the amounts provided above.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(a) Trade receivables (Continued)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

Group	**Not credit-impaired US$'000**	**Credit-impaired US$'000**	**Total US$'000**
Balance as at 1 January 2018 (Per FRS 39)	–	423	423
Initial adoption of SFRS (I) 9	379	–	379
Impairment loss recognised during the year	14	–	14
Transfer to credit-impaired	(379)	379	–
Currency translation differences	–	(6)	(6)
Balance as at 31 December 2018	14	796	810
Balance as at 1 January 2019	14	796	810
Written off	–	(754)	(754)
Transfer to credit-impaired	(14)	14	–
Currency translation differences	–	(4)	(4)
Balance as at 31 December 2019	–	52	52

Company	**Not credit-impaired US$'000**	**Credit-impaired US$'000**	**Total US$'000**
Balance as at 1 January 2018 and 31 December 2018	–	120	120
Balance as at 1 January 2019	–	120	120
Written off	–	(88)	(88)
Balance as at 31 December 2019	–	32	32

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(a) Trade receivables (Continued)

The maximum exposure to credit risk for trade receivables (net of ECL allowance) at the reporting date by geographical areas (location of customers) and by type of counterparty is as follows:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
By geographical areas				
- Asia Pacific	21,153	23,521	2,430	2,748
- Europe	3,177	2,187	–	217
- Other countries	–	32	–	21
	24,330	25,740	2,430	2,986

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
By types of customers				
Related companies	2,469	4,389	–	8
Subsidiaries	–	–	2,173	2,858
Non-related parties *				
- Multinational companies	–	2,242	–	–
- Other companies	21,861	19,109	257	120
	24,330	25,740	2,430	2,986

* Amount in stationery business includes balances owing from the established office supplies wholesaler and retailers in Australia and United Kingdom totalling US$5,729,000 (2018: US$6,248,000), out of which an amount of US$1,978,000 (2018: US$2,230,000) was owing from a single customer in Australia.

The top balance in trading business was a customer from Hong Kong amounted to US$15,242,000; as compared to 2 different customers from Hong Kong and Singapore with balance of US$6,113,000 and US$7,754,000 respectively as at 31 December 2018.

Other than these debtors, there are no other concentration of credit risks from non-related parties of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(b) Trade and other receivables – Company level

The credit exposure of the Company mainly arise from trade and non-trade balances due from subsidiaries, totalling US$3,145,000 (2018: US$4,205,000). Trade balance are with 60-90 days credit term. Non-trade balances are repayable on demand, however the Company did not demand such payments until there are cash flows needs. Based on the liquidity position of these subsidiaries, including the amount of liquid assets, the Company assessed that the credit risk is very low on these subsidiaries, and the amount of 12-month ECL is insignificant.

(c) Cash and cash equivalents

The Group and the Company held cash and cash equivalents of US$14,072,000 and US$620,000 (2018: US$15,011,000 and US$1,092,000). The cash and cash equivalents are held with bank and financial institution counterparties.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

(iv) Financial instruments by category

The following table sets out the financial instruments as at reporting date:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Financial assets at amortised cost	38,432	40,758	4,033	5,425
Financial liabilities at amortised cost	17,243	19,535	2,791	3,749

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The strategies of the Group and the Company, which were unchanged from 2018, are to maintain gearing ratios within 10%.

The gearing ratio is calculated as debt divided by total capital. Debt refers to the Group's and the Company's borrowings. Adjusted equity is computed as total equity less reserves. Total capital is calculated as adjusted equity plus debt. The Group's gearing ratio as at 31 December is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Total debt	2,042	1,660	1,674	1,660
Adjusted equity	29,186	30,050	21,859	22,369
Total capital	31,228	31,710	23,533	24,029
Gearing ratio %	6.5	5.2	7.1	6.9

