

APPENDIX DATED 10 APRIL 2018

This Appendix is circulated to Shareholders of Nippecraft Limited ("the Company") together with the Company's annual report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Interested Person Transactions and Share Purchase Mandates to be tabled at the Annual General Meeting ("AGM") to be held on 27 April 2018 at 9 a.m. at 9 Fan Yoong Road, Singapore 629787.

The Notice of AGM and Proxy Form are enclosed with the Annual Report.



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197702861N)

APPENDIX TO SHAREHOLDERS IN RELATION TO

- (I) THE PROPOSED RENEWAL OF THE INTERESTED PERSON
TRANSACTIONS MANDATE**

- (II) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

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DEFINITIONS

In this Appendix, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

"AGM"	: The Annual General Meeting of the Company
"APP"	: Asia Pulp & Paper Company Ltd, a company incorporated in Singapore
"APP Golden"	: APP Golden Limited, a company incorporated in the British Virgin Islands
"APP Group"	: APP, its subsidiary and associated companies
"APP Printing"	: APP Printing (Holding) Pte Ltd, a company incorporated in Singapore
"Approved Agency/Distributor Agreement"	: Has the meaning ascribed to it in Paragraph 7.2(d)(i) of Appendix A
"Approved Independent Sources"	: Has the meaning ascribed to it in Paragraph 7.2(b)(i) of Appendix A
"Approved Licensing Fees"	: Has the meaning ascribed to it in Paragraph 7.2(d)(ii) of Appendix A
"Audit Committee"	: The Audit Committee of the Board of Directors
"Board"	: The Board of Directors of the Company
"CDP"	: The Central Depository (Pte) Limited
"Companies Act"	: The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Company"	: Nippecraft Limited
"Constitution"	: The constitution of the Company, as amended from time to time up to the Latest Practicable Date
"Control"	: The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
"Controlling Shareholder"	: A person who: (a) holds directly or indirectly 15% or more of the number of all voting shares in a company; or (b) in fact exercises Control over a company
"Directors"	: The directors of the Company as at the date of this Appendix
"EAR Group"	: Has the meaning ascribed to it in Paragraph 2.2(c) of Appendix A

DEFINITIONS

“EPS”	: Earnings per Share
“FY2017”	: Financial year ended 31 December 2017
“Group”	: Company and its subsidiaries collectively
“IPT Register”	: Has the meaning ascribed to it in Paragraph 7.6(a) of Appendix A
“Independent Directors”	: Messrs Lim Yu Neng Paul, Khoo Song Koon and Chow Wai San
“Interested Person Transactions” or “IPT”	: Transactions proposed to be entered into between the EAR Group and interested persons as defined under Chapter 9 of the Listing Manual
“Latest Practicable Date”	: 20 March 2018, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	: The listing manual of the SGX-ST
“Mandated Interested Person”	: Has the meaning ascribed to it in Paragraph 5.1 of Appendix A
“Mandated IPTs”	: Has the meaning ascribed to it in Paragraph 6.1 of Appendix A
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Market Purchase”	: Has the meaning ascribed to it in Paragraph 3.3(c)(i) of the Letter to Shareholders
“Maximum Price”	: Has the meaning ascribed to it in Paragraph 3.3(d) of the Letter to Shareholders
“NTA”	: Net tangible assets
“Off-Market Purchase”	: Has the meaning ascribed to it in Paragraph 3.3(c)(ii) of the Letter to Shareholders
“Relevant Period”	: The period commencing from the date on which the resolution authorising the Share Purchase Mandate is passed and expiring on the date on which the next AGM is or is required by law to be held, whichever is the earlier.
“PT APP”	: PT Andalan Prapanca Pertiwi, a company incorporated in the Republic of Indonesia
“SFA”	: Securities and Futures Act, Chapter 289 of Singapore

DEFINITIONS

“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shares”	: Issued ordinary shares (excluding treasury shares, if any) in the capital of the Company
“Shareholder”	: Registered holders of the Shares or, if the registered holder of the Shares is the CDP, depositors who have Shares entered against their names in the depository register
“Substantial Shareholder”	: A person who has an interest (as defined in the Companies Act) in Shares and the total votes attached to those Shares is not less than 5% of the total votes attached to all the voting Shares
“Stationery Business”	: Has the meaning set out in Paragraph 3.1 of Appendix A
“Take-over Code”	: The Singapore Code on Take-overs and Mergers
“Trading Business”	: Has the meaning set out in Paragraph 3.2 of Appendix A
“USD” or “US\$” and “cents”	: United States dollars and cents, respectively, being the lawful currency of the United States of America
“SGD” or “S\$” and “cents”	: Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore
“%” or “per cent.”	: Per centum or percentage

DEFINITIONS

Unless otherwise defined, the terms “**acting in concert**”, “**associates**” and “**associated company**” in Paragraph 3 of the Letter to Shareholders shall have the meanings ascribed to them in the Take-over Code.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**treasury shares**”, “**subsidiary**”, “**related corporation**” and “**interest**” shall have the meanings ascribed to them in Section 4, Section 5, Section 6, and Section 7 of the Companies Act.

The terms “**entity at risk**”, “**interested person**”, “**interested person transaction**” and “**transaction**” shall have the meanings given to them in Chapter 9 of the Listing Manual.

The prevailing exchange rate between USD and SGD is assessed at 1.31 for the purposes of this Appendix.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof are due to rounding.

Any reference to a time of day and date in this Appendix shall be a reference to Singapore time, unless otherwise stated.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the Listing Manual or any modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act, the Listing Manual or modification as the case may be, unless otherwise provided.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

LETTER TO SHAREHOLDERS

NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197702861N)

Directors:

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

Registered Office:

9 Fan Yoong Road
Singapore 629787

10 April 2018

To: The Shareholders of Nippecraft Limited

(I) THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE ("IPT MANDATE")

(II) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE ("SHARE PURCHASE MANDATE")

Dear Sir/Madam,

1. INTRODUCTION

1.1 We refer to the Notice of Annual General Meeting of the Company dated 10 April 2018 (the "**Notice of AGM**") convening the AGM to be held on 27 April 2018, and in particular:

- (a) the ordinary resolution number 7 under the heading "Special Business", in relation to the proposed renewal of the IPT Mandate; and
- (b) the ordinary resolution number 8 under the heading "Special Business" in relation to the proposed renewal of the Share Purchase Mandate.

