

2020

ANNUAL
REPORT



NIPPECRAFT

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

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



Corporate Statement

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

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

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

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

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

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Sustainability Initiatives

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

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

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

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

For more details about the Company’s sustainability efforts, please refer to our the Sustainability Report section of this annual report.



The mark of
responsible forestry



CORPORATE INFORMATION

Board of Directors

Independent Non-Executive Chairman Khoo Song Koon

Executive Director and Interim Chief Executive Officer Raja Hayat

Executive Director and Chief Financial Officer Chan Cheng Fei

Independent Directors Lim Yu Neng Paul
Chow Wai San

Audit Committee Khoo Song Koon (Chairman, 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)
9 Raffles Place #19-20 Republic Plaza Tower 2
Singapore 048619

Partner-in-charge:
Kow Wei-Jue Duncan (Appointed on 4 August 2017)

Company Secretaries Raymond Lam Kuo Wei
Lee Lih Feng

Registered Office 9 Fan Yoong Road
Singapore 629787
Tel: (65) 6262 2662
Fax: (65) 6268 4827
Email: investors@nippecraft.com.sg

Share Registrar M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

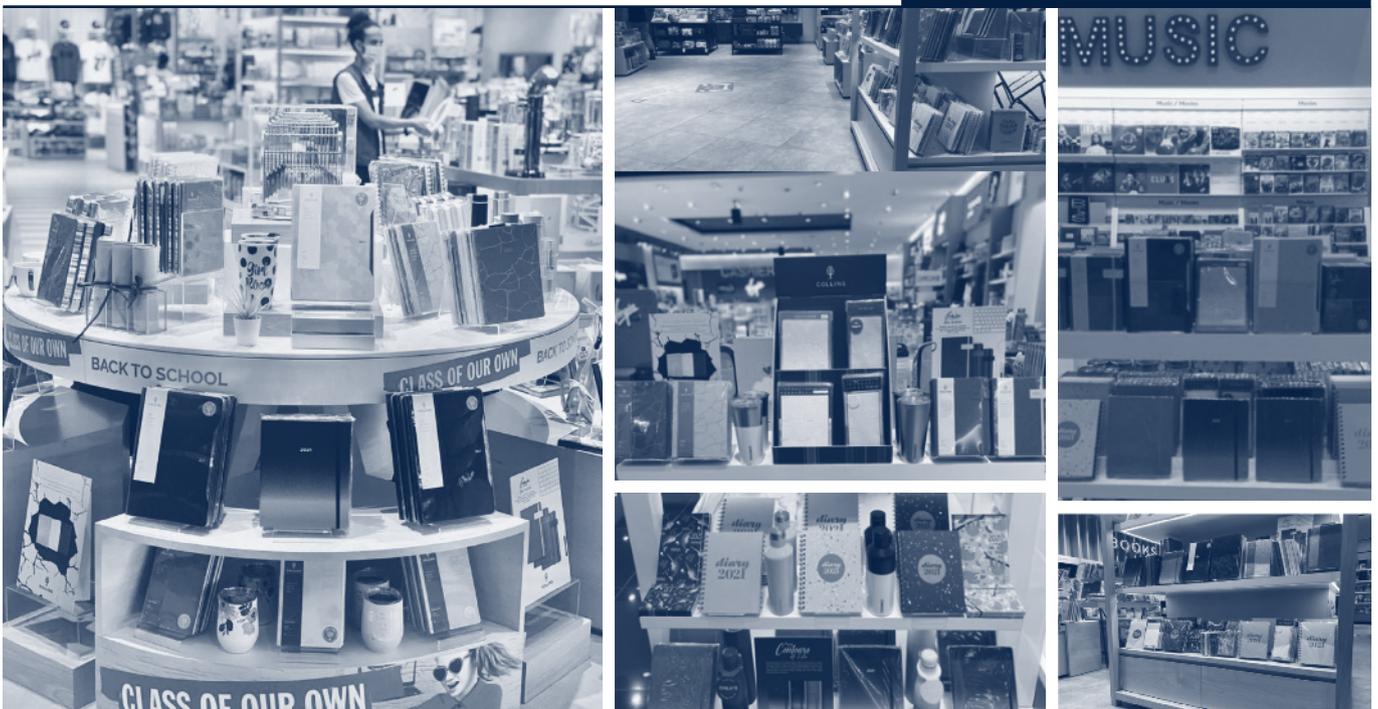
Continuing Sponsor SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

MARKETING ACTIVITIES

Kinokuniya in Dubai



Virgin Megastores in Dubai

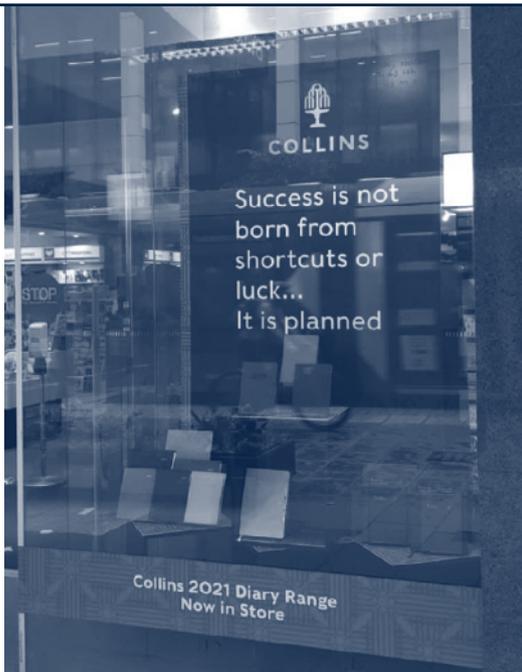


Successful Collins brand launch at Kinokuniya and Virgin Megastore Dubai. At Kinokuniya the brand had been given a 2 weeks window display to showcase Collins products and create more brand awareness. On the other hand, Virgin Megastore had an entrance area table display for a period of 2 weeks as well for the launch.

Dymocks Window Display in Sydney



Dymocks In-store Display in Sydney



Beside the eye-catching window display, Collins showcasing our products at the main entrance front table during this period.

Pop-Up Store and Window Display in Singapore

CK Tangs Pop Up Store



Launching Collins lifestyle Collection at Orchard Tangs together with our latest diaries and notebooks.



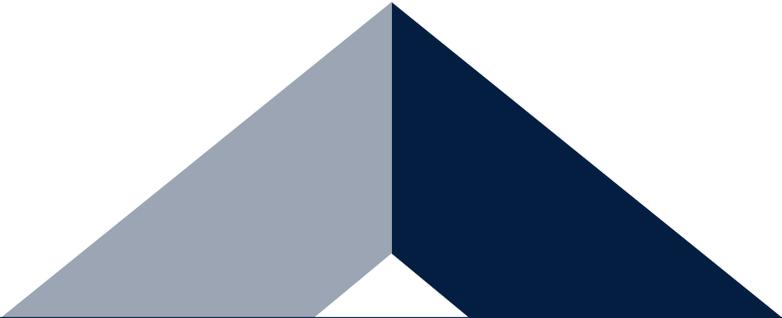
NBC Store Window Display in Raffles City



Window display at Raffles City NBC store showcasing Collins latest diaries – Gaia and Edge collection

A black and white photograph of a desk setup. In the foreground, a stack of spiral-bound notebooks is visible. The top notebook has the word "Notes" written on its cover, flanked by two small dots. A pen lies on the right side of the notebook. To the left, a pair of glasses is partially visible. The background is a blurred desk surface with papers and other items.

