2018
Annual Report

NIPPECRAFT

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.


COLLINS
These pages
may be empty.
But life is
filled with
possibilities.
COLLINS
These pages
may be empty.
But life is
filled with
possibilities.
Sense
Ruled
Notebook
may be empty.
But life is
filled with
possibilities.

CONTENTS

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 organization 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 (Independent Director) Lim Yu Neng Paul (Independent Director)
Nominating Committee	Lim Yu Neng Paul (Chairman, Independent Director) Khoo Song Koon (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) 6262 1551 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

Key Financial Data

Group Financial Highlights	FY2018	FY2017	FY2016	FY2015	FY2014
US$'000					
Sales for the Group	**115,037**	125,810	114,569	239,169	248,577
(Loss) / Profit before tax	**(299)**	97	(2,053)	718	(7,298)
EBITDA*	**949**	1,064	183	2,304	1,185
At year-end (US$'000)					
Shareholders' funds / Net assets	**31,050**	32,287	31,222	34,475	35,928
Total assets	**50,596**	66,662	52,284	64,871	72,828
Total borrowings	**–**	–	43	13	52
Per Share Data (cents)					
Net (loss) / earnings **	**(0.017)**	0.005	(0.560)	0.120	(1.980)
Net assets***	**8.84**	9.19	8.89	9.81	10.22
Financial Ratios					
Return on equity (%)	**(0.19)**	0.05	(6.29)	1.26	(19.36)
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 2018.

2018 was an important year in which the Group exited the Singapore Exchange Securities Trading Limited's financial and minimum trading price watch-lists. This followed several years of restructuring efforts to improve the performance of the stationery business. Our consumers today are very different from the consumers of our Collins core brand when it first started 200 years ago. To remain competitive in today's world, the Group's goal is to transform the stationery business into a design-led lifestyle company. This is complemented by our profitable trading division.

Following the brand and product development work in the last two years, we launched a full range of lifestyle diaries and notebooks in 2018. These received positive feedback from customers, and we were particularly proud that the Savile Row range was recognized by the UK Stationers' Company Warrant for excellence. These stylish designs open doors to new and existing customers, and are key to our geographical expansion. During the year, we entered into the Malaysia and Japan markets, and expanded our global travel retail presence.

Despite these progress, the operating environment remained challenging. Overall revenue was 9% lower at US$115 million. Stationery business revenue decreased by US$4.1 million or 19%. Excluding the effect of weaker Sterling and Australia dollars to US dollars, stationery revenue decreased by US$3.1 million, or 14%. Sales were lower mainly due to decline in the core stationery ranges and lower margin customers. In the United Kingdom ("UK"), we saw a sharp decline in customer sentiments during the last quarter of 2018 amidst Brexit uncertainties, which affected sales in the UK market. Trading business revenue decreased by US$6.7 million or 6% to US$97.1 million mainly due to unexpected delay of an order to January 2019.

As the Group continues to drive cost efficiencies and improve mix, the Gross Profit Margin ("GPM") for stationery improved from 30.9% in FY2017 to 33.1% in FY2018. GPM for the trading business remained stable at around 2.5%.

The Group generated a positive EBITDA of US$0.9 million. The Group's cash balance remained strong at US$15 million, an increase of US$3.3 million.

The Group believes strongly in sustainability. We are pleased to publish the inaugural issue of our Sustainability Report in 2018. The majority of our business are paper-based, and we are committed to promoting responsible forestry practices. A fair portion of our stationery product is already certified by the Forest Steward Council ("FSC"). During the year, the Group also received the Programme for Endorsement of Forest Certificate ("PEFC"). FSC and PEFC are the most recognized international organizations on responsible forestry management. Going forward, the Group will increase the share of stationery product certified by either FSC or PEFC.

On behalf our Board of Directors, I would like to take this opportunity to express my gratitude to our valued customers and business partners for their unrelenting support of the Group in the past year. I would also like to thank our management and team whose hard work and commitment to the Group has resulted in the Group progressively moving forward to where it is today.

Last but not least, I would like to extend my heartfelt appreciation to our shareholders who have demonstrated great faith in the Group. We will strive to deliver sustainable shareholders' value in the coming years.

Sincerely,

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer

28 March 2019

DIRECTOR'S PROFILE

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 next re-election as a Director: 24 April 2019.

Khoo Song Koon
Non-Executive, 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.

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 of the Singapore Institute of Directors.

Date of last re-election as a Director: 27 April 2017.

Lim Yu Neng Paul
Non-Executive, 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
Non-Executive, 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 last re-election as a Director: 27 April 2017.

KEY MANAGEMENT'S PROFILE

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 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") strongly believes that good corporate governance is essential for long-term sustainability of the Company's businesses and performance. The Company is committed to maintaining a high standard of corporate governance through effective disclosure and transparency. The Company believes that there is a link between good corporate governance and creating sustainable long-term value to all the shareholders and stakeholders of the Company. In complying with the need for good and responsible governance, the Company has established mechanisms and best practices in accordance with the Code of Corporate Governance 2012 ("Code"). Where there are deviations from the Code, appropriate explanations are provided.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 ("2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to Annual Reports covering financial years commencing from 1 January 2019. The Company will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

The Company will also continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this and the management remains accountable to the board.

The Board of Directors of the Company (the "Board" or the "Directors") is accountable to the shareholders for overseeing the effective management of the business. The Board works closely with management and management remains accountable to the Board. It supervises management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition to its statutory responsibilities, the Board's role is to:

(a) guide the formulation of the Group's overall long-term strategic plans and performance objectives as well as operational initiatives;
(b) establish and oversee the processes of evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance;
(c) monitor the financial performance of the business including the approval of release of the annual and interim financial reports and interested person transactions;
(d) identify the key shareholder groups and recognise that their perceptions affect the Company's reputation;
(e) approve the nomination of Directors and appointment of key executives;
(f) approve major proposals involving funding, investments, acquisitions and/or divestments;
(g) set the Company's values and standards;
(h) ensure the obligations to shareholders and other stakeholders are understood and met; and
(i) consider sustainability issues such as environmental factors.

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to make objective decisions in the interest of the Group.

To assist the Board in discharging its responsibilities and to enhance the Company's corporate framework, the Board has established a number of Board committees which include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively, the "Board Committees"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regularly basis.

The Board convenes scheduled meetings at least on a half yearly basis to coincide with the announcement of the Company's half yearly results. Ad-hoc meetings are convened as and when necessary to review the Group's performance, and/or to deliberate on specific issues. To facilitate the Board's decision making process, the Company's Constitution provides for Directors to participate in Board meetings by teleconference.

Our Directors have made a conscious effort to make themselves available and accessible to management for discussion and consultation outside the framework of formal meetings. Directors contribute by providing 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.

The number of Board and Board Committees meetings held during the financial year ended 31 December 2018 ("FY2018") and the attendances of the Directors at these meetings are set out below:

	Board Meetings		Board Committees Meetings					
			Audit		Nominating		Remuneration	
Name of Directors	A	B	A	B	A	B	A	B
Connie Oi Yan Chan	3	3	3	3*	1	1*	1	1*
Lim Yu Neng Paul	3	3	3	3	1	1	1	1
Khoo Song Koon	3	3	3	3	1	1	1	1
Chow Wai San	3	3	3	3	1	1	1	1

Notes: A - Represents number of meetings held
B - Represents number of attendance
* - By invitation

Some of the Directors also sit on the boards of other listed companies, and are therefore not only well aware of their duties and responsibilities but how to discharge such duties.

The Company conducts an induction programme for newly appointed Director which seeks to familiarise Directors with the Group's businesses, board processes, internal controls and governance practice. The induction programme includes meetings with various key executives of the management and briefings on key areas of the Company's operations. If a new Director has no prior experience as a director of a listed company in Singapore, pursuant to Rule 406(3)(a) of the Catalist Rules, which was revised to be consistent with the 2018 Code and effective from 1 January 2019, the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other courses from other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. The Company provides a formal letter to each new Director upon his appointment setting out clearly the Director's duties and obligations. There is no incoming Director during the course of the financial year.

The Directors are also provided with updates and/or briefings from time to time by professional advisors, auditors, management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, risk management matters and changes in financial reporting standards.

Directors also attended seminars, conferences and presentations to supplement and keep themselves updated on areas such as accounting, legal and industry-specific knowledge. The Company, will also, where it feels appropriate, arrange for training courses for Directors which it will fund. In addition, Directors are also at liberty to approach management should they require any further information or clarification concerning the Group's operations.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

The Board has four (4) Directors of whom three (3) are independent. The list of Directors is as follows:

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

This composition complies with the Code's requirement that at least half of the Board should be made up of independent directors as well as the 2018 Code's requirement that a majority of the Board should be made up of independent directors when the chairman of the board is not an independent director. The criterion for independence is based on the definitions set out in the Catalist Rules, the Code and the 2018 Code.

All appointments and retirements of Directors would be recommended by the NC to the Board. In addition, the NC also reviews annually the independence of each Director and the Board succession planning. The independence of each Director is assessed and reviewed annually by the NC. In its deliberation as to the independence of a Director, the NC took into account examples of relationships as set out in the Catalist Rules, the Code and the 2018 Code, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent judgements.

After taking into account the views of the NC, the Board is satisfied that each Independent Director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the Independent Director's judgement. With three (3) of the four (4) Directors deemed to be independent, including independence from the substantial shareholders of the Company, the Board is able to exercise independent and objective judgement on corporate affairs. It also ensures key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominates the Board's decision making.

As at the date of this Annual Report, none of the Independent Directors has served on the Board for nine (9) years or beyond.

The NC is responsible for examining the Board size and composition to ensure effective decision making and that the Directors as a group possess core competencies in relevant areas, and will make recommendations to the Board in relation to these matters. The NC takes into account such factors such as the scope and nature of the Group's operations, balance of skills, perspectives, knowledge and experience of Directors and the balance of Executive Director and Non-Executive Directors. The NC also places importance on diversity of age, gender, ethnicity and tenure on the Board so as to form a quality Board that can contribute to the more robust decision making and thereby increase governance and shareholder value.