The purpose of this letter is to explain the rationale and provide information to Shareholders for the proposed renewal of the IPT Mandate and the proposed renewal of the Share Purchase Mandate (the "**Proposals**"), and to seek Shareholders' approval for the Proposals at the AGM.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 Background

The IPT mandate enables the Company, its Subsidiaries and its associated companies which are considered to be “entities at risk”, as that term is used in Chapter 9 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), to enter into any of the transactions falling within the types of interested person transactions described in the IPT mandate (the “**Mandated IPTs**”), with any person who falls within the classes of Interested persons described in the IPT mandate, provided that such transactions are made on normal commercial terms and are not prejudicial to the Company or its minority shareholders, and are made in accordance with the review procedures for interested person transactions as set out in the IPT mandate.

Under Chapter 9 of the Listing Manual, the IPT Mandate with interested persons is subject to annual renewal. The IPT Mandate approved at the Extraordinary General Meeting (“**EGM**”) on 24 October 2017 was expressed, unless revoked or varied by the Company in general meeting, to continue to be in force until the next annual general meeting of the Company which is scheduled to be held on 27 April 2018. It is intended that approval from Shareholders will be sought for the renewal of the IPT Mandate on an annual basis, subject to satisfactory review by the Audit Committee of its continued application to transactions with interested persons.

The IPT mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices and other general information relating to the Chapter 9 of the Listing Manual, are set out in the Appendix A to this letter. The terms of the IPT mandate which is sought to be renewed remain unchanged.

2.2 Audit Committee Statement

The Audit Committee of the Company, comprising Messrs Khoo Song Koon, Lim Yu Neng, Paul and Chow Wai San, confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT mandate have not changed since the EGM held on 24 October 2017; and
- (b) the methods or procedures referred to in paragraph 2.2(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures are inadequate or inappropriate to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Listing Manual, it will in consultation with the Board to take such action as it deems proper in respect of such procedures and/or modify implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons.

2.3 Disclosure

Disclosure will be made in the Company’s annual report of the aggregate value of all Interested Person Transactions conducted with interested persons pursuant to the IPT Mandate during the current financial year, and in the Annual Reports for subsequent financial years during which the IPT Mandate will continue in force, in accordance with the requirements of Chapter 9 of the Listing Manual. The Company will also announce the aggregate value of transactions conducted pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual and within the time period required for the announcement of such report.

3 THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Background

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at the general meeting of its shareholders. In this regard, the Share Purchase Mandate was approved by the Shareholders at the EGM held on 24 October 2017 to enable the Directors to exercise all powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company (the “Shares”) on the terms of the Share Purchase Mandate. The approval conferred on the Directors will, unless renewed, expire at the forthcoming AGM to be held on 27 April 2018.

The Company proposes to renew the mandate for the Company to make market and off market purchases from time to time of up to ten percent (10%) of the total number of Shares (excluding treasury shares) in accordance with the terms set out below.

3.2 Rationale for the Share Purchase Mandate

The approval of the Share Purchase Mandate will give the Company flexibility to undertake purchases or acquisitions of its own Shares subject to the terms and limits described in Paragraph 3.3 of this Letter.

The Directors constantly seek to increase Shareholders' value and to improve, inter alia, the return on equity of the Group. A Share purchase or acquisition of Shares by the Company at an appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

The Share Purchase Mandate would provide the Company with the flexibility to purchase or acquire Shares if and when circumstances permit, during the period when the Share Purchase Mandate is in force. Shares purchased pursuant to the Share Purchase Mandate will either be cancelled or held as treasury shares as may be determined by the Directors. This will provide the Directors with greater flexibility over the Company's share capital structure, inter alia, with a view to enhancing the earnings and/or NTA value per Share or to maintain a pool of Shares to be deployed for future purposes as deemed appropriate by the Directors.

The Shares purchased pursuant to the Share Purchase Mandate will be held as treasury shares which may be (i) used as consideration for the acquisition of shares in or assets of another company or assets of a person; (ii) sold in the event of future share placements; and/or (iii) transferred for the purposes of or pursuant to an employee's share scheme. The Directors further believe that Share purchases by the Company will help to mitigate short term share price volatility or trading trends which, in the reasonable opinion of the Company, are not otherwise caused by general market factors or sentiments and/or the fundamentals of the Company and offset the effects of short-term speculation (as and when they may occur), and bolster Shareholder confidence.

The Company will only purchase or acquire Shares pursuant to the Share Purchase Mandate if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full extent as authorised. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole and/or affect the listing status of the Company on the SGX-ST.

3.3 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, which is proposed to be renewed are summarised below:

(a) Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the EGM at which the Share Purchase Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the issued share capital of the Company shall be taken to be the amount of the issued share capital of the Company as altered. Any Shares which are held as treasury shares shall be disregarded for the purposes of computing the 10% limit.

For illustrative purposes only, based on 351,398,000 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, the purchase or acquisition by the Company pursuant to the Share Purchase Mandate of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 35,139,800 Shares. However, as stated in Paragraph 3.2 above and Paragraph 3.7 below, purchases or acquisitions pursuant to the Share Purchase Mandate need not be carried out to the full extent mandated, and, in any case, would not be carried out to such an extent that would result in the Company being delisted from the SGX-ST. The public float in the issued Shares as at the Latest Practicable Date is disclosed in Paragraph 3.8 below.

(b) Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2018 AGM at which the renewal of the Share Purchase Mandate is approved, up to :

- i. the date on which the next AGM is held or is 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; or
- iii. the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting.