Key Financial Data



Key Financial Data	FY2020	FY2019	FY2018	FY2017	FY2016
US\$'000					
Sales for the Group	143,048	120,629	115,037	125,810	114,569
Profit / (Loss) before tax	225	(753)	(299)	97	(2,053)
EBITDA*	1,460	564	949	1,064	183
At year-end (US\$'000)					
Shareholders' funds / Net assets	30,849	30,319	31,050	32,287	31,222
Total assets	57,687	47,663	50,596	66,662	52,284
Total borrowings	–	–	–	–	43
Per Share Data (cents)					
Net earnings / (losses) **	0.017	(0.246)	(0.017)	0.005	(0.560)
Net assets***	8.780	8.63	8.84	9.19	8.89
Financial Ratios					
Return on equity (%)	0.19	(2.82)	(0.19)	0.05	(6.29)
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*

Independent Non-Executive Chairman's Statement

Dear Shareholders,

On behalf of my fellow Board members, I am pleased to present the annual report of the Company for the year ended 31 December 2020.

Year 2020 will be remembered as a pandemic year, a year that the world was fighting against an invisible enemy: the coronavirus or more commonly known as COVID-19. The world tried to contain the spread by imposing national border closures, lockdowns, and social distancing measures. As I draft this statement, the world has started its vaccination exercise with the hope of defeating this invisible enemy.

During the lockdown in Australia and United Kingdom, and the Circuit Breaker in Singapore, the traditional stationery distribution channels via high street stores were all closed. As a result, sales fell drastically. To overcome the sales decline, the stationery business shifted its focus to lifestyle stationery and accelerated its drive towards digitalisation to cater to the growing demand towards online shopping. This has helped, to a certain extent, to cushion our stationery topline. Also, revenue from the trading business increased by 22% which has further softened the impact on the Group's bottom line.

Overall revenue was 19% higher at US\$143.0 million. Stationery business revenue decreased by US\$1.0 million which represents a 7% decline. Through our proactive supply chain management, the Group was able to avoid any material supply disruption due to the pandemic. Trading revenue on the other hand increased by US\$23.5 million which represents a 22% increase mainly due to sales to a mandated interested person arising from an increase in demand for paper products. This brings the total revenue from the trading business to US\$128.3 million.

Overall gross profit margin for FY2020 decreased by 1.3 percentage point mainly due to changes in gross profit contribution by the stationery and trading business. In FY2020, the trading business contributed to approximately 43% of the gross profit, compared to 34% in FY2019. Gross profit margin for the stationery business also decreased by 3.9 percentage point to 30.8% mainly driven by sales mix and higher discounts provided to customers due to the poor consumer sentiments and stock write-down in FY2020. Gross profit margin for trading business was flat at 2.6%.

The Group generated a positive EBITDA of US\$1.5 million as compared to US\$0.6 million

achieved last year. The Group's cash balances strengthened to US\$18.2 million.

We will continue to be sustainable in the activities that we are involved in and will continue to commit in promoting responsibility in forestry practices and be certified by the Forest Steward Council ("**FSC**") and Programme for Endorsement of Forest Certificate ("**PEFC**"). Moving forward, we will increase the share of stationery products that are sustainably sourced. You may obtain more information in the Sustainability Report section of this Annual Report.

We will also like to take this opportunity to thank Ms. Connie Oi Yan Chan ("**Ms. Chan**") for her services rendered to the Company. Ms. Chan has resigned from the office of Executive Director and Chief Executive Officer on 31 December 2020.

The Board would also wish to welcome, both Mr. Raja Hayat ("**Mr. Raja**") and Mr. Chan Cheng Fei ("**Mr. Chan**") to the Board. Mr. Hayat is concurrently the Interim Chief Executive Officer of Nippecraft Limited and the Managing Director of our principal Collins Deben Limited. Mr. Chan concurrently is the Chief Financial Officer of the Company.

The Group will continue to focus on the long-term strategy of driving sustainable growth and create value for our shareholders. With a clear vision and a stronger foundation, Nippecraft will continue to grow its brands to be the preferred in the lifestyle stationery in the region and beyond.

Sincerely

Khoo Song Koon
Non-Executive Chairman and Independent Director
6 April 2021

BOARD OF DIRECTORS

Khoo Song Koon

Non-Executive Chairman and Independent Director

Mr. Khoo was appointed as the Independent Non-Executive Chairman on 1 January 2021. Before his current appointment, he was appointed as an Independent Director of Nippecraft Limited on 27 February 2015 and subsequently assumed the role as the Lead Independent Director on 26 October 2016. He is also the Chairman of the Audit Committee and a member of both the Nominating Committee and the Remuneration Committee.

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

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

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

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

Raja Hayat

Executive Director and Interim Chief Executive Officer

Mr. Hayat was appointed as an Executive Director and Interim Chief Executive Officer on 1 January 2021. He joined the Group as the Managing Director of Collins Debden Limited on 19 June 2017.

Mr. Hayat has extensive retail management experience of more than 27 years in the UK and internationally. He worked for Optical Express from 1995 to 2004 as a Regional Manager. He left and joined Vision Express as the Regional Manager for one year before returning to Optical Express and worked as the Regional Director from 2005 to 2008. From 2008 to 2010 he joined Alshaya Group in Kuwait and managed the operations of six countries in the Middle East. From 2010 to 2017, Mr. Hayat worked as the Divisional Director for the Change Group, a retail foreign exchange company, where he was responsible for Northern Europe and the USA.

Mr. Hayat holds a General Cambridge Examination Advance Level Certificate.

Date of last re-election as a Director: Not applicable

Chan Cheng Fei*Executive Director and Chief Financial Officer*

Mr. Chan was appointed as an Executive Director on 1 January 2021. He joined the Group 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 matter 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.

Date of last re-election as a Director: Not applicable

Lim Yu Neng Paul*Independent Director*

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

Mr. Lim is currently the Managing Director and Head of Private Equity of SBI Venture 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.

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

Chow Wai San

Independent Director

Mr. Chow was appointed as an Independent Director of Nippecraft Limited on 26 October 2016. He is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and the 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 election as a Director: 24 June 2020

Corporate Governance Statement

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

The Listing Manual – Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) requires an issuer to describe its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 (“**2018 Code**”) in its annual report, as well as disclose any deviation from any provision of the 2018 Code and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This report outlines the policies adopted and practised by the Group for its annual report for the financial year ended 31 December 2020 (“**FY2020**”) (“**Annual Report 2020**”) with specific reference to the relevant principles and provisions of the 2018 Code. The Company has generally adopted principles and practices of corporate governance in line with the recommendations of the 2018 Code, save as highlighted and explained in this report.