The Board has one (1) female director in recognition of the importance and value of gender diversity. 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 Directors' experience and academic and professional qualifications are shown under the section entitled "Director's Profile". The Board believes its current Board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision making.

The Board and management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge management on its assumptions and proposals is fundamental to good corporate governance. A board should also aid in the development of the strategic proposals and oversees the effective implementation by management to achieve agreed goals and objectives. For this to happen, the Board, particularly the Independent Directors, which are Non-Executive Directors, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to management, and have sufficient time and resources to discharge their oversight functions effectively. The Independent Directors also receive board briefings on prospective deals and potential development at an early stage before formal Board approval is sought. Relevant information on latest market development and trends, and key business initiatives in relation to the Group or the industries in which it operates are also circulated to the Board.

The Independent Directors meet on an as-needed basis without the presence of the management to discuss matters 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.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairlady and the CEO is the same person. The role of the Chairlady is not separate from that of the CEO as the Board believes that there is an appropriate balance of power, adequate accountability and capacity of the Board for independent decision making. The Independent Directors make up more than half of the Board. Mr Khoo Song Koon is the Lead Independent Director. All major proposals and decisions made by the Chairlady and CEO are discussed and reviewed by the AC. Furthermore, all members of the AC, RC and NC are Independent Directors.

The Chairlady is responsible for:

(a) Providing leadership and upholding the highest standards of integrity and probity;
(b) With the assistance of the Company Secretary, scheduling Board meetings and setting the agenda and ensuring adequate time is available for discussion of all agenda items (in particular strategic issues);
(c) Promoting a culture of openness and debate at the Board;
(d) Constructively determining and approving the Group's strategies together with the Board;
(e) Ensuring that the Board matters are effectively organised to enable Directors to receive timely and clear information in order to make sound decisions;
(f) Promoting constructive relations amongst Directors and within Board Committees as well as between Directors and management;
(g) Facilitating the effective contribution of Non-Executive Directors in particular;
(h) Promoting high standards of corporate governance; and
(i) Ensuring effective communication with shareholders.

The primarily role of the CEO is to effectively manage and supervise the day-to-day business operations of the Group in accordance with the strategies and policies, budgets and business plans as approved by the Board.

The Board has appointed Mr Khoo Song Koon as the Lead Independent Director to lead and coordinate the activities of the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairlady and CEO. He is available to the shareholders where they have concerns, when contact through the normal channels of the Chairlady and CEO or the CFO has failed to resolve or is inappropriate. Mr Khoo serves as the Chairman of AC and a member of NC and RC.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the Chairlady and CEO where necessary, and the Lead Independent Director will provide feedback to the Chairlady and CEO after such meetings that requires her attention.

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.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

The NC currently comprises of three (3) Directors, all of whom are Independent Directors and they are:

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

The responsibilities of the NC are to make recommendations to the Board on all Board appointments. In addition, the functions of the NC include, *inter alia*:

(a) 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;
(b) 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;
(c) 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;
(d) To review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman and CEO) and key management personnel;
(e) To determine, upon appointment and subsequently on an annual basis, and as and when circumstances require, if a Director is independent;
(f) 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;
(g) 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;
(h) To recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and
(i) 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.

The NC reviews annually 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 pointment, the NC takes into account their contributions to the effectiveness of the Board, the preparedness, participation and competing time commitments 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 Director to the affairs of the Company.

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). 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 Committee 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.

No alternate Director has been appointed to the Board in the year under review.

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. The NC will take an active role in screening and interviewing potential candidates before assessing the candidate's suitability and recommending him 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 NC has fulfilled its duty of making the requisite recommendations to the Board on all Board appointments, re-nominations and re-elections.

The Company's Constitution provides that at each Annual General Meeting of the Company ("**AGM**"), one-third (or nearest one-third) of the Directors for the time being shall retire from office by rotation and subject themselves to re-election by shareholders at every AGM. This means that no Director stays in office for more than three (3) years without being re-elected by shareholders.

The Company's Constitution also provides that any Director appointed by the Board shall hold office until the next AGM and shall then be eligible for re-election but shall not be taken into the account in determining the number of Directors who are retired by rotation. No new Director was appointed by the Board in FY2018.

The NC has recommended the re-election of Ms Connie Oi Yan Chan as Director of the Company at the forthcoming AGM.

Pursuant to Rule 720(5) of the Catalist Rules, the additional information as set out in Appendix 7F of the Catalist Rules relating to the Director nominated for re-election is disclosed below and to be read in conjunction with her biography under the section entitled "Director's Profile" in this Annual Report:

Name of Director	Connie Oi Yan Chan
Date of appointment	2 December 2015
Date of last re-appointment (if applicable)	28 April 2016
Age	47
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board having considered the NC's recommendations, the qualifications and working experience of Ms Connie Oi Yan Chan, is of the view that she has the requisite experience and capabilities as Executive Chairlady, CEO and Executive Director.
Whether appointment is executive, and if so, the area of responsibility	Executive – Overall management of the Company
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairlady and CEO
Professional qualifications	Education: Master of Business Administration, the Kellogg Business School at Northwestern University and Hong Kong University of Science and Technology Bachelor's degree in Economics, University Of Chicago

Working experience and occupation(s) during the past 10 years	2015 – Current: Nippecraft Limited, CEO 2009 – 2014: British American Tobacco, various commercial roles including General Manager for Singapore Market (2012 – 2014), Head of Strategy & Business Development for Greater China (2010 – 2012) and Head of Regional Project & Portfolio Management for Asia Pacific (2009 – 2010) 1997 – 2009: General Electric Company, various finance and commercial roles including Marketing Director (2004 – 2009)
Shareholding interest in the listed issuer and its subsidiaries	Nil
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	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	☒ Yes ☐ No

Other Principal Commitments* Including Directorships

* The term "***principal commitments***" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments. The disclosure on other principal commitment below excludes the occupation(s) as listed in the previous section.

Past (for the last 5 years from 1 January 2014 to the end of this Annual Report)	**Directorships** *Within the Group* Nil *Outside the Group* British American Tobacco (Singapore) Pte Ltd British American Tobacco Sales & Marketing (S) Pte Ltd **Other Principle Commitments** Nil
Present	**Directorships** *Within the Group* Collins Debden Pty Limited Collins Debden Limited Paperich Pte Ltd *Outside the Group* iTheatre Limited **Other Principle Commitments** Nil

There is no change in the declaration for items (a) to (k) of Appendix 7F as previously announced on 2 December 2015. Particulars of interests of Directors who held office at the end of the financial year in shares and share options (if any) in the Company and its subsidiaries are set out in the Directors' Statement.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

We believe that Board performance is ultimately reflected in the long-term performance of the Company.

The Board, through the NC, has used its best effort to ensure that the Directors appointed to the Board and the Board Committees whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well considered decisions to be made. The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board.

During the financial year, all Directors were requested to complete a Board Evaluation Questionnaire designed to seek their views on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The completed evaluation forms were submitted to the Company Secretary or the CFO 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 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 Committee performance in relation to discharging their responsibilities as set out in their respective terms of reference.

The NC has also made available a process of assessment of the contribution made by each individual Director towards the effectiveness of the Board and Board Committees, taking into account factors such as Director's attendance, participation and contribution at Board and Board Committee meetings. The NC also takes into consideration the feedback from individual Directors on areas relating to the Board and the Board Committee's competencies and effectiveness.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to the board meetings and an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Board members are provided with adequate and timely information prior to Board meetings on an on-going basis and have separate and independent access to Company's key management personnel. Detailed Board papers are prepared for each meeting of the Board and are normally circulated in advance of each meeting. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers provide sufficient background and explanatory information from the management on financial impact, business strategies, risk analysis, regulatory implications and corporate issues to enable the directors to be properly briefed on issues to be considered at Board and Board Committee meetings. Such explanatory information may also be in the form of briefings to provide insights to the Directors or formal presentations made by the management in attendance at the meetings, or by external consultants engaged on specific projects.

The Board receives quarterly management financial statements, annual budgets and explanation on material forecasts variances to enable them to oversee Group's operational and financial performance. Directors are also informed on regular basis as and when there are significant developments or events relating to the Group business operations.

The Board has separate and independent access to the Company Secretary. The Company Secretary assists the Chairlady and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. He/She administers and attends all Board and Board Committee meetings of the Company and prepares minutes of meetings. The Company Secretary or in his/her absence, or an alternative person as appointed by the Board to attend all Board and Board Committee meetings. He/She is responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The Company Secretary also assists the Chairlady and the Board in implementing and strengthening corporate governance practice and processes with a view to enhancing long-term shareholder value. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board also has in place procedures for Directors to seek independent professional advice concerning any aspect of the Group's operations or undertakings in order to fulfill his duties and responsibilities as a director to assist such Director, if necessary, at the Company's expense.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises of three (3) Directors, all of whom are Independent Directors and they are:

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

The RC is responsible for, *inter alia*, the following functions:

(a) To develop and maintain a formal and transparent policy for the determination of the remuneration packages of individual Director and key management personnel;

(b) To review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, CEO (or equivalent), key management personnel and employees related to Directors or controlling shareholders of the Group;

(c) 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, benefits-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 key management personnel's performance, and (iii) the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

(d) 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;

(e) To ensure all its recommendations to the Board should first be made in consultation with the CEO; and

(f) 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 independence and objectivity.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

The RC, has explicit authority within its terms of reference 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 independence and objectivity. No remuneration consultant were engaged by the Company in FY2018.

The RC reviews the Company's obligations arising in the event of termination of the Executive Director and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors needed to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The 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 key management personnel. It reviews the remuneration packages with the 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 packages for each Director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment and recommendation for remuneration and bonus.

In setting the remuneration packages of the Executive Directors and key management personnel, 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 key management personnel's remuneration shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Executive Director's and key management personnel'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 key management personnel, the RC takes into 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 are remunerated as members of the management. The remuneration package of the Executive Director and key management personnel comprises 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.

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place for Executive Director, CEO and key management personnel.

Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

The Board concurred with the RC that the proposed Directors' fees of S$106,000 (equivalent to approximately US$79,000) for the year ending 31 December 2019 to be paid quarterly in arrears is appropriate and that the Independent Directors receive fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The Board has previously accepted the RC's recommendation that a benchmarking exercise to be done every 3 years for the Directors' fees. The 2019 Directors' fees are set out in ordinary resolution 3 of the notice of AGM.

The Company does not have any share-based compensation scheme or any long-term scheme involving the offer of share in place to encourage independent directors to hold shares in the Company.

Having reviewed and considered the variable components of the Executive Director and the key management personnel, 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. In addition, the Executive Director owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

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

A summary compensation table of the Directors' and key executives' remuneration of the Company and the Group for the year ended 31 December 2018 is set out below:

Directors of the Company	Base / Fixed Salary inclusive of AWS and Employer's CPF	Variable Component or Bonuses inclusive of Employer's CPF	Benefits-In-Kind, Allowances and Other Incentives	Director Fees	Total
	S$	S$	S$	S$	S$
Connie Oi Yan Chan	579,840	–	–	–	579,840
Khoo Song Koon	–	–	–	37,000	37,000
Lim Yu Neng Paul	–	–	–	34,500	34,500
Chow Wai San	–	–	–	34,500	34,500
	579,840	–	–	106,000	685,840

Remuneration Band & Name of Top 5 Key Management Personnel (excluding Directors of the Company)	Base/ Fixed Salary inclusive of AWS and Employer's CPF	Variable component or Bonuses inclusive of Employer's CPF	Benefits in kind, allowances and other incentives	Director Fees	Total
(Below S$250,000)	%	%	%	%	%
Chan Cheng Fei(1)	100	–	–	–	100
Shahrazz Raja Hayat	94	–	6	–	100
Koh Sally(2)	79	15	6	–	100
Matthew Zec(3)	100	–	–	–	100
Lee Kelvin(4)	100	–	–	–	100
Myles Uwin(5)	86	–	14	–	100
Lim Poon Kheng(6)	93	–	7	–	100
Tan Siew Shuen(7)	67	18	15	–	100

(1) Joined on 6 June 2018
(2) Joined on 15 January 2018
(3) Joined on 15 January 2018
(4) Joined on 5 September 2018
(5) Resigned on 31 January 2018
(6) Resigned on 29 June 2018
(7) Resigned on 28 August 2018

The Board is of the view that full disclosure in aggregate of the total remuneration paid to each of the above key management personnel would not be in the interests of the Company as such information was confidential and sensitive and would be exploited by competitors. The aggregate amount of the total remuneration paid to the five (5) top key management personnel (excluding Directors of the Company) for FY2018 is S$978,000 (equivalent to approximately US$725,000).

There is no employee of the Group who is an immediate family member of a Director or the CEO whose remuneration exceeds S$50,000 (equivalent to US$37,037) for FY2018. The Company does not employ any immediate family member of a Director or the CEO.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

The Board undertakes the responsibility of overseeing the corporate performance of the Group and is accountable to shareholders for the processes and structure of directing and managing the Company's businesses and affairs. The management's role is to report to the Board on the operational and financial performance of the Group by keeping the Board informed and updated with the provision of comprehensive financial and management reports as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosure under the Catalist Rules. The Company undertakes to circulate timely, adequate and non-selective disclosure of information. The Board also issues half-yearly and annual financial statements as reviewed by the AC to provide shareholders with comprehensive information and a balanced view on the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

The Board recognises 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.

RISK MANAGEMENT

The following are key components of the ERM programme:

- **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 company 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.

INTERNAL CONTROLS

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

The Board recognises that there is no cost-effective internal control system that will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company's internal and external auditors conduct an annual review of the adequacy and effectiveness of the Company's material internal control systems including financial, operational, compliance, information technology controls and risk assessment at least annually. 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 Board has also received assurance from the CEO and the CFO that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control systems in place are effective. The CEO and the CFO have obtained similar assurance from the subsidiaries' General Managers and Finance Managers.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board with the concurrence of the AC, is of the view that the risk management and internal controls systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2018.

AUDIT COMMITTEE

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

The AC oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. All the AC members are Independent Directors and they are:

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

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

All AC members are appropriately qualified to discharge their responsibilities. The AC Chairman and AC members have many years of experience in senior management positions and have extensive management and financial experiences. The Board is of the view that the AC members, having recent and relevant accounting and related financial management expertise of experience are appropriately qualified to discharge their responsibilities. The AC meets at least two (2) times a year.

The functions of the AC include, *inter alia*:

(a) reviewing the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;
(b) ensuring the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;
(c) reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board for approval;
(d) reviewing the half yearly and annual announcements of the results of the Group before submission to the Board for approval;
(e) reviewing at least annually the effectiveness and adequacy of the Company's internal controls in addressing the financial, operational, compliance and information technology risks;
(f) 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;
(g) reviewing the external auditors' audit report, their management letter (if any) and management's response on internal control;
(h) 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);
(i) reviewing and discussing with the external and internal auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or 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;
(j) reporting to the Board on its findings from time to time on matters arising and requiring the attention of the AC;
(k) reviewing interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with;
(l) reviewing adequacy and effectiveness of internal audit function, at least annually;
(m) 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;
(n) 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
(o) undertaking such other reviews and projects as may be requested by the Board.

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 functions properly. The AC has full access to and cooperation of 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. Where there are change to the various accounting standards that have 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.

Summary of the AC's Activities in FY2018

The AC met three (3) times in FY2018. In performing its functions, apart from the 3 formal meetings, the AC met with the external and internal auditors once during the year, without the presence of the management.

The AC has reviewed the adequacy 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 and the management, who provide regular reports during the 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 FY2018 amounted to S$182,000 (equivalent to approximately US$135,000). Non-audit services provided by CHFT for FY2018 amounted to S$11,000 (equivalent to approximately US$8,000) and was relating to tax services. The AC, having reviewed all non-audit services provided by CHFT, is satisfied that the nature and extent 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 (the audit engagement partner) has the relevant audit experience. In this connection, the Group confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules.

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report".

The AC has recommended to the Board the nomination of CHFT for re-appointment as external auditors of the Company at the forthcoming AGM.

AC's Commentary on Key Audit Matters for FY2018

For the FY2018's financial statements, the most significant matters have now been included in the Independent Auditors' Report to the members of the Company under the segment called "Key Audit Matters". After discussions with the management on any significant issues and assumptions that will impact the financial statements, the external auditors identified the completeness of pulp trading revenue as the Key Audit Matter for FY2018. The AC recognises that the pulp trading is the largest contributor to the revenue for the Group in the recent few 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 28 March 2019.

Whistle Blowing Policy

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 on-going 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.

There was no whistle blowing report received in FY2018.

INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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.

The AC approves the hiring, removal and evaluation and compensation of the internal auditors. For FY2018, the Group outsourced its IA function to a professional service firm, BDO LLP, which is independent of the Company's business activities. The internal auditors report primarily to the AC Chairman and report administratively to Chief Financial Officer. 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 is adequately resourced 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 experienced professionals with the relevant experience. The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The annual conduct of audit by the internal auditors assesses the 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 management to ensure that the internal controls are being reviewed and discussed with management of the significant internal audit observations. Summary of findings and recommendations by the internal auditors are discussed at the AC meetings. The status of implementation of the actions agreed by management is tracked and reported to the AC. Where material weaknesses were identified, those would be disclosed 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 businesses 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of the obligation to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. The Company is committed to timely dissemination of information and proper transparency and disclosure of relevant information to the public via SGXNET system and the press when appropriate.

The Company also 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. 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.

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. Further, 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.

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.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. The Chairmen of the AC, RC and NC are normally available at the AGM to answer those questions relating to the work of these Board Committees. The external auditors are also usually present to assist the Directors in addressing any relevant queries by shareholders.

The Company Secretary prepares minutes of general meetings which incorporate substantial comments or queries from shareholders and responses from the Board and management. These minutes are available to shareholders upon requests.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication 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 and comprehensive manner through SGXNET. The Company does not practice selective disclosure of material information.

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.

The Group currently does not have a formal dividend policy. 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 deem appropriate. No dividends have been declared for FY2018 in view of the negative earning.

CODE OF BUSINESS CONDUCT

The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity in compliance with the law, regulations and Company policies.

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 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 27 April 2018. 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 this Annual Report.

During the FY2018, IPT exceeding S$100,000 in aggregate under review are disclosed below:

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all IPT conducted under the IPT Mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
	US$'000	US$'000
Sales		
PT Paramitra Gunakarya Cemerlang	–	36,751

MATERIAL CONTRACTS

The Company and its subsidiaries did not enter into any material contracts (including loans) involving the interests of the CEO, Director or controlling shareholder, which are either still subsisting as at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSORSHIP FEES

There was no non-sponsorship fee paid/payable to the Company's sponsor, SAC Capital Private Limited, for FY2018.

FINANCIAL REPORT

CONTENTS

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 2018 and the statement of financial position of the Company as at 31 December 2018.

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 43 to 108 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 2018 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	(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 2019.

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

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose 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 date of this statement 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 three 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 2018 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

28 March 2019

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 subsidiaries (the "Group") set out on pages 43 to 108, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 2018 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.