The management reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

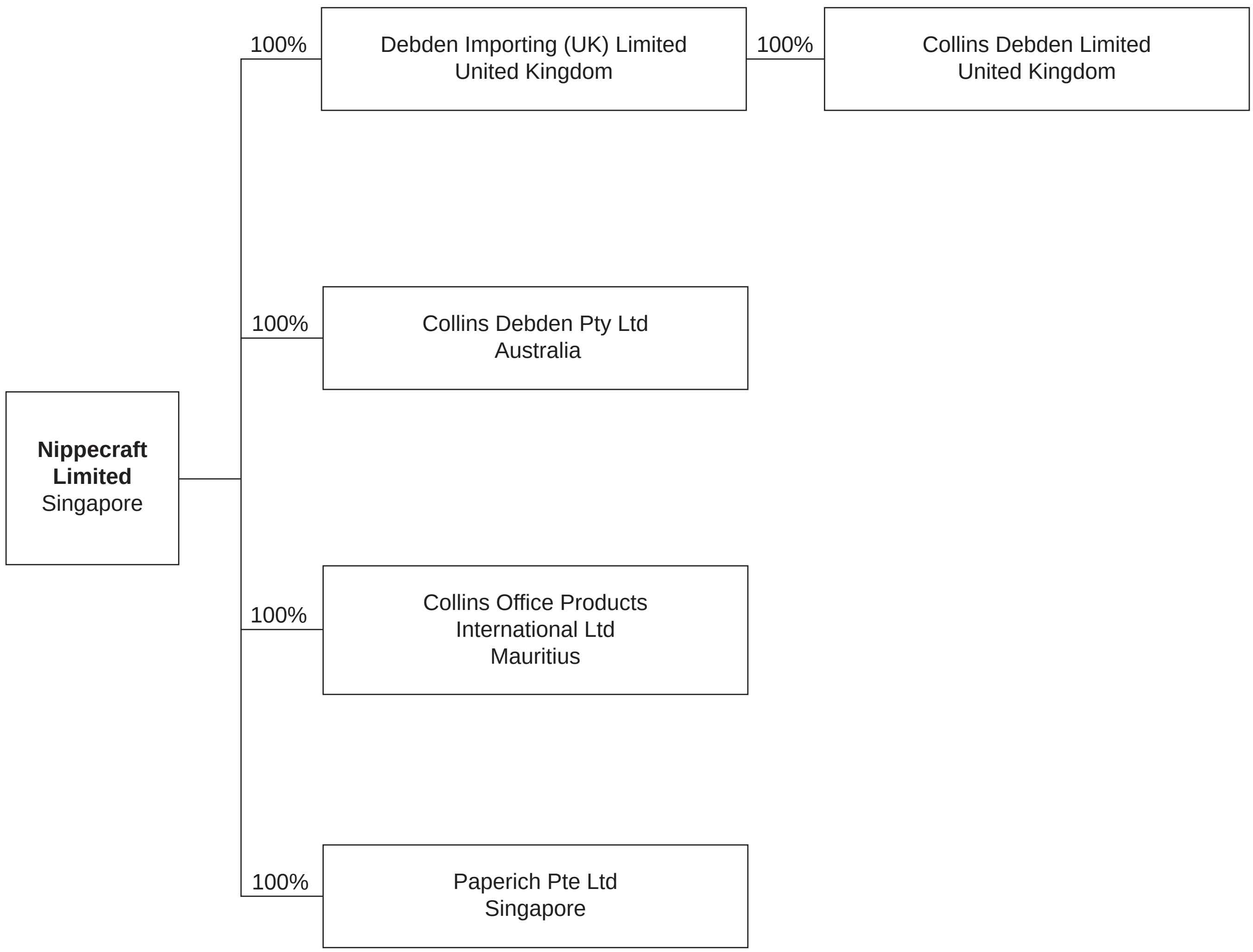
Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. FAIR VALUE DISCLOSURES

At reporting date, there are no financial instruments that are carried at fair value. The carrying amounts of financial assets and liabilities reported on the reporting date are reasonable approximation of their fair value due to relatively short-term maturity of these financial instruments.