BOARD MATTERS											
<p>The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.</p>	<p>Principle 1: THE BOARD’S CONDUCT OF AFFAIRS</p>										
<p>As at the date of this report, the Board of Directors of the Company (the “Board” or the “Directors”) is made up of the following members:</p> <table border="0"> <tr> <td>Khoo Song Koon</td> <td>Non-Executive Chairman and Independent Director</td> </tr> <tr> <td>Raja Hayat</td> <td>Executive Director and Interim Chief Executive Officer (“CEO”)</td> </tr> <tr> <td>Chan Cheng Fei</td> <td>Executive Director and Chief Financial Officer (“CFO”)</td> </tr> <tr> <td>Lim Yu Neng Paul</td> <td>Independent Director</td> </tr> <tr> <td>Chow Wai San</td> <td>Independent Director</td> </tr> </table> <p>(Note: Connie Oi Yan Chan our former Executive Chairlady and Chief Executive Officer has resigned from the Company on 31 December 2020.)</p> <p>The Board is accountable to the shareholders for overseeing the effective management of the business. The Board works closely with the management of the Company (the “Management”) and the Management remains accountable to the Board.</p> <p>The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and are fiduciaries who are obliged to act in good faith and to take objective decisions in the best interests of the Group.</p> <p>The Board is also aware of the requirements of Rules 905 and 906 of the Catalist Rules in relation to Interested Person Transactions. The Company will ensure that any Interested Person Transactions is clearly communicated to shareholders in public announcements released via SGXNet, when deemed necessary.</p> <p>The primary functions of the Board, apart from its statutory duties, include:</p> <ul style="list-style-type: none"> • Guide the formulation of the Group’s overall long-term strategic plans and performance objectives as well as operational initiatives; • Oversee the evaluation of the adequacy and effectiveness of financial reporting, internal controls and risk management frameworks; 	Khoo Song Koon	Non-Executive Chairman and Independent Director	Raja Hayat	Executive Director and Interim Chief Executive Officer (“ CEO ”)	Chan Cheng Fei	Executive Director and Chief Financial Officer (“ CFO ”)	Lim Yu Neng Paul	Independent Director	Chow Wai San	Independent Director	<p>Provision 1.1 of the 2018 Code: Directors are fiduciaries who act objectively in the best interests of the Company</p>
Khoo Song Koon	Non-Executive Chairman and Independent Director										
Raja Hayat	Executive Director and Interim Chief Executive Officer (“ CEO ”)										
Chan Cheng Fei	Executive Director and Chief Financial Officer (“ CFO ”)										
Lim Yu Neng Paul	Independent Director										
Chow Wai San	Independent Director										

<ul style="list-style-type: none"> • Monitor the financial performance of the business including approval of release of the annual and interim financial reports and interested person transactions; • Identify the key shareholders groups and recognise that their perceptions affect the Company's reputation; • Approve the nomination of Directors and appointment of key executives; • Approve major proposals involving funding, investments, acquisitions and/or divestments; • Set the Group's approach to corporate governance, including the establishment of the Company's ethical values and standards; • Balance the demands of the business with those of the Company's stakeholders and ensure obligations to material stakeholder groups (including shareholders) are met; and • Consider sustainability issues. <p>The Board adopted a set of ethical values and standards which establishes the fundamental principles of professional and ethical conduct expected of the Directors in the performance of their duties. It includes guidelines on matters relating to conflicts of interest. When an actual, potential and perceived conflict of interest arises, the concerned Director must disclose such interest, recuse himself or herself from discussions and decisions involving the matter and abstain from voting on resolutions regarding the matter.</p>	
<p>All Directors are aware of their fiduciary duties and are committed to exercising due care and diligence in making their decisions and to objectively discharge their duties and responsibilities in the best interest of the Company. Aside from their statutory duties, the key roles of different classes of Directors are set out below:</p> <ul style="list-style-type: none"> • The Executive Directors, who are members of the Management are involved in the day-to-day running of the Group's business operations. The Executive Directors work closely with the Independent Directors on the long-term sustainability and success of the Group. They provide insights and recommendations on the Group's operations at the Board and Board Committee meetings. • Our Independent Directors do not participate in the Group's business operations and are deemed independent by the Board. They provide independent and objective advice and insights to the Board and the Management. They constructively challenge the Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of the Management's performance in achieving the strategic goals as well as the appointment, assessment and remuneration of the Executive Directors and the Executive Officer. <p>The Executive Directors are appointed by way of service agreements while the Independent Directors are appointed by way of letters of appointment. The duties and responsibilities of Directors are clearly set out in these service agreement and letters of appointment.</p> <p>New Directors would be briefed on the Group's industry, business, organisation structure, and strategic plans and objectives. Relevant policies and procedural guidelines would also be provided. Orientation for new Directors includes meetings with various key executives of the Management and visits to the Group's key premises to familiarise themselves with the operations. Furthermore, it is a requirement under Rule 406(3)(a) of the Catalist Rules for first-time appointees on boards of public listed companies in Singapore to attend the Listed Entity Director (“LED”) programme organised by the Singapore Institute of Directors (“SID”) as prescribed under Practice Note 4D of the Catalist Rules. Raja Hayat and Chan Cheng Fei, who were both appointed to the Board on 1 January 2021 will be attending the prescribed LED programme by SID as prescribed by the SGX-ST within one (1) year from the date of their appointment.</p>	<p>Provision 1.2 of the 2018 Code: Directors' duties, induction, training and development</p>

<p>During FY2020, the Directors were provided with updates on changes in laws and regulations, including the Companies Act, Chapter 50 of Singapore (“Companies Act”), the Catalyst Rules and the Code of Corporate Governance, which are relevant to the Group. The external auditors regularly update the Audit Committee and the Board on the developments in the Singapore Financial Reporting Standards (International) (“SFRS(I)”) which are applicable to the Group. Changes to regulations and accounting standards are monitored closely by the Management. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Group during Board and Board Committee meetings.</p> <p>Some Directors have also attended courses organised by the SID, Institute of Singapore Chartered Accountants, Accounting and Corporate Regulatory Authority, Singapore Exchange Limited, Certified Practising Accountant, Australia, Thomson Reuters and RSM Singapore.</p> <p>The Nominating Committee evaluates the individual Directors’ competencies and recommends to the Board on training and development programmes for each Director. Our Directors are also encouraged to attend relevant seminar and training programmes to enhance their skills and knowledge, the expenses of which will be borne by the Company.</p>	
<p>Although the day-to-day management of the Company is delegated to the Executive Directors, there are matters which are required to be decided by the Board as a whole.</p> <p>Matters specifically reserved for the Board’s decision include but not limited to:</p> <ul style="list-style-type: none"> • Changes to the Group’s capital structure and corporate structure; • Material investments, acquisitions and disposals of assets; • Material capital expenditure; • Material Group policies; • Recommendation/declaration of dividend; • Annual budgets, financial statements (interim and full year), annual reports, circulars to shareholders and announcements to be submitted to the SGX-ST; • Appointment or removal of Directors, company secretary and Executive Officers of the Company; and • Interested Person Transactions. <p>Certain important matters could be subject to the recommendation by the respective Board Committees. Matters which the Board considers suitable for delegation to a Board Committee are contained in the terms of reference of the respective Board Committees.</p>	<p>Provision 1.3 of the 2018 Code: Matters requiring Board’s approval</p>
<p>Board Committees, namely Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) have been established to assist the Board. No Risk Committee was established as the responsibility continues to be resided by the Board. Each Board Committee has its own terms of reference, setting out the composition, authorities and duties, which are approved by the Board. All Board Committees are chaired by an Independent Director. While these Board Committees are delegated with certain responsibilities, the responsibility for decisions relating to matters under the purview of the Board Committees ultimately lies with the entire Board.</p> <p>The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other further information on the Board Committees can be found in the subsequent sections of this report.</p>	<p>Provision 1.4 of the 2018 Code: Board Committees</p>