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

Key Audit Matters (Continued)

Completeness of revenue – Pulp Trading	*How the matter was addressed in our audit*
The Group's pulp trading forms a significant portion (84%) of the Group's revenue, amounting to US$97,144,178. As each transaction is individually material, errors in recording of the sales in the correct financial period represents a significant risk of misstatement. Manual, rather than automated process, also increase the risk that transactions might not be captured in the accounting books completely. Periodic reviews are undertaken by management to ensure that internal controls in place and proper revenue recognition policies are complied with. The Group's accounting policy on the recognition of trading revenue is included in Note 2.	Our audit of revenue, focused on whether the group's revenue recognition policies complied with SFRS(I) 15 Revenue from Contracts with Customers. Our procedures applied include: - Assess whether the Group's revenue recognition policies complied with SFRS(I) 15 and test the implementation of these policies; - Perform sales expectation analysis to ensure sales are in line with our expectation; and - Perform sales 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 occurred 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)s, 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 exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

28 March 2019

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018
(Amounts in United States dollars)

	Note	Group			Company	
			31 December	1 January		31 December
		2018	2017	2017	2018	2017
		US$'000	US$'000 (Restated)	US$'000 (Restated)	US$'000	US$'000
ASSETS						
Non–current assets						
Property, plant and equipment	3	5,035	3,882	4,232	4,991	3,815
Intangible assets	4	–	–	–	–	–
Subsidiaries	5	–	–	–	16,512	16,512
		5,035	3,882	4,232	21,503	20,327
Current assets						
Inventories	6	4,005	4,537	4,174	481	589
Trade and other receivables	7	26,013	45,955	27,185	4,343	2,148
Prepayments		470	654	292	176	488
Income tax recoverable		62	–	–	–	–
Cash and bank balances	8	15,011	11,634	16,401	1,092	2,061
		45,561	62,780	48,052	6,092	5,286
TOTAL ASSETS		50,596	66,662	52,284	27,595	25,613
LIABILITIES						
Current liabilities						
Trade and other payables	9	17,886	34,021	20,624	2,818	2,535
Borrowings		–	–	43	–	–
Lease liabilities	10	71	–	–	71	–
Income tax payable		–	144	185	–	–
		17,957	34,165	20,852	2,889	2,535
Non–current liabilities						
Deferred tax liabilities	11	–	210	210	–	210
Lease liabilities	10	1,589	–	–	1,589	–
		1,589	210	210	1,589	210
TOTAL LIABILITIES		19,546	34,375	21,062	4,478	2,745
NET ASSETS		31,050	32,287	31,222	23,117	22,868

The accompanying notes are an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018
(Amounts in United States dollars)

	Note	Group			Company	
		31 December		1 January	31 December	
		2018	2017	2017	2018	2017
		US$'000	US$'000 (Restated)	US$'000 (Restated)	US$'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	36,817
Reserves	13	1,000	1,797	748	748	748
Accumulated losses	14	(6,767)	(6,327)	(6,343)	(14,448)	(14,697)
TOTAL EQUITY		31,050	32,287	31,222	23,117	22,868

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	2018 US$'000	2017 US$'000
Revenue from contracts with customers	15	115,037	125,810
Cost of sales		(106,659)	(116,279)
Gross profit		8,378	9,531
Distribution and marketing expenses		(4,469)	(4,995)
Administrative expenses		(3,906)	(4,226)
Impairment on financial assets		(14)	(25)
Other income, net	16	240	252
Finance expense, net	17	(528)	(440)
(Loss) / Profit before tax	18	(299)	97
Tax credit / (expense)	19	238	(81)
(Loss) / Profit for the year		(61)	16
Other comprehensive (loss) / income:			
Item that may be reclassified subsequently to profit or loss			
– Foreign currency translation differences for foreign operations		(797)	1,049
Other comprehensive (loss) / income for the year, net of tax		(797)	1,049
Total comprehensive (loss) / income for the year		(858)	1,065
(Loss) / Earnings per share (cents)			
Basic and diluted	21	(0.017)	0.005

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 2017, as previously stated	36,817	748	(7,443)	1,100	31,222
Adjustment on transition to SFRS(I)s (Note 2)	–	–	7,443	(7,443)	–
As at 1 January 2017 as restated	36,817	748	–	(6,343)	31,222
Profit for the year	–	–	–	16	16
Other comprehensive income, net of tax					
- Currency translation differences	–	–	1,049	–	1,049
Total comprehensive income	–	–	1,049	16	1,065
Balance as at 31 December 2017 (restated)	36,817	748	1,049	(6,327)	32,287
Balance as at 1 January 2018	36,817	748	1,049	(6,327)	32,287
Effects on adoption of SFRS(I) 9 (Note 24)	–	–	–	(379)	(379)
Loss for the year	–	–	–	(61)	(61)
Other comprehensive loss, net of tax					
- Currency translation differences	–	–	(797)	–	(797)
Total comprehensive loss	–	–	(797)	(61)	(858)
Balance as at 31 December 2018	36,817	748	252	(6,767)	31,050

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in United States dollars)

	Note	2018	2017
		US$'000	US$'000
Cash flows from operating activities			
(Loss) / Profit before tax		(299)	97
Adjustments:			
Depreciation of property, plant and equipment	3	471	436
Gain on disposal of property, plant and equipment		(19)	(79)
Impairment on financial assets		14	25
Interest income		(22)	(8)
Interest expense		550	448
Write–down of inventories		1,278	1,680
Operating profit before working capital changes		1,973	2,599
Inventories		(1,076)	(1,747)
Trade and other receivables		19,044	(18,243)
Trade and other payables		(15,441)	12,489
Cash generated from / (used in) operations		4,500	(4,902)
Income tax paid, net of tax refund		(175)	(79)
Net cash from / (used in) operating activities		4,325	(4,981)
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(107)	(154)
Interest received		22	8
Proceeds from disposal of property, plant and equipment		227	151
Net cash from investing activities		142	5
Cash flows from financing activities			
Deposits pledged		–	(77)
Interest paid for trade financing	17	(476)	(448)
Payment of lease liabilities including interest		(144)	–
Repayment of bills payable		–	(43)
Net cash used in financing activities		(620)	(568)
Net increase / (decrease) in cash and cash equivalents		3,847	(5,544)
Cash and cash equivalents at beginning of year		9,534	14,378
Effects of exchange rate changes on cash and cash equivalents		(470)	700
Cash and cash equivalents at end of year	8	12,911	9,534

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

NOTES TO THE FINANCIAL STATEMENTS
(Amounts in United States dollars unless otherwise stated)

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% (2017: 63.69%) of the share capital of the Company and is deemed as its immediate holding company in accordance with SFRS(I). APP Printing is a wholly-owned subsidiary of PT Andalan Prapanca Pertiwi ("PT APP"), and Asia Pulp & Paper Company Ltd ("APP") owns 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% (2017: 63.32%) of the voting power of APP and is considered as the ultimate holding company in accordance with SFRS(I).

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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2019.

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)

Explanation of transition to SFRS(I)s and adoption of new standards

On 1 January 2018, the Group has adopted the Singapore Financial Reporting Standards (International) (SFRS(I)s) which comprise standards and interpretations that are equivalent to International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

These are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I)s.

The accounting policies set out in this note have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRSs.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date, including:

- SFRS(I) 15 Revenue from Contracts with Customers which includes clarifications to IFRS 15 Revenue from Contracts with Customers issued by the IASB in April 2016;

- SFRS(I) 9 Financial Instruments which includes amendments arising from IFRS 4 Insurance Contracts issued by the IASB in September 2016;

In addition to the above mandatorily effective new standards, the Group also elected to early adopt SFRS(I) 16 Leases one year in advance of its effective date.

The application of the above standards and interpretations do not have a material effect on the amounts reported on financial statements, except for SFRS(I) 9 and SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of transition to SFRS(I)s and adoption of new standards (Continued)

Summary of quantitative impact

The following reconciliations summarise the impact of SFRS(I) 1 and initial application of SFRS(I) 9 and SFRS(I) 16 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I)s.

Reconciliation of the Group's equity
Consolidated statement of financial position

	31 December 2017			1 January 2018		
	FRS framework	SFRS(I) 1	SFRS(I) framework	SFRS(I) 9	SFRS(I) 16	SFRS(I) framework
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets						
Non–current assets	3,882	–	3,882	–	1,765	5,647
Trade and other receivables	45,955	–	45,955	(379)	–	45,576
Others	16,825	–	16,825	–	–	16,825
Current assets	62,780	–	62,780	(379)	–	62,401
Total assets	66,662	–	66,662	(379)	1,765	68,048
Equity						
Share capital	36,817	–	36,817	–	–	36,817
Accumulated losses	1,116	(7,443)	(6,327)	(379)	–	(6,706)
Foreign currency translation reserve	(5,646)	7,443	1,797	–	–	1,797
Total equity	32,287	–	32,287	(379)	–	31,908
Liabilities						
Non–current liabilities	210	–	210	–	1,694	1,904
Current liabilities	34,165	–	34,165	–	71	34,236
Total liabilities	34,375	–	34,375	–	1,765	36,140
Total equity and liabilities	66,662	–	66,662	(379)	1,765	68,048

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of transition to SFRS(I)s and adoption of new standards (Continued)

Reconciliation of the Group's equity
Consolidated statement of financial position (Continued)

	1 January 2017		
	FRS framework	SFRS(I) 1	SFRS(I) framework
	US$'000	US$'000	US$'000
Assets			
Non–current assets	4,232	–	4,232
Current assets	48,052	–	48,052
Total assets	52,284	–	52,284
Equity			
Share capital	36,817	–	36,817
Accumulated losses	1,100	(7,443)	(6,343)
Foreign currency transaction reserve	(6,695)	7,443	748
Total equity	31,222	–	31,222
Liabilities			
Non–current liabilities	210	–	210
Current liabilities	20,852	–	20,852
Total liabilities	21,062	–	21,062
Total equity and liabilities	52,284	–	52,284

Notes to the reconciliations

(a) Adoption of SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of transition to SFRS(I)s and adoption of new standards (Continued)

(a) Adoption of SFRS(I) 1 (Continued)

(i) Foreign currency translation reserve ("FCTR")

The Group and the Company considers that restating FCTR to comply with current SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods. The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of US$7,443,000 as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR of the Group increased by US$7,443,000 and retained earnings decreased by the same amount as at 31 December 2017.

(b) Adoption of SFRS(I) 15

<u>SFRS(I) 15 Revenue from Contracts with Customers *(including Clarifications)*</u>

SFRS(I) 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS(I) 15, an entity 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. The adoption of the new standard did not result in significant changes in accounting policy.