The Share Purchase Mandate may be renewed at each subsequent AGM or other general meetings of the Company.

(c) Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- i. on-market purchases, transacted through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for that purpose ("**Market Purchase**"); and/or
- ii. off-market purchases pursuant to an equal access scheme in accordance with Section 76C of the Companies Act ("**Off-Market Purchase**").

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The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all of the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
 - (A) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (B) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the period and procedures for acceptances;
- (iii) the reasons for the proposed purchase or acquisition of Shares by the Company;
- (iv) the consequences, if any, of the proposed purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (v) whether the proposed purchase or acquisition of Shares by the Company, if made, could affect the listing of the Company's equity securities on the SGX-ST;
- (vi) details of any purchase or acquisition of Shares by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

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(d) Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:-

- (i) in the case of a 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,

in each case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the purposes of determining the Maximum Price:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five 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 rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

“**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.

3.4 Status of the Purchased Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury shares is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares held by it stating the following:

- (aa) the date of the sale, transfer, cancellation and/or use of such treasury shares;
- (bb) the purpose of such sale, transfer, cancellation and/or use of such treasury shares;
- (cc) the number of treasury shares which have been sold, transferred, cancelled and/or used;
- (dd) the number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (ee) the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use; and
- (ff) the value of the treasury shares if they are used for a sale or transfer, or cancelled.

3.6 Source of funds

The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits. The Company will use internal resources or external borrowings or a combination of both to finance the purchase or acquisition of Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Directors will principally consider the availability of internal resources. The Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will particularly consider the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions of Shares in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions.

3.7 Financial Effects

The financial effects arising from a purchase or acquisition of Shares pursuant to the Share Purchase Mandate on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial statements of the Group and the Company for FY2017 will depend, *inter alia*, on the factors set out below:

(a) Purchase or Acquisition out of Profits and/or Capital

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

(b) Number of Shares Acquired or Purchased

Based on 351,398,000 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2018 AGM, the purchase or acquisition of Shares by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 35,139,800 Shares.

(c) Maximum Price Paid for Shares Acquired or Purchased

Assuming that the Company purchases or acquires 35,139,800 Shares at the Maximum Price of S\$0.042 per Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 35,139,800 Shares is approximately S\$1,476,000 (equivalent to USD1,121,000) (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses).

(d) Illustrative Financial Effects

For illustrative purposes only, based on the assumptions set out above and assuming that (i) the purchase or acquisition of Shares are made to the extent aforesaid; (ii) such Shares are funded wholly by internal resources within the Group; and (iii) the Company had purchased 35,139,800 Shares (representing 10% of the issued Shares as at the Latest Practicable Date) on 20 March 2018, the financial effects of the purchase of 35,139,800 Shares by way of:

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- (i) purchases made entirely out of capital and held as treasury shares;
- (ii) purchases made entirely out of capital and cancelled;
- (iii) purchases made entirely out of profits and held as treasury shares; and
- (iv) purchases made entirely out of profits and cancelled,

on the audited financial statements of the Group and the Company for FY2017 pursuant to the Share Purchase Mandate are set out as follows:-

- (i) Purchases made entirely out of capital and held as treasury shares

	Group		Company	
	Before Share Purchase	After Share Purchase ⁽⁶⁾	Before Share Purchase	After Share Purchase ⁽⁶⁾
As at	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2017				
Share capital	36,817	36,817	36,817	36,817
Capital and other reserve	(5,646)	(5,646)	748	748
Retained earnings	1,116	1,116	(14,697)	(14,697)
	32,287	32,287	22,868	22,868
Treasury shares	-	(1,121)	-	(1,121)
Shareholders' funds	32,287	31,166	22,868	21,747
NTA ⁽¹⁾	32,287	31,166	22,868	21,747
Current assets	62,780	61,659	5,286	4,165
Current liabilities	34,165	34,165	2,535	2,535
Working capital	28,615	27,494	2,751	1,630
Number of Shares (in '000)	351,398	316,258	351,398	316,258
Financial Ratios				
NTA per Share ⁽²⁾ (cents)	9.19	9.86	6.51	6.88
Net gearing ratio ⁽³⁾ (times)	(0.36)	(0.34)	(0.09)	(0.04)
Current ratio ⁽⁴⁾ (times)	1.84	1.80	2.09	1.64
EPS ⁽⁵⁾ (cents)	0.005	0.005	0.20	0.22

Notes:-

- (1) NTA refers to net assets less intangible assets.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares.
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals profit after tax and non-controlling interests divided by the total number of shares as at 31 December 2017.
- (6) Assumes that the Company purchases the 35,139,800 Shares at the Maximum Price of S\$0.042 for one Share which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 35,139,800 Shares is approximately S\$1,476,000 (US\$1,121,000 equivalent).
- (7) Exchange rate 1USD to SGD 1.31

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(ii) Purchases made entirely out of capital and cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase ⁽⁶⁾	Before Share Purchase	After Share Purchase ⁽⁶⁾
As at	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2017				
Share capital	36,817	35,696	36,817	35,696
Capital and other reserve	(5,646)	(5,646)	748	748
Retained earnings	1,116	1,116	(14,697)	(14,697)
Shareholders' funds	32,287	31,166	22,868	21,747
NTA ⁽¹⁾	32,287	31,166	22,868	21,747
Current assets	62,780	61,659	5,286	4,165
Current liabilities	34,165	34,165	2,535	2,535
Working capital	28,615	27,494	2,751	1,630
Number of Shares (in '000)	351,398	316,258	351,398	316,258
Financial Ratios				
NTA per Share ⁽²⁾ (cents)	9.19	9.86	6.51	6.88
Net gearing ratio ⁽³⁾ (times)	(0.36)	(0.34)	(0.09)	(0.04)
Current ratio ⁽⁴⁾ (times)	1.84	1.80	2.09	1.64
EPS ⁽⁵⁾ (cents)	0.005	0.005	0.20	0.22