Board and Board Committee meetings are held regularly, with Board and AC meetings held at least twice a year and RC and NC meetings held at least once a year. Board and Board Committee meetings and annual general meetings are scheduled in advance to facilitate the Directors' attendance. Ad-hoc meetings will be convened when the Board's guidance or approval is required, outside of the scheduled Board meetings.

The number of Board and Board Committees meetings held during FY2020 and the attendances of the Directors at these meetings are set out below:

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

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

In accordance with the Company's Constitution, a Director who is unable to attend a Board meeting can still participate in the meeting via telephone conference, video conference or similar communication means whereby all persons participating can hear each other. Important matters concerning the Group can also be put to the Board and Board Committees for decision by way of written resolutions.

Our Directors have made a conscious effort to make themselves available and accessible to the Management for discussion and consultation outside the framework of formal meetings. Directors contribute by providing the Management with guidance and counsel on the strategic direction of the Company's plan, business and operations. As a consequence, the contribution of our Directors goes beyond attendance at formal Board and Board Committees meetings. Attendance at formal meetings alone is not a fair reflection of the true value and substance of their invaluable contributions.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. In support of their candidature for directorship or re-election, Directors are to provide the NC with details of their other commitments and an indication of the time involved.

The Board and the NC have established a guideline on the maximum number of listed company directorships and other principal commitments that each Director is allowed to hold and this guideline can be found under Principle 4 of this report.

Provision 1.5 of the 2018 Code: Attendance and participation in Board and Board Committee Meetings

The Management recognises that relevant, complete and accurate information needs to be provided to the Directors prior to meetings and on an on-going basis to enable the Directors to make informed decisions and discharge their duties and responsibilities effectively and efficiently.

Provision 1.6 of the 2018 Code: Complete, adequate and timely information to make informed decisions

<p>The Management provides members of the Board with quarterly management accounts, as well as relevant background information relating to the matters that are discussed at the Board and Board Committees meetings. Such reports keep the Board informed of the Group's performance, financial position and prospects, and consist of the consolidated financial statements, major operational updates, background or updates on matters before the Board for decision or information. The Board is also provided with minutes of the previous Board meeting, and minutes of meetings of all Board Committees held. Detailed Board papers are sent out to the Directors at least seven (7) calendar days before the scheduled meetings so that the Directors may better understand the issues beforehand, allowing for more time at such meetings for questions that Directors may have.</p> <p>Any additional materials or information requested by the Directors are promptly furnished. If necessary, management staff who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentation and answer any queries that the Directors may have.</p> <p>In respect of the annual budget of the Group, material variance between budgeted results and actual results would be disclosed and explained by the Management at Board meetings.</p> <p>The Management will also inform the Board of all significant events as and when they occur and circulate Board papers and supporting information on major transactions to facilitate a robust discussion before the transactions are entered into.</p>	
<p>The Board has separate and independent access to the Management, the company secretaries and external professionals, including our Sponsor, legal counsels and auditors.</p> <p>The Management, together with the Company Secretary, are responsible for ensuring the Group's compliance to Board procedures and other applicable rules and regulations. The Management is responsible for day-to-day operations and administration of the Group and they are accountable to the Board.</p> <p>The role of the company secretaries is clearly defined and includes:</p> <ul style="list-style-type: none"> • Attending all Board and Board Committees meetings and ensuring that meeting procedures are followed; • Together with the Management, ensuring that the Company complies with all relevant requirements of the Companies Act and the Catalist Rules; • Advising the Board on all corporate governance matters; and • Assisting the Chairman of the Board and Chairman of each Board Committee in ensuring adequate and timely flow of information within the Board or the Board Committees and between the Management and the Board or the Board Committees. <p>The appointment and removal of the company secretaries are subject to the approval of the Board as a whole.</p>	<p>Provision 1.7 of the 2018 Code: Separate and independent access to Management, company secretary and external advisers; Appointment and removal of the company secretary</p>
<p>The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.</p>	<p>Principle 2: BOARD COMPOSITION AND GUIDANCE</p>

As at the date of this report, Khoo Song Koon, the Chairman of the Board is independent. The Board comprises a total of five (5) Directors, of whom three (3) are considered independent by the Board. The independent element on the Board is strong and this enables the Board to exercise objective independent judgement on corporate affairs and provide the Management with a diverse and objective perspective on issues.

The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a checklist annually to confirm his independence in accordance with the guidelines on independence set out in the 2018 Code and the Catalyst Rules.

An Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. The NC and the Board have reviewed and ascertained that all Independent Directors are independent according to the 2018 Code, its Practice Guidance and Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalyst Rules and noted that:

- (a) the Independent Directors: (i) are not employed by the Company or any of its related corporations in the current or any of the past three (3) financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is determined by the RC;
- (b) none of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received material services or significant payments to and/or from the Group when aggregated over any financial year in excess of S\$50,000 for services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organization which provided or received material services or significant payments to and/or from the Group when aggregated over any financial year in excess of S\$200,000 for services rendered; and
- (c) none of the Independent Directors are directly associated with a substantial shareholder of the Company.

Save for Lim Yu Neng Paul, who was appointed to the Board on 29 July 2011, none of the Independent Directors has served on the Board beyond nine (9) years from the date of first appointment. Therefore, pursuant to Rule 406(3)(d)(iii) of the Catalyst Rules which will be effective from 1 January 2022, Lim Yu Neng Paul will be subject to the two-tier vote i.e. (i) by all shareholders; and (ii) by all shareholders excluding shareholders who are Directors or CEO and their associates at the forthcoming Annual General Meeting should he choose to offer himself for re-election and remain as an Independent Director beyond 1 January 2022.

Lim Yu Neng Paul has initially expressed his intention to retire and not to seek re-election in the forthcoming Annual General Meeting to make way for Board renewal and be in compliance with the 2018 Code.

However, the NC (excluding Lim Yu Neng Paul) has requested for him to remain as an Independent Director until the earlier of (i) the identification of a new director in place of Lim Yu Neng Paul; or (ii) 31 December 2021. In reaching its decision, the NC (excluding Lim Yu Neng Paul) has noted that Lim Yu Neng Paul demonstrated independence in mind and conduct during the Board and Board Committee meetings. It has also noted that Lim Yu Neng Paul has developed a deep insight into the Group's operations and industry over the years and will be able to impart invaluable knowledge to the Board.