(c) Adoption of SFRS(I) 9

(i) Classification and measurement of financial assets

All recognised financial assets that are within the scope of SFRS(I) 9 are required to be 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 profit or loss ("FVPL")
- Fair value through Other Comprehensive Income ("FVOCI") – Debt investments
- FVOCI – Equity investments

SFRS(I) 9 eliminates the previous categories of financial assets, namely loans & receivables (L&R), held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. As allowed by short-term exemption in SFRS(I) 1, the Group adopts SFRS(I) 9 on 1 January 2018. The classification and measurement categories are assessed based on facts and circumstances existed at 1 January 2018 for the determination of the business model. Accordingly, the requirement of FRS 39 Financial Instruments: Recognition & Management are applied to financial instruments up to the financial year end 31 December 2017. Difference in carrying amounts of financial assets resulting from adoption of SFRS(I) 9 are adjusted to retained earnings as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of transition to SFRS(I)s and adoption of new standards (Continued)

(c) Adoption of SFRS(I) 9 (Continued)

(i) Classification and measurement of financial assets (Continued)

The Group and the Company does not own any equity or debt investment other than investments in subsidiaries. The financial assets of the Group and the Company mainly comprise trade and other receivables, including amount due from related companies and subsidiaries, and cash and bank balances. These are previously classified as loans and receivables under FRS 39 and is now classified as financial assets at amortised costs under SFRS(I) 9. The change in carrying amount is due to additional impairment for Expected Credit Losses, as disclosed below and in Note 24.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under FRS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of SFRS(I) 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVPL on 1 January 2018 upon adoption of SFRS(I) 9.

(ii) Impairment of financial assets

The “incurred loss” model in FRS 39 was replaced by the “Expected Credit Losses (ECL)” model in SFRS(I) 9, which applies to financial assets measured at amortised costs, FVOCI (debt investment), contract assets and intragroup financial guarantee contracts. Impairment loss for trade receivables and contract assets are provided using simplified approach at the life time ECL. For assets within the scope of SFRS(I) 9 impairment model, impairment losses are generally expected to be provided at a higher amount and earlier than what was provided using FRS 39.

As allowed by SFRS(I) 9, the Group does not restate comparative information for prior periods in respect to changes with respect of classification and measurement (including impairment). Additional impairment resulting from adoption of SFRS(I) 9 are adjusted to accumulated losses as at 1 January 2018. Reconciliation of the movement in impairment loss allowance is as follows:

	Group
	US$’000
Loss allowance as at 31 December 2017, under FRS 39	
Trade receivables	423
Additional impairment recognised on 1 January 2018, under SFRS(I) 9	379
Loss allowance as at 1 January 2018, under SFRS(I) 9	802

Further details of impairment allowance are disclosed in Note 24(iii).

Adoption of SFRS(I) 9 also brought about consequential amendment to SFRS(I) 1 to require the impairment losses determined in accordance with SFRS(I) 9 be presented as a line item in the Statement of Profit or Loss and Other Comprehensive Income. An amount of US$25,000 has been reclassified from ‘Administrative expenses’ to be presented separately on Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of transition to SFRS(I)s and adoption of new standards (Continued)

(d) Adoption of SFRS(I) 16

General impact of application of SFRS(I) 16 Leases

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset ("ROU") and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in this note. The impact of the adoption of SFRS(I) 16 on the Group's accounting policy is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2018.

The Group has elected to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard, if any, adjustment to the opening accumulated losses at the date of initial application, 1 January 2018, and hence did not restate the comparative information. The Group has also chosen to measure the ROU asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2018. With this option chosen, there was no adjustment to accumulated losses as at 1 January 2018

Impact of the new definition of a lease and on Lessee Accounting

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with FRS 17 and INT FRS 104 will continue to be applied to those leases entered or modified before 1 January 2018.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

In preparation for the first-time application of SFRS(I) 16, the Group has carried out an implementation project of reviewing all operating leases determined under FRS 17, previously off-balance balance sheet. The project has shown that only the Company's land lease with JTC will be capitalised as ROU asset and lease liability, as the other leases of the Group represents short-term leases and low value leases. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office equipment), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Following the capitalisation of ROU assets and liability, the Group recognises depreciation of ROU assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income, under 'administrative expenses' and 'finance expenses' line items respectively. In the consolidated statement of cash flows, the Group classifies the payment of lease liabilities (including interest) within financing activities (previously under operating activities).

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under FRS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of transition to SFRS(I)s and adoption of new standards (Continued)

(d) Adoption of SFRS(I) 16 (Continued)

Impact of the new definition of a lease and on Lessee Accounting (Continued)

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

SFRS(I) 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by FRS 17. This change did not have a material effect on the Group's consolidated financial statements.

Financial impact of initial application of SFRS(I) 16

The tables below show the amount of adjustments from the application of SFRS(I) 16 for the current year:

	2018
	US$'000
Consolidated statement of profit or loss and other comprehensive income	
Increase in finance expense	74
Decrease in administrative expenses	(45)
Increase in loss for the year	29

Impact on earnings per share	**2018**
Decrease in earnings per share	
Basic and diluted (cents)	(0.008)

	2018
	US$'000
Consolidated statement of cash flows	
Increase in net cash from operating activities	144
Increase in net cash used in financing activities	144

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

In addition to the adoption of the new framework, 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
SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1–28: *Long–term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to SFRS(I)s 2015–2017 cycle (March 2018)	
- SFRS(I) 3 *Business Combinations*	1 January 2019
- SFRS(I) 11 *Joint Arrangements*	1 January 2019
- SFRS(I) 1–12 *Income Taxes*	1 January 2019
- SFRS(I) 1–23 *Borrowing Costs*	1 January 2019
Amendments to SFRS(I) 1–19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
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
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

Except for SFRS(I) INT 23, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these new or revised SFRS(I)s are described below.

<u>SFRS(I) INT 23: Uncertainty over Income Tax Treatments</u>

The interpretation clarifies that, when there is uncertainty over income tax treatments, an entity considers whether it is probable that the tax authority will accept the entity's tax treatment. When it is probable, an entity determine the accounting tax position consistently with the tax treatment used or planned to be used in the entity's income tax filings. Otherwise, an entity should estimate the effect of uncertainty using either the most likely amount or the expected value method, whichever method better predicts the resolution of the uncertainty. Consistent judgements and estimates should be made for both current tax and deferred tax. The interpretation is effective for annual periods beginning on or after 1 January 2019. An entity can apply the interpretation using either full retrospective (without use of hindsight) or modified retrospective approach (without restating comparative information).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

Subsidiaries (Continued)

(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.

Investment in subsidiaries

Investment 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(ii) Transactions and balances (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non–financial assets (Continued)

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 (From 1 January 2018 onwards)

(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.

(ii) Classification and subsequent measurement

<u>Financial assets</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

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 loans and borrowings.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(iii) Derecognition (Continued)

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 (From 1 January 2018 onwards)

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.

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 financial guarantee contracts, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

General approach (Continued)

Significant increase in credit risk (Stage 2)

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 ELC.

Definition of default

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 120 days past due.

Credit-impaired (Stage 3)

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.

Write-off policy

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Before 1 January 2018)

(i) Initial recognition and measurement

Financial assets 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. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date. As at the reporting date, the Group has no financial assets in the category of financial assets at fair value through profit or loss, held-to-maturity investment and available-for-sale financial assets other than the category of loans and receivables.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents, trade and other receivables, including amounts due from related parties.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Derecognition

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. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Before 1 January 2018)

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

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

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

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

The Group considers evidence of impairment for loans or receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (From 1 January 2018 onwards)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of underlying asset. The depreciation starts at the commencement date of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (From 1 January 2018 onwards) (Continued)

The right-of-use assets are included in “Property, plant and equipment”.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment of non-financial assets” policy.

Leases (Before 1 January 2018)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, usually 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.

Employee 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(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.

Critical accounting estimates and 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

(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	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Right-of-use asset (c)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
As at 1 January 2017	9,675	25,611	589	1,336	1,377	92	–	38,680
Additions	–	–	–	149	5	–	–	154
Disposals	–	(6,499)	–	–	(2)	–	–	(6,501)
Currency translation differences	–	(252)	–	40	35	7	–	(170)
As at 31 December 2017	9,675	18,860	589	1,525	1,415	99	–	32,163
As at 1 January 2018	9,675	18,860	589	1,525	1,415	99	–	32,163
Additions	66	–	–	32	9	–	–	107
Effects of SFRS(I) 16	–	–	–	–	–	–	1,765	1,765
Disposals	(2)	(18,860)	–	–	–	–	–	(18,862)
Currency translation differences	–	–	–	(48)	(35)	(9)	(37)	(129)
As at 31 December 2018	9,739	–	589	1,509	1,389	90	1,728	15,044

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold buildings	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Right to use asset [(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 2017	6,004	25,186	583	1,260	1,323	92	–	34,448
Charge for the year	241	126	1	46	22	–	–	436
Disposals	–	(6,429)	–	–	(2)	–	–	(6,431)
Currency translation differences	–	(252)	–	37	36	7	–	(172)
As at 31 December 2017	6,245	18,631	584	1,343	1,379	99	–	28,281
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	(2)	(18,652)	–	–	–	–	–	(18,654)
Currency translation differences	–	–	–	(44)	(35)	(9)	(1)	(89)
As at 31 December 2018	6,493	–	585	1,391	1,352	90	98	10,009
Net carrying amount								
As at 31 December 2018	3,246	–	4	118	37	–	1,630	5,035
As at 31 December 2017	3,430	229	5	182	36	–	–	3,882

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Leasehold buildings	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Right to use asset [c]	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
As at 1 January 2017	9,675	25,357	589	833	959	–	–	37,413
Additions	–	–	–	103	5	–	–	108
Disposals	–	(6,499)	–	–	–	–	–	(6,499)
As at 31 December 2017	9,675	18,858	589	936	964	–	–	31,022
As at 1 January 2018	9,675	18,858	589	936	964	–	–	31,022
Additions	66	–	–	26	9	–	–	101
Effects of SFRS(I) 16	–	–	–	–	–	–	1,765	1,765
Disposals	(2)	(18,858)	–	–	–	–	–	(18,860)
Currency translation differences	–	–	–	–	–	–	(37)	(37)
As at 31 December 2018	9,739	–	589	962	973	–	1,728	13,991

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Leasehold buildings	Plant and machinery	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Right to use asset [(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 2017	6,004	24,932	583	787	923	–	–	33,229
Charge for the year	241	126	1	33	6	–	–	407
Disposals	–	(6,429)	–	–	–	–	–	(6,429)
As at 31 December 2017	6,245	18,629	584	820	929	–	–	27,207
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	(2)	(18,649)	–	–	–	–	–	(18,651)
Currency translation differences	–	–	–	–	–	–	(1)	(1)
As at 31 December 2018	6,493	–	585	889	935	–	98	9,000
Net carrying amount								
As at 31 December 2018	3,246	–	4	73	38	–	1,630	4,991
As at 31 December 2017	3,430	229	5	116	35	–	–	3,815

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group's major properties as at 31 December 2018 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) 16 Property, Plant and Equipment was adopted to continue with its existing policy of stating leasehold buildings at cost. Subsequent leasehold improvements 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$2,159,000 (2017: US$2,369,000).