Notes:-

- (1) NTA refers to net assets less intangible assets.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares.
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals profit after tax and non-controlling interests divided by the total number of shares as at 31 December 2017.
- (6) Assumes that the Company purchases the 35,139,800 Shares at the Maximum Price of S\$0.042 for one Share which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 35,139,800 Shares is approximately S\$1,476,000 (US\$1,121,000 equivalent).
- (7) Exchange rate 1USD to SGD 1.31

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(iii) Purchases made entirely out of profits and held as treasury shares

	Group		Company	
	Before Share Purchase	After Share Purchase ⁽⁶⁾	Before Share Purchase	After Share Purchase ⁽⁶⁾
As at	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2017				
Share capital	36,817	36,817	36,817	36,817
Capital and other reserve	(5,646)	(5,646)	748	748
Retained earnings	1,116	1,116	(14,697)	(14,697)
	32,287	32,287	22,868	22,868
Treasury shares	-	(1,121)	-	(1,121)
Shareholders' funds	32,287	31,166	22,868	21,747
NTA ⁽¹⁾	32,287	31,166	22,868	21,747
Current assets	62,780	61,659	5,286	4,165
Current liabilities	34,165	34,165	2,535	2,535
Working capital	28,615	27,494	2,751	1,630
Number of Shares (in '000)	351,398	316,258	351,398	316,258
Financial Ratios				
NTA per Share ⁽²⁾ (cents)	9.19	9.86	6.51	6.88
Net gearing ratio ⁽³⁾ (times)	(0.36)	(0.34)	(0.09)	(0.04)
Current ratio ⁽⁴⁾ (times)	1.84	1.80	2.09	1.64
EPS ⁽⁵⁾ (cents)	0.005	0.005	0.20	0.22

Notes:-

- (1) NTA refers to net assets less intangible assets.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares.
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals profit after tax and non-controlling interests divided by the total number of shares as at 31 December 2017.
- (6) Assumes that the Company purchases the 35,139,800 Shares at the Maximum Price of S\$0.042 for one Share which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 35,139,800 Shares is approximately S\$1,476,000 (US\$1,121,000 equivalent).
- (7) The Company has accumulated losses and does not have profits available for the purposes of the proposed Share purchase.
- (8) Exchange rate 1USD to SGD 1.31

LETTER TO SHAREHOLDERS

(iv) Purchases made entirely out of profits and cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase ⁽⁶⁾	Before Share Purchase	After Share Purchase ⁽⁶⁾
As at	US\$ '000	US\$ '000	US\$ '000	US\$ '000
31 December 2017				
Share capital	36,817	36,817	36,817	36,817
Capital and other reserve	(5,646)	(5,646)	748	748
Retained earnings	1,116	(5)	(14,697)	(15,818)
Shareholders' funds	32,287	31,166	22,868	21,747
NTA ⁽¹⁾	32,287	31,166	22,268	21,747
Current assets	62,780	61,659	5,286	4,165
Current liabilities	34,165	34,165	2,535	2,535
Working capital	28,615	27,494	2,751	1,630
Number of Shares (in '000)	351,398	316,258	351,398	316,258
Financial Ratios				
NTA per Share ⁽²⁾ (cents)	9.19	9.86	6.51	6.88
Net gearing ratio ⁽³⁾ (times)	(0.36)	(0.34)	(0.09)	(0.04)
Current ratio ⁽⁴⁾ (times)	1.84	1.80	2.09	1.64
EPS ⁽⁵⁾ (cents)	0.005	0.005	0.20	0.22

Notes:-

- (1) NTA refers to net assets less intangible assets.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares.
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals profit after tax and non-controlling interests divided by the total number of shares as at 31 December 2017.
- (6) Assumes that the Company purchases the 35,139,800 Shares at the Maximum Price of S\$0.042 for one Share which is 5% above the Average Closing Prices of a Share over the last 5 Market Days on which the transactions in the Shares were traded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 35,139,800 Shares is approximately S\$1,476,000 (US\$1,121,000 equivalent).
- (7) The Company has accumulated losses and does not have profits available for the purposes of the proposed Share purchase.
- (8) Exchange rate 1USD to SGD 1.31

Shareholders should note that the financial effects, based on the respective assumptions aforementioned, are for illustrative purposes only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of the purchase or acquisition of Shares that may be made pursuant to the Share Purchase Mandate on the NTA per Share and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchase or acquisition of Shares.

It should also be noted that the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate would only be made in circumstances where it is considered to be in the best interest of the Company. Although the Share Purchase Mandate would enable the Company to potentially purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel or hold in treasury all or part of the Shares it purchased or acquired. Further, the Directors will only make purchases or acquisitions of Shares in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or in the Company being delisted from the SGX-ST. The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a purchase or acquisition of Shares before execution.

3.8 Listing Rules

Rule 886 of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 of the Listing Manual) must include the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.

The Listing Manual does not expressly prohibit a listed company from purchasing or acquiring its own shares during any particular time or times. However, as the Company would be regarded as an “insider” in relation to any proposed purchase or acquisition of Shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price-sensitive development has occurred or has been the subject of a decision of the Directors until such time as the price-sensitive information has been publicly announced or disseminated in accordance with the requirements of the Listing Manual. In particular, in line with the best practices guide on dealings in securities issued by the SGX-ST, the Company will not purchase or acquire any Shares pursuant to the Share Purchase Mandate during the period of one month immediately preceding the announcement of the Company’s full year and half year financial results.

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 36.31% of the Shares are held by public shareholders. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

3.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

(a) Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

(b) Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert:

(i) the following companies:

(aa) a company;

(bb) the parent company of (aa);

(cc) the subsidiaries of (aa);

(dd) the fellow subsidiaries of (aa);

(ee) the associated companies of any of (aa), (bb), (cc) or (dd);

(ff) companies whose associated companies include any of (aa), (bb), (cc), (dd) or (ee);

(gg) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

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- (ii) a company with any of its directors together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

(c) Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14, if as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and the persons acting in concert with them would increase to 30% or more, or in the event that such Directors and the persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and the persons acting in concert with them would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder who is not acting in concert with the Directors will not be required to make a take-over offer under Rule 14, if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholders holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholders would increase by more than 1% in any period of six months. Such a Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Purchase Mandate.