Provision 2.1 of the 2018 Code:
Director independence

Provision 2.2 of the 2018 Code:
Independent Directors make up a majority of the Board where the Chairman is not independent

<p>In view of the above and to provide the NC ample time to search for a suitable replacement director, Lim Yu Neng Paul has agreed to offer himself for re-election in the forthcoming Annual General Meeting. However, as he does not intend to remain as an Independent Director beyond 1 January 2022, he will not be subject to the two-tier vote.</p> <p>The NC is in the process of identifying suitable candidates to take over the Independent Director's positions held by Lim Yu Neng Paul. Once the candidate is identified, the Company will keep Shareholders informed of the progress via announcement on the SGXNet.</p>	
<p>Non-executive Directors make up three (3) out of five (5) Board members and therefore constitute the majority.</p>	<p>Provision 2.3 of the 2018 Code: Non-executive Directors make up a majority of the Board</p>
<p>The Company recognises and embraces Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment.</p> <p>Although the Company does not have a formal Board diversity policy in place, in reviewing the composition of the Board and the Board Committees, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.</p> <p>However, diversity is not merely limited to gender or any other personal attributes. The benefits of Board diversity could only be harnessed if Directors adopt an independent mindset when carrying out their responsibilities. In order to gather and leverage on diverse perspectives, the Chairman of the Board strives to cultivate an inclusive environment where all Directors are able to speak up and participate in decision making.</p> <p>The ultimate decision for new Board appointments will be based on merit and contribution that the selected candidates are expected to bring to the Board.</p> <p>The Board has examined the size of the Board and the Board Committees and is of the view that it is an appropriate size for effective decision-making, considering the nature and scope of the Group's operations. No individual or small group of individuals dominate the Board's decision making. The Board and Board Committees comprises business leaders and professionals taking into account the scope and nature of the operations of the Group. The standing of the members of the Board in the business and professional communities, and with their combined business, management and professional experience, knowledge and expertise, provide the necessary core competencies to meet the Group's needs and to allow for diverse and objective perspectives on the Group's strategic direction and growth. The profiles of the Directors are set out in the "Board of Directors" section of the Annual Report 2020.</p>	<p>Provision 2.4 of the 2018 Code: Size and composition of the Board and Board Committees; Board diversity policy</p>
<p>To facilitate a more effective check on the Management, the Independent Directors meet at least once a year with the internal and external auditors without the presence of the Management. The Independent Directors also communicate with each other from time to time without the presence of the Management to discuss the performance of the Management and any matters of concern such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. Feedback arising from such meetings or discussions is provided to the Board, as appropriate.</p>	<p>Provision 2.5 of the 2018 Code: Independent Directors meet regularly without the presence of the Management</p>

<p>There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision- making.</p>	<p>Principle 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER</p>
<p>Khoo Song Koon holds the position as Independent Non-Executive Chairman of the Board while Raja Hayat holds the position of interim CEO. The Board continues to search and identify a suitable candidate as CEO of the Group. The Chairman and interim CEO are not related and the separation of the roles of the Chairman and the interim CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.</p> <p>In addition, all major proposals and decisions made by the interim CEO is discussed with and reviewed by the AC. His performance and continued appointment to the Board will be reviewed periodically by the NC while his remuneration package will be reviewed periodically by the RC. With the existence of Board Committees imbued with the power and authority to perform key functions, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in any single individual.</p>	<p>Provision 3.1 of the 2018 Code: Chairman and CEO are separate persons</p>
<p>The Chairman promotes a culture of openness and debate at the Board level and ensures that corporate information is adequately disseminated to all Directors on a timely manner to facilitate discussions at meetings. In addition, he encourages constructive relations within the Board and between the Board and the Management to facilitate effective contribution of all Directors. The Chairman also ensures effective communication with shareholders and other stakeholders. The Chairman is assisted by the Board Committees in ensuring compliance with the Company's standards of corporate governance.</p> <p>The CEO / interim CEO is responsible for the overall management of the Group and charting the corporate strategies for future growth with the support of the Management.</p>	<p>Provision 3.2 of the 2018 Code: Division of responsibilities between Chairman and CEO</p>
<p>No lead independent director is appointed as the Chairman of the Board is independent.</p>	<p>Provision 3.3 of the 2018 Code: Lead Independent Director</p>

<p>The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.</p>	<p>Principle 4: BOARD MEMBERSHIP</p>
<p>The NC comprises three (3) Independent Directors, namely Mr Lim Yu Neng Paul (Chairman), Mr Khoo Song Koon and Mr Chow Wai San.</p> <p>The NC's responsibilities, as set out in its terms of reference, include, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> • 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; • To regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary, including the review of training and professional development programmes for the Board and its Directors; • To determine the process and criteria for search, nomination, selection and appointment of new Board members and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent as well as to ensure that new Directors are aware of their duties and obligations and provides training where necessary; • To review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman and CEO) and Executive Officer; • To determine, upon appointment and subsequently on an annual basis, and as and when circumstances require, if a Director is independent; • To ensure that all Directors must submit themselves for re-nomination and re- appointment at least once every three (3) years, and to recommend Directors who are retiring by rotation to be put forward for re-election; • To decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations; • To recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and • To be responsible for assessing the effectiveness of the Board as a whole and for assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. 	<p>Provision 4.1 of the 2018 Code: NC to make recommendations to the Board on relevant matters</p> <p>Provision 4.2 of the 2018 Code: Composition of NC</p>

The NC conducts an annual review the nomination of the relevant Directors for re-election and re-appointment, as well as the independence of Directors. The NC conducts an annual performance assessment of individual Directors. When considering the nomination of Directors for re-election and re-appointment, the NC takes into account their contributions to the effectiveness of the Board, the preparedness, participation and competing time commitment faced by Directors who are faced with multiple board representations. The NC, in assessing the performance of each individual Director, considers sufficient time and attention has been given by the Directors to the affairs of the Company.

The NC's criteria for the selection and appointment of new Directors is based on potential candidates' skills, knowledge and experience. The NC would conduct a review of the skills and experience that is needed of a potential candidate and thereafter actively seek out such potential nominees that can provide positive contributions in those areas to the Board by conducting external searches, including using headhunters and/or relying on personal and professional networks. The NC will take an active role in screening and interviewing potential candidates before assessing the candidate's suitability and recommending him/her for nomination to the Board. The NC will also consider the need to position and shape the Board in line with the evolving needs of the Company and the business. The Board retains the final discretion in appointing new Directors.

Regulation 154 of the Company's Constitution states that any Director so appointed by the Board shall hold office only until the next annual general meeting of the Company ("**AGM**") and shall then be eligible for re-election. No new Director was appointed by the Board in FY2020.