CORPORATE STRUCTURE

As at 26 March 2020



Head Office

Singapore	Nippecraft Limited 9 Fan Yoong Road Singapore 629787 Tel: (65) 6262 2662 Fax: (65) 6268 4827 Website: www.nippecraft.com.sg

Subsidiaries

Australia	Collins Debden Pty Ltd Suite 201/20A Lexington Dr Bella Vista New South Wales 2153 Australia Tel: (61-2) 8833 2900 Fax: (61-2) 9635 3368 Website: www.collinsdebden.com.au
United Kingdom	Collins Debden Limited 9 George Square, Glasgow G2 1QQ United Kingdom Tel: (44-141) 300 8500 Fax: (44-141) 300 8600 Website: www.collinsdebden.co.uk
Singapore	Paperich Pte Ltd 9 Fan Yoong Road Singapore 629787 Tel: (65) 6262 2662 Fax: (65) 6268 4827

SHAREHOLDING STATISTICS AS AT 31 MARCH 2020

Number of issued ordinary shares	:	351,398,000
Issued and paid-up capital	:	US$36,817,000 (equivalent to S$51,547,000)
Number of subsidiary holdings and percentage	:	Nil
Number of treasury shares and percentage	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

Shareholdings held in the hands of public

Based on the information available to the Company as at 31 March 2020, approximately 36.3% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Catalist Rules is complied with.

Analysis of Shareholdings

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	3	0.06	56	0.00
100 - 1,000	1,541	28.29	1,534,750	0.44
1,001 – 10,000	2,938	53.94	15,893,551	4.52
10,001 – 1,000,000	948	17.40	53,314,527	15.17
1,000,001 and above	17	0.31	280,655,116	79.87
Total	5,447	100.00	351,398,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	%
1	APP PRINTING (HOLDING) PTE LTD	172,185,020	49.00
2	UPWOOD INVESTMENTS LIMITED	51,619,646	14.69
3	DBS NOMINEES PTE LTD	10,996,500	3.13
4	ABN AMRO CLEARING BANK N.V.	7,561,700	2.15
5	RHB SECURITIES SINGAPORE PTE LTD	6,063,000	1.72
6	UOB KAY HIAN PTE LTD	5,879,400	1.67
7	LIM POH CHOON	4,922,700	1.40
8	KAM TEOW CHONG	3,225,000	0.92
9	RAFFLES NOMINEES (PTE) LIMITED	3,117,200	0.89
10	CITIBANK NOMINEES SINGAPORE PTE LTD	3,047,200	0.87
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,345,500	0.67
12	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	2,315,750	0.66
13	TAY HUI SAN	1,961,100	0.56
14	LEOW BENG LEE (LIAO MINGLI)	1,849,000	0.53
15	LUO FENG	1,268,900	0.36
16	THIAN YIAN CHIEW	1,243,000	0.35
17	PHILLIP SECURITIES PTE LTD	1,054,500	0.30
18	QUEEMAY HOLDINGS PTE LTD	1,000,000	0.28
19	LOW EE LAM LEWIS	981,000	0.28
20	ONG SZE WANG (WANG SIYUAN)	914,300	0.26
		283,550,416	80.69

Substantial Shareholders as at 31 March 2020
(as shown in the Company's Register of substantial shareholders)

	Direct Interest		Deemed Interest	
Name of Shareholders	**Number of Shares**	**%**	**Number of Shares**	**%**
APP Printing (Holding) Pte Ltd ("APP Printing")	172,185,020	49.00	–	–
PT Andalan Prepanca Pertiwi ("PT APP")	–	–	172,185,020	49.00
Asia Pulp & Paper Company Ltd ("APP")	–	–	172,185,020	49.00
APP Golden Limited ("APP Golden")	–	–	172,185,020	49.00
Upwood Investments Limited	51,619,646	14.69	–	–

PT APP, APP and APP Golden are deemed to have an interest of 172,185,020 shares in Nippecraft Limited as APP Printing is a wholly-owned subsidiary of PT APP and APP has 89.9% shares in PT APP whereas APP Golden controls approximately 63.32% of the voting power of APP.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Nippecraft Limited ("**Company**") will be held at 9 Fan Yoong Road, Singapore 629787 on Wednesday, 24 June 2020 at 10.00 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019, together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr Khoo Song Koon, retiring by rotation under regulation 104 of the Company's Constitution. **(Resolution 2)**

3. To re-elect Mr Chow Wai San, retiring by rotation under regulation 104 of the Company's Constitution. **(Resolution 3)**

4. To approve Directors' fees of S$106,000 (equivalent to approximately US$76,000) for the financial year ending 31 December 2020, payable quarterly by the Company in arrears (2019: S$106,000, equivalent to approximately US$79,000). **(Resolution 4)**

5. To re-appoint Crowe Horwath First Trust LLP as auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

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

As Special Business

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

7. Authority To Allot And Issue Shares

"THAT, pursuant to section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

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

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

(1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all legal requirements under the Companies Act and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in a 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 such authority is varied or revoked by the Company in general meeting, whichever is the earlier."