Based solely on the interests of Substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, none of the Substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the acquisition or purchase by the Company of 10% of its issued Shares as at the Latest Practicable Date.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share purchases by the Company.

3.10 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company or who may be subject to tax whether in or outside Singapore should consult their own professional advisers.

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4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Directors' Interest in Shares

As at the Latest Practicable Date, none of the Directors have any interests in the Shares of the Company.

4.2 Substantial Shareholders' Interest in Shares

As at the Latest Practicable Date, the interests of the Substantial Shareholders in the Shares are as set out below.

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares ⁽¹⁾	No. of Shares	% of Shares ⁽¹⁾
APP Printing	223,804,666	63.69	-	-
PT APP	-	-	223,804,666	63.69
APP	-	-	223,804,666	63.69
APP Golden	-	-	223,804,666	63.69

Note:

- (1) The percentage is computed based on the total of 351,398,000 Shares in issue as at the Latest Practicable Date.
- (2) APP Printing is the immediate holding company of Nippecraft Limited.
- (3) APP and APP Golden are deemed to have an interest of 223,804,666 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.

- 4.3 Save as disclosed in this Letter, the Directors and the Substantial Shareholders of the Company do not have any interest, whether directly or indirectly, in the Shares of the Company.

5. DIRECTORS' RECOMMENDATIONS

5.1 Proposed Renewal of IPT Mandate

The Directors are of the opinion that the entry by the EAR Group into the Interested Person Transactions with the interested persons is on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders. Further, as the Interested Person Transactions is in the ordinary course of business, it will enhance the efficiency of the Group, and is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the IPT Mandate as set out in the Notice of the AGM.

5.2 Proposed Share Purchase Mandate

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of the AGM.

6. ABSTENTION FROM VOTING

APP Printing, the Controlling Shareholder and a member of the APP Group, will abstain from voting its holding of Shares (if any), and shall ensure that its respective associates will abstain from voting their respective holdings of Shares (if any), on the ordinary resolution relating to the proposed renewal of the IPT Mandate as set out in the Notice of the AGM.

APP Printing will also decline to accept appointment as proxy for any Shareholder to vote in respect of the ordinary resolution relating to the proposed renewal of the IPT Mandate as set out in the Notice of the AGM, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the ordinary resolution.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate and the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.

Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

8. INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the registered office of the Company at 9 Fan Yoong Road Singapore 629787 during normal business hours from the date of this Letter up to and including the time and date of the AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report for FY2017.

Yours faithfully
For and on behalf of
the Board of Directors of
NIPPECRAFT LIMITED

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer

THE IPT MANDATE

1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons.
- 1.2 Terms such as “interested person”, “associate”, “associated company”, “controlling shareholder”, “and entity at risk”, “interested person transaction and transaction” shall have the meanings given to them in the Listing Manual.
- 1.3 Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated NTA, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
 - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.4 Based on the latest audited consolidated financial statements of the Company and its subsidiaries for the FY2017, the consolidated NTA of the group was US\$32,287,000. Accordingly, in relation to the Company for the purpose of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated financial statements of the Group for the financial year ending 31 December 2018 are published, 5% of the latest audited consolidated NTA of the Group would be US\$1,614,350.
- 1.5 Chapter 9 of the Listing Manual, however, allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company’s interested persons. A general mandate is subject to annual renewal.

2. Rationale and Benefit to Shareholders

- 2.1 It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group and the Company’s interested persons are likely to occur from time to time. Such transactions would include, but are not limited to; the provision of goods and services in the ordinary course of business of the EAR Group to the Company’s interested persons or the obtaining of goods and services from them.

APPENDIX A

2.2 In view of the time-sensitive and recurrent nature of commercial transactions, the obtaining of the IPT Mandate pursuant to Chapter 9 of the Listing Manual will enable:

- (a) the Company;
- (b) subsidiaries of the Company (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and
- (c) associated companies of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Company, or the Company and its interested person(s), has or have control, (together, the **"EAR Group"**), or any of them, in the ordinary course of their businesses, to enter into the categories of interested person transactions set out in Paragraph 6 below with the specified classes of the Company's interested persons set out in Paragraph 5 below, provided such interested person transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

2.3 The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings, on each occasion to seek shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an *ad hoc* basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining corporate objectives.

3. Principal Activities

- 3.1 The Company is principally engaged in the business of designing, manufacturing, outsourcing and distributing of planners, organisers, business accessories and general stationery related products (the **"Stationery Business"**).
- 3.2 The Group is also engaged in the business of trading of pulp and paper, waste papers, semi-finished paper products and paper bags (the **"Trading Business"**).
- 3.3 The Company has also diversified into the business of global brand management, product development as well as outsourcing services. The Company intends to leverage on its key brand and product competencies that include knowledge of personal and business enrichment tools along its dominant market position in Australia, the United Kingdom, and South East Asia regions.

4. Scope and Validity Period of the IPT Mandate

- 4.1 The IPT Mandate covers various types of interested person transactions under each category of activities to which the IPT Mandate applies, and describes the review procedures for ensuring that such transactions will be entered into with the specified classes of interested persons on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.
- 4.2 The IPT Mandate will not apply to any transaction by a company in the EAR Group with an interested person that:
 - (a) is below S\$100,000 in value, as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such a transaction; or
 - (b) is equal to or exceeds S\$100,000 in value, but qualifies as an excepted transaction in accordance with Rule 915 of the Listing Manual and is thus exempted from the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual.