(c) The Group has lease agreement for land with JTC Corporation. The average lease term is 55 – 60 years (2017: 55 – 60 years).

	Group	Company
	US$'000	US$'000
Leasing commitments		
As previously reported on 31 December 2017	3,716	3,293
Short-term lease not recognised as right-of-use assets - 2018 (Note 18)	(310)	(24)
Short-term lease not recognised as right-of-use assets - 2019	(128)	(26)
Impact of discounting	(1,513)	(1,478)
Right-of-use assets as at 1 January 2018	1,765	1,765

The incremental borrowing rate was 4.27% applied to lease liabilities recognised in the statement of financial position at the date of initial application.

The total cash outflow for leases for the current financial year amount to US$454,000 (2017: US$447,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INTANGIBLE ASSETS

	Group	
	2018	**2017**
	US$'000	**US$'000**
Cost		
As at 1 January	13,330	12,179
Currency translation differences	(753)	1,151
As at 31 December	12,577	13,330
Accumulated amortisation and impairment losses		
As at 1 January	13,330	12,179
Currency translation differences	(753)	1,151
As at 31 December	12,577	13,330
Net carrying amount		
As at 31 December	–	–

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

5. SUBSIDIARIES

	Company	
	2018	**2017**
	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 2018 %	2017 %
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
Held by CDA			
Debden Importing Pty Ltd (5)	Dormant / Australia	–	100
Diary Specialists Pty Ltd (5)	Dormant / Australia	–	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 Horwath Sydney, a member firm of Crowe Global in Australia.
(4) Not required to be audited or not significant subsidiaries.
(5) These companies completed their deregistration during the year.

6. INVENTORIES

	Group 2018 US$'000	Group 2017 US$'000	Company 2018 US$'000	Company 2017 US$'000
Raw materials	241	431	241	431
Finished goods	3,375	3,502	238	154
Goods in transit	389	604	2	4
	4,005	4,537	481	589

The Group's and the Company's inventories recognised as cost of sales amounted to US$105,043,321 and US$7,097,000 (2017: US$113,460,000 and US$8,397,000). Inventories of the Group and the Company are stated at net realisable value after the write–down of inventories of US$1,278,000 and US$142,000 (2017: US$1,680,000 and Nil) respectively during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Trade receivables				
- Subsidiaries [(1)]	–	–	2,890	1,279
- Related companies [(1)]	4,389	9,724	8	–
- Third parties	22,161	34,249	208	241
	26,550	43,973	3,106	1,520
Less: Impairment losses				
- Subsidiaries	–	–	(32)	(32)
- Third parties	(810)	(423)	(88)	(88)
	(810)	(423)	(120)	(120)
Net trade receivables	25,740	43,550	2,986	1,400
Deposits [(2)]	266	2,392	10	10
Other receivables	7	13	–	–
Subsidiaries [(3)]	–	–	1,347	738
	26,013	45,955	4,343	2,148

[(1)] Trade receivables due from subsidiaries and related companies are unsecured, interest–free and with credit term of 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	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Cash at bank and in hand	12,892	11,567	1,092	2,061
Short–term bank deposits [(i)]	2,119	67	–	–
Cash and bank balances	15,011	11,634	1,092	2,061
Bank balances and deposits pledged [(ii)]	(2,100)	(2,100)	–	–
Cash and cash equivalents per consolidated statement of cash flows	12,911	9,534	1,092	2,061

[(i)] Short-term bank deposits at the reporting date had maturity of 1 month (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade payables				
- Third parties	15,076	30,432	408	623
- Subsidiaries	–	–	329	1,251
- Related companies	142	113	11	11
Contract liabilities	142	51	131	40
Advances from subsidiaries	–	–	1,629	–
Accrued operating expenses	2,349	1,352	157	395
Other payables	177	2,073	153	215
	17,886	34,021	2,818	2,535

Contract liabilities represent advance payment received from customers.

10. LEASE LIABILITIES

Group and Company	**2018**
	US$'000
Amounts due for settlement within 12 months (shown under current liabilities)	71
Amounts due for settlement after 12 months (shown under non-current liabilities)	1,589
	1,660

Maturity analysis: **Group and Company**	**Lease liabilities** **2018**	**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
	1,660	2,475

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

Group and Company	Assets		Liabilities	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	–	–	–	412
Provisions	–	(202)	–	–
Deferred tax (assets) / liabilities	–	(202)	–	412
Offsetting	–	202	–	(202)
Net deferred tax liabilities	–	–	–	210

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

Deferred tax liabilities / (assets) of the Group and Company	Property, plant and equipment	Provisions	Net
	US$'000	US$'000	US$'000
2018			
At beginning of year	412	(202)	210
Recognised in the profit or loss (Note 19)	(412)	202	(210)
At end of year	–	–	–
2017			
At beginning and end of year	412	(202)	210

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following unused tax losses and credits:

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Tax losses	6,379	5,681	2,763	3,141

The utilised tax losses do not expire under current tax legislation of Singapore and Australia. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of ordinary shares		Number of ordinary shares	
	('000)	US$'000	('000)	US$'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	
	2018	2017	1 January 2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)		
Asset revaluation reserve	748	748	748	748	748
Foreign currency translation reserve	252	1,049	–	–	–
Total reserves	1,000	1,797	748	748	748

Company	Asset revaluation reserve	
	2018	2017
	US$'000	US$'000
At the beginning and end of the year	748	748

Asset revaluation reserve

The asset revaluation reserve arose from the one–off revaluation of leasehold land and 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. ACCUMULATED LOSSES

	Company	
	2018	**2017**
	US$'000	**US$'000**
At the beginning of the year	14,697	15,396
Profit for the year	(249)	(699)
At the end of the year	14,448	14,697

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	
	2018	**2017**
	US$'000	**US$'000**
Sales of goods		
- Stationery products	17,893	21,967
- Pulp and related products	97,144	103,843
	115,037	125,810

	Group	
	2018	**2017**
	US$'000	**US$'000**
Geographical markets		
Asia Pacific	107,027	112,154
Europe	7,916	13,309
Others	94	347
	115,037	125,810

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. OTHER INCOME, NET

	Group	
	2018	**2017**
	US$'000	**US$'000**
Redundancy pay–out in respect of restructuring activities	213	83
Foreign exchange gain, net	(40)	(318)
Job credit scheme	(11)	(30)
Rental income from sublet of premise	(360)	(63)
Others	(42)	76
	(240)	(252)

17. FINANCE EXPENSE, NET

	Group	
	2018	**2017**
	US$'000	**US$'000**
Interest income	(22)	(8)
Interest expense for trade financing	476	448
Interest expense on lease liabilities	74	–
	528	440

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. (LOSS) / PROFIT BEFORE TAX

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

	Group	
	2018	2017
	US$'000	US$'000
Depreciation of property, plant and equipment	471	436
Audit fees payable to:		
- auditors of the Company	76	75
- other auditors	59	58
Directors' fees payable to:		
- directors of the Company	83	60
Non–audit fees payable to:		
- auditors of the Company	8	8
- other auditors	27	30
Operating lease expense	–	447
Short term lease	310	–
Personnel expenses (Note 20)	4,484	4,954
Write–down of inventories	1,278	1,680
Gain on disposals of property, plant and equipment	(19)	(79)

19. TAX (CREDIT) / EXPENSE

	Group	
	2018	2017
	US$'000	US$'000
Current tax		
Current year	53	189
Overprovision in prior years	(81)	(108)
Deferred tax		
Overprovision in prior years	(210)	–
Income tax (credit) / expense	(238)	81

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TAX (CREDIT) / EXPENSE (Continued)

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

	Group	
	2018	2017
	US$'000	US$'000
Reconciliation of effective tax rate		
(Loss) / Profit before tax	(299)	97
Tax using the Singapore tax rate of 17% (2017: 17%)	(51)	16
Effect of tax rates in foreign jurisdictions	(112)	(6)
Income not subject to tax	(9)	(68)
Non–deductible expenses	(44)	185
Deferred tax assets on tax losses not recognised	430	62
Utilisation of previously unrecognised deferred tax assets	(131)	–
Tax exemptions	(19)	–
Tax rebates	(11)	–
Overprovision in prior years – income tax	(81)	(108)
Overprovision in prior years – deferred tax	(210)	–
	(238)	81

The Company and its Singapore subsidiary

The Company and its Singapore incorporated subsidiary are subject to an applicable tax rate of 17% (2017: 17%), constitute a group under the Group Relief System for Singapore tax purposes.

United Kingdom subsidiaries

These subsidiaries are subject to an applicable tax rate of 19% (2017: 20%).

Australia subsidiaries

These subsidiaries are subject to an applicable tax rate of 30% (2017: 30%). However, these subsidiaries are in a tax loss position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PERSONNEL EXPENSES

	Group	
	2018	**2017**
	US$'000	**US$'000**
Wages, salaries and bonuses *	3,765	4,341
Defined contribution plans *	279	353
Termination benefits	213	83
Others	227	177
	4,484	4,954

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

Out of the above personnel expenses, an amount US$650,000 (2017: US$913,000) is included as cost of sales for the current financial year.