(See Explanatory Notes) **(Resolution 6)**

8. Renewal Of The Shareholders' Mandate For Interested Person Transactions

"THAT:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules for the Company, its subsidiaries and target associated companies or any of them, to enter into any of the transactions falling within the types of interested person transactions, described in the Appendix dated 15 April 2020 ("**Appendix**") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on an arm's length basis and on normal commercial terms and in accordance with the guidelines and review procedures for such interested person transactions as amended in the Appendix;

(b) the approval given in paragraph (a) above ("**Shareholders' Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and

(c) the Directors of the Company, be and are hereby authorised to complete and do all such acts, deeds and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate or this Resolution."

(See Explanatory Notes) **(Resolution 7)**

9. Renewal Of The Share Purchase Mandate

"THAT:

(a) for the purposes of the Companies Act, the authority conferred on the Directors to exercise all the powers of the Company to purchase or otherwise acquire from time to time the Shares (excluding treasury shares and subsidiary holdings, if any) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; and

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by shareholders in general meeting.

ADDITIONAL INFORMATION

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs during the relevant five-day period and the day on which the purchases are made;

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

(i) in the case of a On-Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 105% of the Average Closing Price of the Shares; and

"**Prescribed Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings, if any, as at that date); and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may in their/his absolute discretion consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

(See Explanatory Notes) **(Resolution 8)**

BY ORDER OF THE BOARD

RAYMOND LAM KUO WEI
LEE LIH FENG
Company Secretaries
Singapore
15 April 2020

Explanatory Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

2. Pursuant to section 181 of the Companies Act, a member who is a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

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

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

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

3. The instrument appointing a proxy must be deposited at the Company's registered office at 9 Fan Yoong Road, Singapore 629787, not less than 48 hours before the time appointed for holding the Annual General Meeting.

4. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

Explanatory Notes and Statement under Regulation 70 of the Company's Constitution

Resolution 2

If re-elected, Mr Khoo Song Koon will remain as member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company and will also remain as the Lead Independent Director and Chairman of the Audit Committee of the Company. He is considered an independent director for the purpose of Rule 704(7) of the Catalist Rules.

Resolution 3

If re-elected, Mr Chow Wai San will remain as member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company and will also remain as the Chairman of the Remuneration Committee of the Company. He is considered an independent director for the purpose of Rule 704(7) of the Catalist Rules.

Resolution 6

The proposed Resolution 6, if passed, will empower the Directors, from the date of the Annual General Meeting until the next Annual General Meeting of the Company, to issue Shares and/or Instruments up to an aggregate number not exceeding 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings if any, with a sub-limit of 50% for Shares other than on a pro rata basis to shareholders.

Resolution 7

The proposed Resolution 7, if passed, will renew the Shareholders' Mandate (which was first approved at the Extraordinary General Meeting held on 24 October 2017 and last renewed at the Annual General Meeting of the Company held on 24 April 2019) to facilitate the Company, its subsidiaries and associated companies which are entities at risk as defined in Chapter 9 of the Catalist Rules, to enter into interested person transactions, the details of which are set out in the Appendix. The authority under the renewed Shareholders' Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier.

Resolution 8

The proposed Resolution 8, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of Market Purchases or Off-Market Purchases) Shares on the terms of the Share Purchase Mandate as set out in the Appendix. This authority shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting is held or is required by law to be held or the date on which the purchases and acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extend mandated, whichever is the earlier.

Apart from using its internal sources of funds, the Company may obtain or incur borrowings to finance its purchases or acquisitions of Shares. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The amount of financing required for the Company to purchase its Shares pursuant to the Share Purchase Mandate and the impact on the Company's financial position, cannot be realistically ascertained as at the date of this Notice as this will depend on factors such as the aggregate number of Shares purchased and the purchase prices paid at the relevant times.