Transactions with interested persons that do not fall within the ambit of either of the exceptions in (a) or (b) above, or the scope of the IPT Mandate, will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

- 4.3 The IPT Mandate will take effect from the passing of the Ordinary Resolution relating thereto, and will continue in force until the conclusion of the next AGM of the Company (unless sooner revoked or varied by the Company in general meeting). Approval from shareholders will be sought for the renewal of the IPT Mandate at the next AGM and at each subsequent AGM

APPENDIX A

of the Company, subject to satisfactory review by the Audit Committee of its continued application to the Interested Person Transactions and that the Review Procedures continue to be sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the Company and its minority Shareholders.

5. Classes of Interested Persons

- 5.1 The IPT Mandate will apply to the EAR Group's transactions with companies in the APP Group and associates ("**Mandated Interested Person**"). The APP Group and associates are principally involved in manufacturing and distributing fine printing and writing paper, consumer and industrial packaging products, as well as paper towel and tissue paper.
- 5.2 The direct and/or indirect interests of the APP Group in the Company are as follows:
- (a) APP Printing holds 63.69% of the issued share capital of the Company and is the Controlling Shareholder of the Company;
 - (b) APP Printing is a company incorporated in the Republic of Singapore and is a wholly-owned subsidiary of PT APP, a company incorporated in the Republic of Indonesia;
 - (c) APP, a company incorporated in the Republic of Singapore, holds approximately 89.9% of PT APP; and
 - (d) APP Golden Limited, a company incorporated with limited liability under the laws of the British Virgin Islands, controls approximately 63.32% of the voting power of APP and is considered the ultimate holding company of the Company.
- 5.3 Transactions with Mandated Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

6. Categories of Interested Person Transactions

- 6.1 The transactions with the Mandated Interested Persons which will be covered by the proposed new IPT Mandate relate to transactions by the EAR Group for the sale and purchase of goods and/or raw materials and the provision of services by the Mandated Interested Person in the normal course of the EAR Group's business, of a revenue or trading nature or which are necessary for the EAR Group's day-to-day operations (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of the EAR Group's day-to-day operations) ("**Mandated IPTs**") and are set out in Paragraphs 6.2 and 6.3 below:

6.2 Stationery Business

With respect to the Stationery Business, the Group may, from time to time:

- (a) engage a Mandated Interested Person to produce paper stationeries;
- (b) purchase materials, pulp and paper and products from a Mandated Interested Person;
- (c) engage a Mandated Interested Person as sales agent and enter into commission-based agency agreements with such Mandated Interested Persons for the sale of the Company's products at selling prices to be determined by the Company in overseas markets such as Indonesia, the Middle East, Japan, India and other markets where the Company has yet to establish its sales and distribution network; and
- (d) enter into licensing agreements with Mandated Interested Persons in consideration for the rights to sell products of brands belonging to the Group.

6.3 Trading Business

With respect to the Trading Business, the Group may, from time to time enter into sales and/or purchase agreements with Mandated Interested Persons in respect of pulp, waste papers, semi-finished goods and paper bags on a cost plus markup basis. For the avoidance of doubt, the Group will not be engaged in selling finished paper stationeries products to the Mandated Interested Persons in its Trading Business.

7. Guidelines and Review Procedures

7.1 To ensure that the Mandated IPTs are carried out on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders, the Group has put in place the following guidelines and review procedures for the Mandated IPTs under the proposed IPT Mandate to ensure that transactions with the “interested persons under the IPT Mandate” (including the Mandated Interested Persons) are made on normal commercial terms, and are consistent with the Group’s usual business practices and policies. The Audit Committee of the Company (which currently comprises Mr Khoo Song Koon (Chairman), Mr Lim Yu Neng Paul and Mr Chow Wai San) will also review the Interested Person Transactions on a periodic basis, and give its prior approval for the Interested Person Transactions in accordance with the approval procedures set out in Paragraph 7.3, to ensure that all Interested Person Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Group or the Minority Shareholders.

7.2 The following guidelines and review procedures will be implemented by the Group:

- (a) The guiding principle is that all Mandated IPTs shall be conducted in accordance with the Group’s usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Mandated Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms after taking into account all pertinent factors such as, but not limited to the purchase price, order quantity, product quality, standard of services, reliability, industry norms, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term, discounts and rebates and fluctuations in foreign exchange rates. The Company will use its reasonable endeavours to make comparisons with at least two other quotes from unrelated third parties, wherever possible for the same or substantially similar type of transactions.
- (b) In relation to the engagement of a Mandated Interested Person to produce products and the purchase of materials, pulp and paper and products by the Group from a Mandated Interested Person:
 - (i) subject to and in accordance with Paragraphs 7.1 to 7.2(a) above, the Company will make comparisons against the quotations from at least two other comparative quotations from unrelated third parties and/or an industry recognised benchmark price published by independently verifiable and reliable sources as approved by the Audit Committee from time to time (“**Approved Independent Sources**”) that are reasonably contemporaneous in time, to ensure that such purchase price is no less favourable to the Group. Comparisons will take into consideration, the purchase price, order quantity, product quality, standard of services, reliability, industry norms, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term discounts and rebates and fluctuations in foreign exchange rates; and