In addition, Regulation 144 of the Company's Constitution states that at each AGM, one-third (or if their number is not three or a multiple of three, then the number nearest one-third) of the Directors for the time being, shall retire from office and that all Directors shall retire from office at least once in every three (3) years and such retiring Directors shall be eligible for re-election. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

The NC recommended that Independent Director, Lim Yu Neng Paul, who was re-elected in year 2018 and Executive Directors, Raja Hayat and Chan Cheng Fei, who were appointed on 1 January 2021, be put forward for re-election at the forthcoming AGM. The Board accepted the recommendation and being eligible, Lim Yu Neng Paul, Raja Hayat and Chan Cheng Fei will be offering themselves for re-election in the forthcoming AGM. The details of the Directors seeking for re-election as required under Rule 720(5) of the Catalist Rules are set out in the "Additional Information on Directors Seeking Re-election" section of the Annual Report 2020.

Lim Yu Neng Paul, having been first appointed to the Board on 29 July 2011, has served on the Board for more than nine (9) years.

Notwithstanding that Lim Yu Neng Paul has served beyond nine (9) years, since the date of his first appointment, the NC and the Board are of the view that Lim Yu Neng Paul is independent, having considered the following:

- (i) he has exercised objective character and judgment providing non-aligned advice and insights;
- (ii) he has sought clarification of matters and challenged proposal put forward by management from time to time as he deemed fit;

Provision 4.3 of the 2018 Code: Process for the selection, appointment and re-appointment of Directors

- (iii) he contributed non-partisan constructive ideas throughout his term of office;
- (iv) he did not receive any gift or financial assistance from the Group;
- (v) he has no personal and business relationship with the Company's substantial shareholders, executive directors or management that could impair his fair judgement;
- (vi) he is non-executive and he does not interfere with the day-to-day management of the business operations or participate in any operational or management meetings; and
- (vii) he is not financially dependent on fees received from the Company and his fees are not linked to the financial performance of the Group.

The NC had also conducted the following reviews and assessment:

- (a) review Board and Board Committees meeting minutes to assess questions and voting actions of Lim Yu Neng Paul;
- (b) performance assessment on Lim Yu Neng Paul done by the other Directors; and
- (c) Lim Yu Neng Paul's declaration of independence.

In consideration of the above, the Board has determined that Lim Yu Neng Paul's tenure in office does not affect his ability to discharge his duties as Independent and Non-Executive Director, the Chairman of the NC, member of both the AC and RC. Lim Yu Neng Paul was not involved in the deliberation of his continued appointment with the Board.

The Board has recommended that the approval of the Shareholders be sought through an ordinary resolution for the continuation of office of Lim Yu Neng Paul who has served as an Independent Non-Executive Director of the Company for an aggregate term of more than nine (9) years. As Lim Yu Neng Paul will be stepping down from the Board latest by 31 December 2021, he will not be subjected to the two-tier vote pursuant to Rule 406(3)(d) (iii) of the Catalist Rules. Please refer to Provision 2.1 above for more details.

Together with Raja Hayat and Chan Cheng Fei, who are both Executive Directors appointed on 1 January 2021, both eligible for re-election and have offered themselves for re-election, the Board has accepted and recommended that, Lim Yu Neng Paul, Raja Hayat and Chan Cheng Fei seek approval for their respective re-appointment in separate resolutions, at the forthcoming AGM.

The Board is of the opinion that it is in compliance with the new Catalist Rules, due to the following reasons:

- (a) the Chairman of the Board is an Independent Director;
- (b) at least 50% of the Board are Non-Executive Directors; and
- (c) Independent Directors comprise more than one-third of the Board.

The details of the Directors seeking for re-election as required under Rule 720(5) of the Catalist Rules are set out in the "Additional Information on Directors Seeking Re-election" section of the Annual Report 2020.

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each Independent Director is required to complete a checklist annually to confirm his independence. Further, an Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. The NC is of the view that the Independent Directors are independent. As at the date of this report, there is no relationship or circumstance set forth in Provision 2.1 of the 2018 Code which puts the independence of the Independent Directors in question save as disclosed.

To ensure Directors devote sufficient time to and attention to the affairs of the Group, if a Director is holding a full-time commitment, the maximum number of directorships he may hold in listed companies is four (4) and if he is not holding a full-time commitment, the maximum number of directorships he may hold in listed companies is six (6).

In addition to the number of listed company directorships and other principal commitments, the NC also takes into account of the results of the annual evaluation of each Director's effectiveness and the respective Directors' conduct at the Board and Board Committees meetings to determine whether the Director is able to discharge his or her duties diligently.

In respect of FY2020, notwithstanding that some of the Directors have multiple board representations, the NC was satisfied that where Directors had other listed company board representations and/or other principal commitments, all Directors were able to carry out and had been adequately carrying out their duties as Directors of the Company. The NC took into account attendance and contribution at Board and Board Committees meetings and ad-hoc discussions by each Director in deciding the capacity of the Directors. Currently, none of the Directors holds more than the stipulated maximum number of directorships in listed companies. Please refer to the "Board of Directors" section of the Annual Report 2020 for the listed company directorships and other principal commitments of the Directors.

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

Provision 4.4 of the 2018 Code: Circumstances affecting Director's independence

Provision 4.5 of the 2018 Code: Multiple listed company directorships and other principal commitments

<p>The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.</p>	<p>Principle 5: BOARD PERFORMANCE</p>
<p>The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board.</p> <p>During the financial year, all Directors were requested to complete Board Evaluation Questionnaire, Evaluation Questionnaire for each Board Committee and Individual Director Evaluation Checklist designed to seek their views on the various aspects of the Board, Board Committees and individual Directors performance so as to assess the overall effectiveness of the Board. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before they were submitted to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. The Company did not engage an external facilitator in respect of the Board performance assessment process.</p> <p>The performance criteria for the Board evaluation are in respect of Board size and composition, Board independence, Board processes, Board information and accountability.</p> <p>Board performance in relation to discharging its principal functions and Board Committees performance in relation to discharging their responsibilities as set out in their respective terms of reference. Individual Directors performance takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors.</p> <p>Where appropriate, the Board will review and make changes to the assessment forms to align with prevailing regulations and requirements. The performance criteria shall not be changed from year to year without justification. These assessments are carried out and overseen by the NC for each financial year to evaluate the effectiveness of the Board as a whole and recommendations based on these assessments would be tabled to the Board for discussion and/or adoption. The Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of Directors may be sought.</p> <p>Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.</p>	<p>Provisions 5.1 and 5.2 of the 2018 Code: Assessment of effectiveness of the Board and Board Committees and assessing the contribution by each Director</p>
<p>REMUNERATION MATTERS</p>	
<p>The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.</p>	<p>Principle 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES</p>