21. (LOSS) / EARNINGS PER SHARE (CENTS)

	Group	
	2018	**2017**
	US$'000	**US$'000**
Net (loss) / profit attributable to equity holders of the Company	(61)	16
Weighted average number of ordinary shares outstanding for basic and diluted (loss) / earnings per share ('000)	351,398	351,398
Basic and diluted (loss) / earnings per share (cents)	(0.017)	0.005

As at 31 December 2018 and 2017, there is no dilutive or anti-dilutive instrument outstanding. The diluted (loss) / earnings per share is the same as the basic (loss) / earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Purchase of goods from related companies	–	18	–	–
Sale of goods to related companies	36,765	45,369	14	–

Related companies refers to the fellow subsidiaries within the APP group which is controlled by the ultimate holding company in accordance with SFRS(I).

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2018	2017
	US$'000	US$'000
Short–term employee benefits	1,103	1,148
Defined contribution plans	52	54
Directors' fees	83	60
	1,238	1,262

Included in the above was total compensation to directors of the Company amounting to US$513,000 (2017: US$490,000).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

(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 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. 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. The prior period comparative are re-presented to conform with current year segmental presentation.

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 expense			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	471	–	471
Write–down of inventories	1,278	–	1,278

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. OPERATING SEGMENTS (Continued)

Group	Stationery	Trading	Total
	US$'000	US$'000	US$'000
2017			
Segment revenue	31,899	103,889	135,788
Intra–segment revenue	(9,932)	(46)	(9,978)
External revenue	21,967	103,843	125,810
Segment (loss) / profit	(1,466)	2,003	537
Finance income			8
Finance expense			(448)
Profit before tax			97
Tax expense			(81)
Consolidated profit for the year			16
Segment assets	27,084	39,578	66,662
Segment liabilities	5,800	28,575	34,375
Other segment information:			
Capital expenditure	154	–	154
Depreciation	436	–	436
Write–down of inventories	1,680	–	1,680

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 are based on geographical location of the assets.

	Group	
	2018	**2017**
	US$'000	**US$'000**
External Revenue		
Asia Pacific	107,027	112,154
Europe	7,916	13,309
Others	94	347
	115,037	125,810
Non–current assets		
Asia Pacific	5,003	3,840
Europe	32	42
	5,035	3,882

Major customers

Revenue made to related companies as disclosed in Note 22 amounting to US$36,751,000 (2017: US$45,369,000) which is included in the trading segment, represents 32% (2017: 36%) 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)

Foreign exchange risk (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 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	5,606	55	55	–	–	6,131
	955	32,096	6,092	7,719	10	17	46,889
Financial liabilities							
Trade and other payables	(174)	(14,707)	(1,320)	(1,543)	–	–	(17,744)
Lease liabilities	(1,660)	–	–	–	–	–	(1,660)
Intragroup payables	(415)	(5,606)	(55)	(55)	–	–	(6,131)
	(2,249)	(20,313)	(1,375)	(1,598)	–	–	(25,535)
Net financial (liabilities) / assets	(1,294)	11,783	4,717	6,121	10	17	21,354
Less: Net financial assets denominated in the respective entities functional currencies	–	(11,922)	(4,699)	(6,117)	–	–	(22,738)
Foreign currency exposure	(1,294)	(139)	18	4	10	17	(1,384)

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 2017	Singapore dollars	United States dollars	Australian dollars	Great Britain pound	Euro	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
Trade and other receivables	100	34,834	4,802	3,827	–	43,563
Cash and bank balances	383	5,441	885	4,922	3	11,634
Intragroup receivables	124	2,934	18	6	–	3,082
	607	43,209	5,705	8,755	3	58,279
Financial liabilities						
Trade and other payables	(608)	(29,026)	(1,444)	(2,838)	(54)	(33,970)
Intragroup payables	(124)	(2,934)	(18)	(6)	–	(3,082)
	(732)	(31,960)	(1,462)	(2,844)	(54)	(37,052)
Net financial (liabilities) / assets	(125)	11,249	4,243	5,911	(51)	21,227
Less: Net financial assets denominated in the respective entities functional currencies	–	(11,613)	(4,475)	(5,910)	–	(21,998)
Foreign currency exposure	(125)	(364)	(232)	1	(51)	(771)

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	(155)	(850)	–	(53)	–	–	(1,058)
Lease liabilities	(1,660)	–	–	–	–	–	(1,660)
	(1,815)	(850)	–	(53)	–	–	(2,718)
Net financial (liabilities) / assets	(938)	3,598	55	(33)	8	17	2,707
Less: Net financial assets denominated in the functional currency of the Company	–	(3,598)	–	–	–	–	(3,598)
Foreign currency exposure	(938)	–	55	(33)	8	17	(891)

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 2017	Singapore dollars	United States dollars	Australian dollars	Great Britain pound	Euro	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
Trade and other receivables	210	1,910	18	–	–	2,138
Cash and bank balances	359	1,694	–	8	–	2,061
	569	3,604	18	8	–	4,199
Financial liabilities						
Trade and other payables	(572)	(1,602)	(250)	(17)	(54)	(2,495)
Net financial (liabilities) / assets	(3)	2,002	(232)	(9)	(54)	1,704
Less: Net financial assets denominated in the functional currency of the Company	–	(2,002)	–	–	–	(2,002)
Foreign currency exposure	(3)	–	(232)	(9)	(54)	(298)

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% (2017: 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
2018						
Increase / (Decrease) in loss before tax	129	14	(2)	–	(1)	(2)
2017						
Increase / (Decrease) in profit before tax	(13)	(36)	(23)	–	(5)	–
Company						
2018						
Increase / (Decrease) in profit before tax	94	–	(5)	3	(1)	(2)
2017						
Increase / (Decrease) in profit before tax	–	–	(23)	(1)	(5)	–

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) / profit 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.

All the financial liabilities of the Group as at 31 December 2018 and 2017 are repayable on demand or due within 1 year from the reporting date. The contractual undiscounted cash flows of lease liabilities are disclosed in Note 10.

(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 has established a provision matrix for trade receivables, as disclosed below:

Group

	Not past due	**Past due 1 to 90 days**	**Past due 91 to 120 days**	**Past due more than 120 days**	**Total**
As at 1 January 2018					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount (US$'000)	40,908	1,396	867	802	43,973
ECL allowance (US$'000)	–	–	–	802	802
As at 31 December 2018					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount (US$'000)	23,990	1,224	526	810	26,550
ECL allowance (US$'000)	–	–	–	810	810

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 provision matrix is based on historical credit loss experience, adjusted for forward-looking factors specific to those customers and the economic environment.

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

Group	Trade Receivables 31 December 2018	 1 January 2018
	US$'000	US$'000
Stationery	7,198	8,691
Trading	19,352	35,282
Carrying amount	26,550	43,973

Credit risks from Group's trading business normally are very low, as the Group deals only with companies with established relationship with the related companies, and trades on letter of credit payment terms.

On 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. 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.

Upon initial adoption of SFRS(I) 9 on 1 January 2018, the Group considers trade receivables are in default (credit-impaired) when the customers fails to make contractual payments within 120 days when due.

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	Credit-impaired	Total
	US$'000	US$'000	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
Currency translation differences	–	(6)	(6)
Transfer to credit-impaired	(379)	379	–
Balance as at 31 December 2018	14	796	810

Company	Not credit-impaired	Credit-impaired	Total
	US$'000	US$'000	US$'000
Balance as at 1 January 2018 (Per FRS 39)	–	120	120
Initial adoption of SFRS(I) 9	–	–	–
Balance as at 31 December 2018	–	120	120

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 at the reporting date by geographical areas (location of customers) is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
By geographical areas				
- Asia Pacific	23,521	38,623	2,748	1,367
- Europe	2,187	4,885	217	–
- Other countries	32	72	21	33
	25,740	43,550	2,986	1,400

The maximum exposure to credit risk for trade receivables at the reporting date by type of counterparty is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
By types of customers				
Related companies	4,389	9,724	8	–
Subsidiaries	–	–	2,857	1,267
Non-related parties *				
- Multinational companies	2,242	3,356	–	–
- Other companies	19,109	30,470	121	153
	25,740	43,550	2,986	1,400

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

<u>Expected Credit Losses (Continued)</u>

(a) Trade receivables (Continued)

* Amount includes balances owing from the established office supplies wholesaler and retailers in Australia and United Kingdom totalling US$6,248,000 (2017: US$7,231,000), out of which an amount of US$2,230,000 (2017: US$2,419,000) was owing from a single customer in Australia.

The amount owing from non-related parties also includes balances from trading segment totalling US$14,067,000 (2017: US$25,046,000), out of which the top 2 (2017: 3) customers' balance amounted to Nil (2017: US$13,054,000), US$6,313,000 (2017: US$7,427,000) and US$7,754,000 (2017: US$3,160,000) which are from Malaysia, Hong Kong and Singapore respectively.

Other than these debtors, there are no other concentration of credit risks of the Group and the Company.

There is no concentration of credit risk with respect to trade receivables of the Company in respect to non-related parties as majority of the balance was due from subsidiaries.

(b) Trade and other receivables – Company level

The credit exposure of the Company arise from trade and non-trade balances due from subsidiaries, totalling to US$4,205,000 (2017: US$1,985,000). Trade balances 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$15,011,000 and US$1,092,000 (2017: US$11,634,000 and US$2,061,000). 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2017 under FRS 39

The age analysis of trade receivables is as follows:

	Gross 2017 US$'000	Impairment 2017 US$'000
Group		
Not past due	40,908	8
Past due 0 to 3 months	1,396	26
Past due 3 to 6 months	867	–
Past due more than 6 months	802	389
	3,065	415
	43,973	423

	Gross 2017 US$'000	Impairment 2017 US$'000
Company		
Not past due	625	–
Past due 0 to 3 months	229	–
Past due 3 to 6 months	464	–
Past due more than 6 months	202	120
	895	120
	1,520	120

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables, which is a specific loss that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2017 under FRS 39 (Continued)

Trade receivables that are individually determined to be impaired at the reporting date related to debtors that are in significant financial difficulties and have defaulted on payment as well as by reference to past default experience. Included in the Group's and Company's trade receivables balances are debtors with total carrying amount of US$2,650,000 and US$775,000 respectively, which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

These receivables which are neither past due nor impaired are mainly arising by customers that have a good payment record with the Group and the Company. Based on historical default rates and analysis of the profiles, the Group and the Company believe that no impairment allowance is necessary in respect of trade receivables not past due.