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- (ii) in the event where it is impractical or impossible to obtain comparable prices of similar transactions or products reasonably contemporaneous in time due to the nature of the materials, pulp and paper or products to be purchased, such transaction may only be entered into with approval from any two of the Independent Directors and/or Executive Directors with no interest, direct or indirect in the Mandated IPT. Such Independent Directors/Executive Directors will, subject to the procedures and approval thresholds at Paragraph 7.3 below, take such necessary steps which would include but is not limited to (1) relying on corroborative inputs from reasonably experienced market practitioners in order to determine that the terms provided from/to the Mandated Interested Person (as the case may be) are fair and reasonable; and/or (2) evaluate and weigh the benefits of and/or rationale for transacting with the Mandated Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials, pulp and paper or products, order quantity, produce quality, standard of services, reliability, industry norms, experience and expertise, customer requirements, product specifications, delivery schedule, track record, contract duration, credit terms discounts and rebates and fluctuations in foreign exchange rates.
- (c) In relation to the sale of materials, pulp and paper, and products to a Mandated Interested Person:
 - (i) subject to and in accordance with Paragraph 7.1 to 7.2(a) above, in the case of the sale of materials, pulp and paper, and products in the ordinary course of business of the Group, the sale price and/or rates shall be no more favourable to the Mandated Interested Person than the usual commercial terms extended by the Group to unrelated third parties and/or in accordance with applicable industry norms, taking into account factors such as but not limited to, the nature of the materials, pulp and paper, or products, order quantity, product quality, standard of services, reliability, industry norms, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration, discounts and rebates and fluctuations in foreign exchange rates subject to the Group being able to obtain a positive profit margin from the transaction; and
 - (ii) in the event where it is impractical or impossible to obtain comparable prices of similar transactions reasonably contemporaneous in time due to the nature of the materials, pulp and paper or products to be sold, any two of the Independent Directors and/or Executive Directors with no interest, direct or indirect in the Mandated IPT, may at their discretion, determine the reasonableness of the sale price and/or rates, after taking into account factors such as, but not limited to the costs for the materials, pulp and paper and products (including direct and indirect) to be incurred, payment terms, responsiveness, discounts and rebates and comparisons based on relevant costing (if applicable) etc. Furthermore, in the exercise of such discretion, each transaction will be evaluated based on its profitability (as compared to existing profit margins for other products or services provided by the Group) to ensure that transactions are on an arms-length basis and not prejudicial to the interest of the Company and its Minority Shareholders.
- (d) In relation to the engagement or utilisation of a Mandated Interested Person as a sales agent or distributor for the sale of products and/or distribution of products via agency or distributor agreement or entering into licensing agreements with Mandated Interested Persons in consideration for the rights to sell products of brands belonging to the Group:
 - (i) subject to and in accordance with 7.1 to 7.2(a) above, the agent fees, distributor fees and/or commission (where applicable) payable by the Group to the Mandated Interested Person for the engagement of the Mandated Interested Person as a sales agent and/or distributor for the sale and/or distribution of products shall be determined and approved by the Audit Committee prior to the entry of such agency and/or distributor agreement ("**Approved Agency/Distributor Agreement**") with inputs from the relevant departments such as finance and sales departments and after taking into account factors such as, but not limited to, usual or historical margins or cost (where applicable), geographical market, order quantity, reliability, industry norms, experience and expertise, track record, potential for future repeat business, and subject to the Group being able to obtain a positive profit margin from the transaction. For all payments to the Mandated Interested Person as a sales agent and/or distributor, the agent fees, distributor fees and/or commission (where applicable) payable by the Group shall be reviewed and checked against the Approved Agency/Distributor Agreement by the respective approving authorities based on the respective approving limits indicated in Paragraph 7.3 below.

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- (ii) subject to and in accordance with (a) above, the royalty fees payable by the Mandated Interested Person to the Group for the utilisation of the Mandated Interested Person as a distributor of products via a licensing agreement shall be determined and approved by the Audit Committee prior to the entry of such licensing agreement with inputs from independent professionals such as tax consultants, to ensure that such royalty fees or rates are not less favourable than those comparable royalty fees in the respective geographical market and in compliance with respective relevant laws and regulations (“**Approved Licensing Fees**”). The royalty fees payable by the Mandated Interested Person to the Group shall be reviewed and checked against the Approved Licensing Fees by the respective approving authorities based on the respective approval limits indicated in Paragraph 7.3 below.
- (iii) the Audit Committee will, subject to the approval thresholds set out in Paragraph 7.3 below, evaluate and weigh the benefit of and rationale for transacting with the Mandated Interested Person to ensure that the terms of the transaction are in accordance with the applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as but not limited to the nature of the materials, pulp and paper, products or services procured, standard of services, reliability, industry norms, experience and expertise, the applicable laws of the respective countries, geographical location, network, the price competitiveness of the Group’s products and/or services (after incorporating such mark up or fee) and the Group’s profit margin from the transaction.
- (e) The considerations in Paragraphs 7.1 and 7.2 will allow for variations in prices and terms of the comparative offers or sales so long as the volume of trade, credit-worthiness of the buyer, difference in service, reliability or such other relevant factors justify such variations and so long as such comparative offer or sale incorporates modifications that account for volatility of the market for the goods and services in question.

7.3 The following approval procedures will be implemented in respect of the Group to supplement existing internal control procedures for the Mandated IPTs to ensure that such transactions are undertaken on an arm’s length basis and on normal commercial terms. For the avoidance of doubt, where the approving party as stipulated herein is interested in the transaction to be approved, he will abstain from reviewing the transaction and inform the Audit Committee accordingly, and such disclosures should be documented. In the event any equivalent person with the relevant experience and responsibility, as stated below for the various thresholds cannot be determined, the approving authority shall be decided by the Audit Committee. The individual and aggregate transactions review and approval thresholds are set out as follows:

- (a) where the individual or aggregate value of the Interested Person Transactions is equal to or more than S\$100,000 but less than 3% of the Group’s latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of the Group’s Chief Financial Officer or any one Director (each having no interest, direct or indirect, in the Interested Person Transaction). Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval;
- (b) where the individual or aggregate value of the Interested Person Transactions is equal to or more than 3% but less than 5% of the Group’s latest audited NTA, all subsequent Interested Person Transactions will be subject to the prior approval of the Group’s Chief Financial Officer (or equivalent person) and any two Directors (each having no interest, direct or indirect, in the Interested Person Transactions) unless the transaction has been specifically approved by the Audit Committee. Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval; and
- (c) where the individual or aggregate value of the Interested Person Transactions is equal to or more than 5% of the Group’s latest NTA, all subsequent Interested Person Transactions will be subject to the prior approval of the Audit Committee (if a member of the Audit Committee is interested in any Interested Person Transactions, he shall abstain from participating in the review of that particular transaction). The Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of such approval. For the avoidance of doubt, the Audit Committee shall be responsible for such approvals.