<p>The RC comprises three (3) Independent Directors, namely Mr Chow Wai San (Chairman), Mr Khoo Song Koon and Mr Lim Yu Neng Paul.</p> <p>The RC's responsibilities, as set out in its terms of reference, include, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> • To develop and maintain a formal and transparent policy for the determination of the remuneration packages of individual Director and Executive Officer; • To review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, CEO (or equivalent), Executive Officer and employees related to Directors or controlling shareholders of the Group; • As part of its review, to ensure, <i>inter alia</i>, that (i) all aspects of remuneration, decisions, including Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefit-in-kind and termination payments should be covered, (ii) the remuneration packages should be comparable within the industry and comparable organisations and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and Executive Officer's performance, and (iii) the Company's obligations arising in the event of termination of the Executive Director's and Executive Officer's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; • In the case of Directors with service contracts, to determine the period of employment, after which they are subject to re-election or renewal of their service contracts, whichever is earlier, and to consider what compensation commitments the Directors' service contracts, if any, would entail in the event of early termination; • To ensure all its recommendations to the Board should first be made in consultation with the CEO (or equivalent); and • To seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary and if external advice is obtained, to review whether the remuneration consultant has any relationship with the Company that could affect his or her independent and objectivity. <p>The recommendations of the RC shall be submitted for endorsement by the Board. Each RC member shall abstain from reviewing, deliberating and voting on any resolution in respect of his remuneration package or that of any employees who are related to him.</p>	<p>Provision 6.1 of the 2018 Code: RC to recommend remuneration framework and packages</p> <p>Provision 6.2 of the 2018 Code: Composition of RC</p>
<p>The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual Director and Executive Officer with an aim to be fair and to avoid rewarding poor performance, before making any recommendation to the Board. It reviews the remuneration packages with aim of building capable and committed management teams through competitive compensation and focused management and progression policies. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration decisions, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, benefits-in-kind, termination payments and specific remuneration package for each Director. In addition, the RC reviews the performance of the Group's Executive Officer taking into consideration the CEO / interim CEO's assessment and recommendation for remuneration and bonus.</p> <p>Please refer to Principle 7 below for further details on the RC's consideration in determining the remuneration of the Directors and Executive Officer.</p>	<p>Provision 6.3 of the 2018 Code: RC to consider and ensure all aspects of remuneration are fair</p>

<p>During FY2020, the Company did not engage any remuneration consultant to seek advice on remuneration matters. Moving forward, the RC will consider the need to engage such external remuneration consultants when specific needs arise and where applicable, it will review the independence of the external firm before engaging them.</p>	<p>Provision 6.4 of the 2018 Code: Expert advice on remuneration</p>
<p>The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.</p>	<p>Principle 7: LEVEL AND MIX OF REMUNERATION</p>
<p>In determining the remuneration packages of the Executive Director and Executive Officer, the RC takes into consideration the remuneration and employment conditions within the same industry or comparable organisations as well as the Group's size and scope of operations. A significant and appropriate portion of the Executive Director's and Executive Officer's remuneration shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Executive Director's and Executive Officer's performance, including the review of the information on the relationships between remuneration, performance and value creation of the Company. Such performance related remuneration takes into account the risk policies of the Company, is symmetric with risk outcomes and is sensitive to the time horizon of risks. In assessing the performance of the Executive Director and Executive Officer, the RC takes into the account the financial and operational performance of the Group as well as the management's execution and expansion growth and strategic objective of the Company.</p> <p>Executive Directors do not receive Director's fees but is remunerated as member of the management team. The remuneration packages of the Executive Directors and Executive Officers comprise a basic salary component and a variable component which is the annual bonus based on the performance of the Group as a whole and their individual performance.</p> <p>This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. The RC has the discretion not to award incentives in any year if an executive is involved in misconduct or fraud resulting in financial loss to the Company. Service contract for Executive Director does not contain onerous removal clauses.</p> <p>Having reviewed and considered the variable component of the Executive Directors and Executive Officers, the RC is of the view that there is no requirement to institute contractual provisions to allow Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the Executive Directors and Executive Officers.</p> <p>The Company does not offer any share-based compensation scheme or any long-term scheme involving the offer of shares or options to the Executive Directors, CEO / interim CEO, Executive Officers and key management personnel. The RC may consider other forms of long-term incentive schemes for the Management when necessary.</p>	<p>Provisions 7.1 and 7.3 of the 2018 Code: Remuneration of Executive Directors and key management personnel are appropriately structured to encourage good stewardship and promote long-term success of the Company</p>

The Independent Directors are paid Directors' fees which take into consideration their contribution, effort, time spent and responsibilities. They are not overly remunerated to the extent that their independence may be compromised. The Directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at the AGM.

The Board concurred with the RC that the proposed Directors fees of S\$123,500 (equivalent to US\$94,000) for the year ending 31 December 2021 to be paid quarterly in arrears is appropriate. The 2021 Directors' fees are set out in ordinary resolution 5 of the notice of AGM for approval by shareholders of the Company. Except as disclosed in the Annual Report 2020, the Independent Directors do not receive any remuneration from the Company.

The Company does not offer any share-based compensation scheme or any long-term scheme involving the offer of shares or options to the Independent Directors.

Provision 7.2 of the 2018 Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Principle 8: DISCLOSURE ON REMUNERATION

A summary compensation table of the Directors' remuneration of the Group for FY2020 is set out below:

Provisions 8.1 and 8.3 of the 2018 Code: Remuneration disclosures of Directors and key management personnel; Details of employee share schemes

Name of Directors	Salary inclusive of AWS and Employer's CPF	Variable Component or Bonuses inclusive of Employer's CPF	Benefits-in-Kind, Allowances and Other Incentives	Directors' Fees	Total
	S\$	S\$	S\$	S\$	S\$
Connie Oi Yan Chan ⁽¹⁾	580,396	–	–	–	580,396
Khoo Song Koon	–	–	–	37,000	37,000
Lim Yu Neng Paul	–	–	–	34,500	34,500
Chow Wai San	–	–	–	34,500	34,500
Total	580,396	–	–	106,000	686,396

Notes:

⁽¹⁾ Connie Oi Yan Chan ceased to be Executive Chairlady and CEO on 31 December 2020.

A breakdown (in percentage terms) of the remuneration earned by the Executive Officer and top 5 key management personnel (who are not Directors or the CEO of the Company) during FY2020 is as follows:

Name of Executive Officer and Key Management Personnel	Designation	Salary inclusive of AWS and Employer's CPF	Variable Component or Bonuses inclusive of Employer's CPF	Benefits-in-Kind, Allowances and Other Incentives	Total
		%	%	%	%
Below S\$250,000					
Executive Officer					
Chan Cheng Fei ⁽¹⁾	Chief Financial Officer	100	–	–	100
Key Management Personnel					
Raja Hayat ⁽²⁾	Managing Director, Collins Debden Limited	94	–	6	100
Luke McDonald ⁽³⁾	Managing Director, Collins Debden Pty Ltd	100	–	–	100
Matthew Zec ⁽⁴⁾	General Manager, Sales of Collins Debden Pty Ltd	100	–	–	100
Koh Sally	General Manager, North and Southeast Asia	94	–	6	100
Lee Kelvin	Group Head of Marketing	100	–	–	100
Philip Anthony Barr	Group Head of Supply Chain	100	–	–	100

Note:

- (1) Mr. Chan Cheng Fei was an Executive Officer of the Company prior to being appointed as Executive Director from 1 January 2021.
- (2) Mr. Raja Hayat was a key management personnel of the Company prior to being appointed as Executive Director and interim CEO from 1 January 2021.
- (3) Mr. Luke McDonald joined on 30 November 2020.
- (4) Subsequent to the appointment of a Managing Director for Collins Debden Pty Ltd and a shift in focus of Mr. Matthew Zec's role, he will no longer be considered a key management personnel of the Group on 15 January 2020. His designation as the General Manager, Sales of Collins Debden Pty Ltd remains unchanged.