The movement in allowance for impairment loss is as follows:

	Group 2017	Company 2017
	US$'000	US$'000
Individually assessed		
Balance at beginning of the year	406	120
Impairment loss recognised	25	–
Amounts written off	(11)	–
Currency translation differences	3	–
Balance at end of the year	423	120

(iv) Financial instruments by category

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

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Financial assets at amortised cost	40,758	–	5,425	–
Loans and receivables (including cash and cash equivalents)	–	55,197	–	4,199
Financial liabilities at amortised cost	19,404	33,970	2,718	2,495

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 2017, 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	
	2018	2017	2018	2017
	US$'000	US$'000 (Restated)	US$'000	US$'000
Total debt	1,660	–	1,660	–
Adjusted equity	30,050	30,490	22,369	22,120
Total capital	31,710	30,490	24,029	22,120
Gearing ratio %	5.2	–	6.9	–

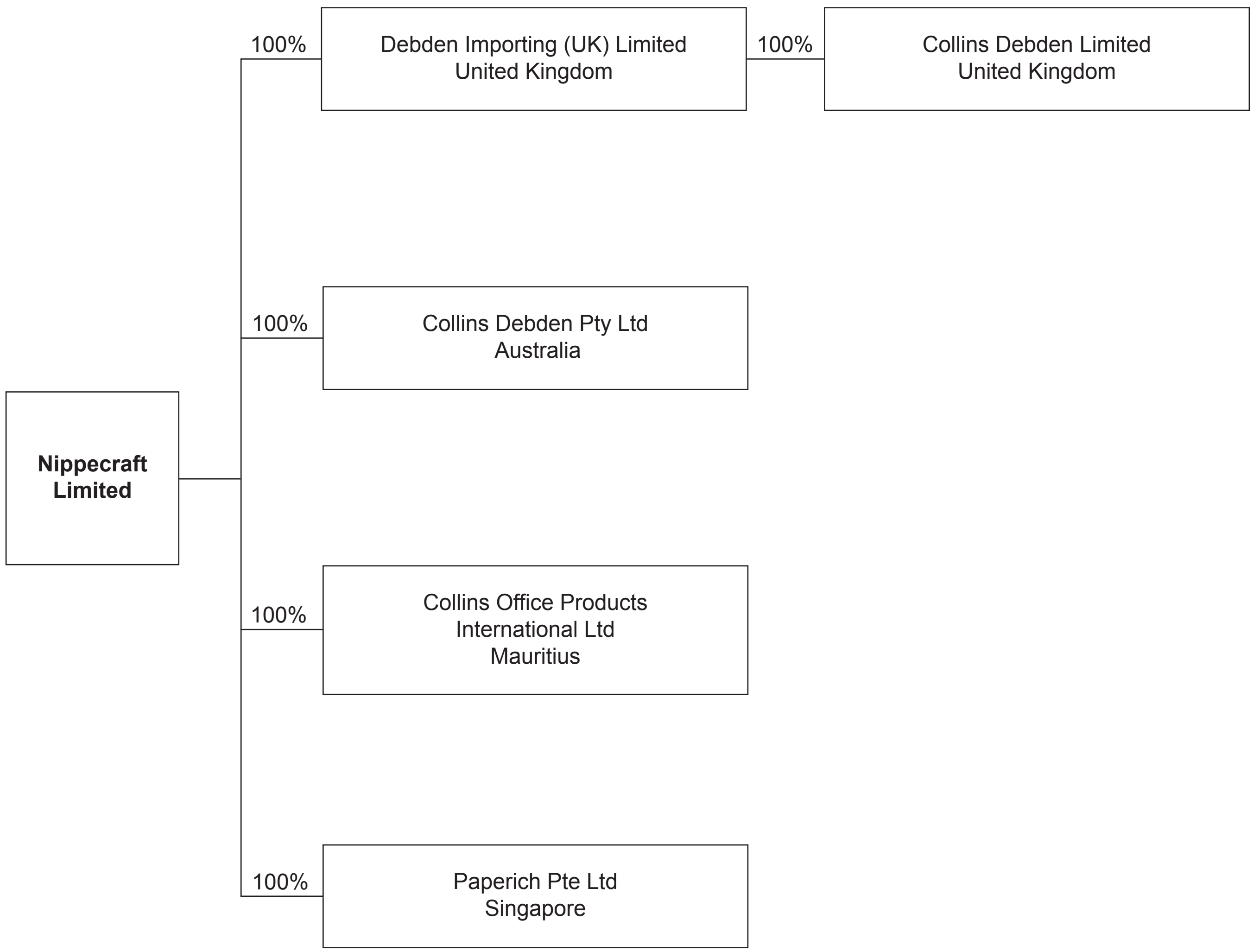
The management reviews the capital structure on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the committee, the Group will balance its overall capital 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



Head Office

Singapore	Nippecraft Limited 9 Fan Yoong Road Singapore 629787 Tel: (65) 6262 2662 Fax: (65) 6262 1551 Website: www.nippecraft.com.sg

Subsidiaries

Australia	Collins Debden Pty Ltd Level 3, 93 George Street Parramatta New South Wales 2150 Australia Tel: (61-2) 8833 2900 Fax: (61-2) 9635 3368 Website: www.collinsdebden.com.au
United Kingdom	Collins Debden Limited Campsie View, Westerhill Road Bishopbriggs Glasgow G64 2QT United Kingdom Tel: (44-141) 300 8500 Fax: (44-141) 300 8600 Website: www.collinsdebden.com.uk
Singapore	Paperich Pte Ltd 9 Fan Yoong Road Singapore 629787 Tel: (65) 6262 2662 Fax: (65) 6262 1551

SHAREHOLDING STATISTICS AS AT 11 MARCH 2019

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 11 March 2019, 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	1,551	28.02	1,544,750	0.44
1,001 – 10,000	2,993	54.07	16,238,551	4.62
10,001 – 1,000,000	972	17.56	53,672,327	15.27
1,000,001 and above	16	0.29	279,942,316	79.67
	5,535	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	ABN AMRO CLEARING BANK N.V.	13,281,800	3.78
4	UOB KAY HIAN PTE LTD	6,891,800	1.96
5	RHB SECURITIES SINGAPORE PTE LTD	6,063,000	1.73
6	LIM POH CHOON	4,922,700	1.40
7	DBS NOMINEES PTE LTD	4,690,300	1.34
8	RAFFLES NOMINEES (PTE) LIMITED	4,112,600	1.17
9	CITIBANK NOMINEES SINGAPORE PTE LTD	3,578,000	1.02
10	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	2,389,750	0.68
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,350,500	0.67
12	KAM TEOW CHONG	2,270,000	0.65
13	TAY HUI SAN	1,961,100	0.56
14	LUO FENG	1,268,900	0.36
15	THIAN YIAN CHIEW	1,243,000	0.35
16	LEOW BENG LEE (LIAO MINGLI)	1,114,200	0.32
17	QUEEMAY HOLDINGS PTE LTD	1,000,000	0.28
18	LOW EE LAM LEWIS	981,000	0.28
19	PHILLIP SECURITIES PTE LTD	930,300	0.26
20	TAY MING KHOON	672,000	0.19
		283,525,616	80.69

Substantial Shareholders as at 11 March 2019
(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	–	–

APP and APP Golden are deemed to have an interest of 172,185,020 ordinary 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, Level 4, Conference room, Singapore 629787 on Wednesday, 24 April 2019 at 9.00 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 2018, together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Ms Connie Oi Yan Chan, retiring by rotation under regulation 104 of the Company's Constitution. **(Resolution 2)**

3. To approve Directors' fees of S$106,000 (equivalent to approximately US$79,000) for the financial year ending 31 December 2019, payable quarterly by the Company in arrears (2018: S$106,000, equivalent to approximately US$79,000). **(Resolution 3)**

4. To re-appoint Crowe Horwath First Trust LLP as auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. 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:

6. 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 which are outstanding or subsisting at the time of the passing of this Resolution; and

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

(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 5)**

7. 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 5 April 2019 ("**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 6)**

8. 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 after the relevant five-day period;

"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 7)**

BY ORDER OF THE BOARD

RAYMOND LAM KUO WEI
LEE LIH FENG
Company Secretaries
Singapore
5 April 2019

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 5

The proposed Resolution 5, 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 6

The proposed Resolution 6, 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 27 April 2018) 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 7

The proposed Resolution 7, 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 2018 is set out in the Appendix.

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);

(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

(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.

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________________________ (NRIC/Passport No./Company Registration No.) _____________
of ____(Address)
being a member/members of NIPPECRAFT LIMITED ***("Company")***, hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

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, Level 4, Conference Room, Singapore 629787 on Wednesday, 24 April 2019 at 9.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against 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.

(If you wish to exercise all your votes "For" or "Against" a resolution, please indicate with a tick "√" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions	For	Against
	Ordinary Business		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018, together with the Auditors' Report thereon.		
2.	To re-elect Ms Connie Oi Yan Chan, who is retiring by rotation under regulation 104 of the Company's Constitution.		
3.	To approve Directors' fees for the financial year ending 31 December 2019, payable quarterly in arrears.		
4.	To re-appoint Crowe Horwath First Trust LLP as auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors of the Company to fix their remuneration.		
	Special Business		
5.	To authorise the directors to issue and allot shares and/or instruments pursuant to Section 161 of the Companies Act, Cap. 50.		
6.	To renew the Shareholders' Mandate for Interested Person Transactions.		
7.	To renew the Share Purchase Mandate.		

Signed this   day of April 2019

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

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

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 5 April 2019.

This page has been intentionally left blank

NIPPECRAFT

www.nippecraft.com.sg