In addition, the Group’s Chief Financial Officer (or equivalent person), will review (and document such reviews) all Interested Person Transactions (including Interested Person Transactions that are less than S\$100,000 in value) and its register on a quarterly basis or such other periods as approved by the Audit Committee.

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All approvals must strictly follow the guidelines and review procedures as stipulated in this Paragraph 7.3 and shall be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit.

- 7.4 The above approval thresholds are adopted by the Company after taking into account, inter alia, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for Interested Person Transactions. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the Mandated IPTs.
- 7.5 Any of the persons referred to in Paragraph 7.3 above may, as he deems fit, request for additional information pertaining to the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. If any of the persons referred to in Paragraph 7.3 above:
- (a) is an interested person in respect of that particular Mandated IPT to be reviewed;
 - (b) has an interest, whether direct or indirect, in relation to that particular Mandated IPT; and/or
 - (c) is otherwise not considered independent in relation to that particular Mandated IPT, he will, and will undertake to ensure that his associates will, abstain from any decision making in respect of that particular Mandated IPT.

7.6 Additional Controls

In addition to the review and approval procedures set out in Paragraphs 7.2 to 7.5 above, the Group will also implement the following additional procedures:

- (a) The finance department of the Group will maintain and update a register of all transactions carried out with the Mandated Interested Person pursuant to the IPT Mandate, including those of value below S\$100,000 (the "**IPT Register**"). The IPT Register will record the basis for entering into the Mandated IPTs including but not limited to, including the quotations and supporting evidence or records or details obtained to support such basis, on which they were entered into as well as the approving authority. The IPT Register shall be prepared, maintained, monitored and reviewed on a monthly basis, by both the Group Finance Manager and the Group Chief Financial Officer (or equivalent person) of the Company who are not Interested Persons. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit Committee immediately.
- (b) The Group Chief Financial Officer (or equivalent person) will obtain signed letters of confirmation from key management personnel, Controlling Shareholders and the Directors on a periodic basis (of not more than half year) with respect to their interest in any transactions with the Group.
- (c) the Group Chief Financial Officer (or equivalent person) will maintain a list of the Directors and Controlling Shareholders and their associates of the Company (which is to be updated immediately if there are any changes) to enable identification of Mandated Interested Persons. The master list of Mandated Interested Persons which is maintained shall be reviewed by the Audit Committee on at least a semi-annual basis.
- (d) the Group's annual or periodic (such periods to be decided by the Audit Committee) internal audit plan shall incorporate a review of all Interested Person Transactions (where applicable), including the established review procedures for monitoring of such Mandated IPTs, entered into during the current financial year pursuant to the IPT Mandate. The approving authority in the approval thresholds as set out in Paragraph 7.3 may be delegated with the approval in writing of the Audit Committee, such approval in writing of the Audit Committee to additionally set out the basis for the Audit Committee's approval.

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(e) The Audit Committee shall:

- (i) carry out regular periodic reviews (at least twice a year) on the IPT Register and on all the Mandated IPTs to ascertain that the established guidelines and procedures for the Mandated IPTs have been complied with and are carried out on normal commercial terms. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review;
 - (ii) approve and/or ratify all the records for all the related party transactions to ensure that they comply with the internal control procedures;
 - (iii) consider from time to time (annually or such other period as may be determined by the Audit Committee) whether the established guidelines and procedures for transactions with interested persons have become inappropriate or are unable to ensure that the transactions will be transacted on arm's length basis, and will not be on terms or conditions that would be prejudicial to the interests of the Company. If the Audit Committee is of the view that the guidelines and review procedures have become inappropriate or insufficient to meet such objectives during periodic reviews, the Company will seek a fresh mandate from Shareholders based on new guidelines and review procedures for the Mandated IPTs. During the period prior to obtaining a fresh mandate from Shareholders, all Mandated IPTs will be subject to prior review and approval by the Audit Committee;
 - (iv) review the letters of confirmation from key management personnel, controlling shareholders and the Directors of the Company and all Mandated IPTs on a periodic basis (of not more than half a year) and the outcome of such review shall be minuted;
 - (v) approve the internal control procedures and arrangements for all future interested person transactions to ensure that they are transacted on an arm's length basis, and will not be on terms or conditions that would be prejudicial to the interests of the Company. The review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee; and
- (f) In the event that a member of the Audit Committee is interested in any Mandated IPTs, he shall abstain from participating in the review of that particular transaction.
- (g) The Group's internal auditor shall periodically (based on the internal audit plan as approved by the Audit Committee, and subject to adjustment in frequency, depending on factors such as, inter alia, the substantial increment of aggregate transactional value), report to the Audit Committee on all Mandated IPTs, and the bases of such transactions, entered into with Mandated Interested Persons during the preceding period. Except where the Mandated IPTs concerned are required under the review procedures to be reviewed and approved by the Audit Committee prior to the entry thereof, the Audit Committee shall review such Mandated IPTs at its periodic meetings (which shall be held at least twice a year, or at such other frequency as decided by the Audit Committee).
- (h) For purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT Mandate and/or any Mandated IPTs will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the Mandated IPTs or during its review or approval of any Mandated IPTs.
- (i) The Directors will ensure that all disclosures, approvals and other requirements in respect of the IPT Mandate, including those required by prevailing legislation, the Listing Manual and relevant accounting standards, are complied with.

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8. Disclosures

8.1 In accordance with the requirements of Chapter 9 of the Listing Manual, the Company will:

- (a) disclose in the annual report of the Company the aggregate value of transactions conducted with interested persons pursuant to the IPT Mandate during the financial year (as well as in the annual reports for subsequent financial years that the IPT Mandate continues in force);
- (b) announce the aggregate value of transactions conducted with interested persons pursuant to the IPT Mandate for the financial period that it is required to report on pursuant to Rule 705 of the Listing Manual (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report; and
- (c) disclosures of the Mandated IPTs will be presented in the form set out in Rule 907 of the Listing Manual as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)

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