An illustration of the financial impact of the Share purchases by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group for the financial year ended 31 December 2019 is set out in the Appendix.

Measures to Minimise Risk of Community Spread of 2019 NovelCoronavirus ("Covid-19"):

In view of the evolving Covid-19 situation, the Company reserves the right to take such precautionary measures at the Annual General Meeting or make such alternative arrangements on a short notice in relation to the conduct of the Annual General Meeting as may be appropriate, in order to comply with the relevant guidelines required or recommended by the SGX-ST or government agencies, regulations or laws to minimise the risk of community spread of Covid-19.

The Company will continue to monitor the situation closely and update the shareholders on any material developments, including the introduction of precautionary measures or alternative arrangements, through the release of further announcements on the SGXNet in due course.

Personal Data Privacy:

By submitting an instrument appointing a proxy and/or representative to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives relating to the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjourment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member discloses the personal data of the member's proxy and/or representative to the Company (or its agents), the member has obtained all necessary consents to do so, and that the Company (or its agents) may collect, use and disclose such personal data for the Purposes above and agrees to provide the Company with written evidence of such prior consent upon reasonable request; and

(iii) agrees that the members will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

The member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the Annual General Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Annual General Meeting. Accordingly, the personal data of a shareholder or his proxy(ies) and/or representative(s) (such as his name, his presence at the Annual General Meeting and any questions he may raise or motions he proposes/seconds) may be recorded by the Company for such purpose.

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NIPPECRAFT LIMITED
Registration No. 197702861N
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

PROXY FORM

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF / SRS Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. PLEASE READ THE NOTES TO THE PROXY FORM.

I/We________________________________(Name) _____________________(NRIC/Passport/Company No.) of
____(Address)
being a member/members of NIPPECRAFT LIMITED ("**Company**"), hereby appoint:-

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

and/or

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

or failing him/them, the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM of the Company to be held at 9 Fan Yoong Road, Singapore 629787 on Wednesday, 24 June 2020 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for, against or abstain the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

Note: Voting on all resolutions will be conducted by poll.

	Resolutions	**For***	**Against***	**Abstain***
	Ordinary Business			
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019, together with the Auditors' Report thereon.			
2.	To re-elect Mr Khoo Song Koon, who is retiring by rotation under regulation 104 of the Company's Constitution.			
3.	To re-elect Mr Chow Wai San, who is retiring by rotation under regulation 104 of the Company's Constitution.			
4.	To approve Directors' fees for the financial year ending 31 December 2020, payable quarterly in arrears.			
5.	To re-appoint Crowe Horwath First Trust LLP as auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors of the Company to fix their remuneration.			
	Special Business			
6.	To authorise the Directors to issue and allot shares and/or instruments pursuant to Section 161 of the Companies Act, Cap. 50.			
7.	To renew the Shareholders' Mandate for Interested Person Transactions.			
8.	To renew the Share Purchase Mandate.			

* If you wish your proxy/ proxies to cast all your votes "For" or "Against" a resolution, please tick with "√" in the "For" or "Against" box. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you wish your proxy/ proxies to "Abstain" from voting on a resolution, please tick with "√" in the Abstain box. Alternatively, please indicate the number of shares that your proxy/ proxies is directed to abstain from voting. The proxy/ proxies may vote or abstain as the proxy/ proxies deems fit on any of the above resolutions if no voting instruction is specified, and on any other matter arising at the AGM.

Signed this day of 2020

____
Signature(s) of Member(s) or Common Seal

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of members	
Total	

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of ordinary shares in the capital of the Company ("**Shares**") held. If the member has Shares entered against his name in the Depository Register, he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Shares. If a member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all Shares held by the member.

2. A member of the Company entitled to attend and vote at the AGM may appoint not more than two proxies to attend and vote on his behalf. 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 second named proxy as an alternate to the first named.

4. Pursuant to section 181 of the Companies Act, Chapter 50 of Singapore, a member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote at the AGM, but each such proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

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

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

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

5. This instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) must be deposited at the registered office of the Company at 9 Fan Yoong Road, Singapore 629787 not less than 48 hours before the time appointed for the AGM.

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

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 AGM, in accordance with section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose Shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2020.

NIPPECRAFT

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