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

<p>The Board is of the view that full disclosure in aggregate of the total remuneration paid to the Executive Officer and each of the above key management personnel would not be in the interest of the Company as such information is confidential and sensitive, may be exploited by competitors and the importance of maintaining the cohesion and spirit of team work prevailing among senior management executives of the Group. The total remuneration paid to the Executive Officer and top 5 key management personnel of the Group (who are not Directors or the CEO of the Company) in FY2020 amounted to S\$1,011,000 (equivalent to approximately US\$732,000).</p>	
<p>None of the Executive Director, Executive Officer, key management personnel and employee were substantial shareholders of the Company in FY2020.</p> <p>There is no employee whom is the immediate family members of a Director, the CEO or a substantial shareholder of the Company, whose remuneration exceeded S\$100,000 (equivalent to approximately US\$75,000) in FY2020.</p>	<p>Provision 8.2 of the 2018 Code: Remuneration disclosure of related employees</p>
<p>ACCOUNTABILITY AND AUDIT</p>	
<p>The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.</p>	<p>Principle 9: RISK MANAGEMENT AND INTERNAL CONTROLS</p>
<p>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.</p> <p>The following are key components of the ERM programme of the Group:</p> <ul style="list-style-type: none"> • Risk Management Manual <p>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.</p> • Risk Appetite of the Company <p>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.</p> • Risk Assessment and Monitoring <p>Based on the ERM framework, the nature and extent of risks to the Group will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board and the AC at least on a yearly basis. A set of risk registers has been developed to document the various risks faced by the Group, measures in place to address them and who the risk owners are.</p> 	<p>Provision 9.1 of the 2018 Code: Board determines the nature and extent of significant risks</p>

<p>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.</p> <p>The AC, with the assistance of the internal and external auditors, annually reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls. This helps to ensure that safeguards, checks and balances are put in place to prevent any conflicts of interests or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.</p>	
<p>The internal auditor, BDO LLP, has carried out internal audit on the system of internal controls and reported the findings to the AC. The external auditor, Crowe Horwath First Trust LLP, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit processes. No material internal control weakness had been raised by our internal and external auditors in the course of their audits for FY2020.</p> <p>The Board received assurance from the interim CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. In addition, the Board received assurance from the interim CEO and the CFO that the Company's risk management and internal control systems are adequate and effective.</p> <p>Based on the ERM framework established, reviews carried out by the AC, work performed by the internal and external auditors and assurance from the Management referred to in the preceding paragraphs, the Board, with the concurrence of the AC, is satisfied that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place are adequate and effective as at 31 December 2020.</p> <p>The Board notes that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities. As such, the Company's risk management and internal controls systems are regularly evaluated and improved to ensure its relevance to the Company's operations.</p>	<p>Provision 9.2 of the 2018 Code: Assurance from CEO, CFO and other key management personnel</p>
<p>The Board has an Audit Committee which discharges its duties objectively.</p>	<p>Principle 10: AUDIT COMMITTEE</p>
<p>The AC comprises three (3) Independent Directors, namely Mr Khoo Song Koon (Chairman), Mr Lim Yu Neng Paul and Mr Chow Wai San.</p> <p>All members of the AC are appropriately qualified and have relevant accounting or related financial management expertise and experience. They are not former partners or directors of the Company's auditing firm.</p>	<p>Provision 10.1 of the 2018 Code: Duties of AC</p> <p>Provision 10.2 of the 2018 Code: Composition of AC</p>

The AC's duties and responsibilities, as set out in its terms of reference, include, *inter alia*, the following:

- Reviewing the audit plan of the external and internal auditors of the Company, and their reports arising from the audit;
- Ensuring the adequacy of the assistance and cooperation given by the Management to the external and internal auditors;
- Reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board for approval;
- Reviewing the half yearly and annual announcements of the results of the Group before submission to the Board for approval;
- Reviewing at least annually the effectiveness and adequacy of the Company's internal controls in addressing the financial, operational, compliance and information technology risks;
- Reviewing the Group's risk management structure and any oversight of our risk management processes and activities to mitigate risk at acceptable levels determined by the Board;
- Reviewing the external auditors' audit report, their management letter (if any) and management's response on internal control;
- Discussing problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence of management, where necessary);
- Reviewing and discussing with the external and internal auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response;
- Reporting to the Board on its findings from time to time on matters arising and requiring the attention of the AC;
- Reviewing interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with;
- Reviewing adequacy and effectiveness of internal audit function, at least annually;
- Reviewing the independence of the external auditors annually, making recommendation to the Board the appointment/re-appointment of the external and internal auditors, the audit fee and matters relating to the resignation or dismissal of the auditors;
- Reviewing the assurance provided by the CEO and the CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances; and
- Undertaking such other reviews and projects as may be requested by the Board.

The AC is also responsible for reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on as well as to ensuring that the Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns. The AC has explicit authority to conduct or authorise investigations into any aspect of the Group's financial affairs, audits and exposure to risks of a regulatory or legal nature, with full access to records, resources and personnel, to enable it to discharge its function properly. The AC has full access to and cooperation of the Management, and has full discretion to invite any Director and Executive Officer to attend its meetings. Management is invited to attend all meetings of the AC. Reasonable resources were made available to the AC to enable it to discharge its functions properly.

The external and internal auditors have unrestricted access to the AC. The meetings with external auditors will include a review of the Group's financial statements, the internal control procedures, prospects of the Group and the independence of the external auditor.

Provision 10.3 of the 2018 Code: AC does not comprise former partners or directors of the Company's auditing firm

When there are changes to the various accounting standards that has an important bearing on the Company's disclosure obligations, the Directors are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during the Board meetings. The external auditors also provide periodic updates and briefings to the AC on changes or amendments to accounting standards to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC has reviewed the adequacy of and effectiveness of the Group's risk management system and key internal controls that address financial, operational, compliance and information technology risks, with the assistance of the internal and external auditors as well as the management, who provide regular reports during the financial year to the AC in addition to the briefings and updates provided at the AC meetings. The AC also conducted a review of the Group's interested person transactions.

The aggregate audit fees paid and payable to the external auditors, Crowe Horwath First Trust LLP ("CHFT"), for FY2020 amounted approximately to S\$103,000 (equivalent to US\$75,000). Non-audit services provided by CHFT for FY2020 amounted to S\$10,800 (equivalent to US\$8,000) was related to tax services. The AC, having reviewed all non-audit services provided by CHFT, is satisfied that the nature and extend of such services would not prejudice the independence and objectivity of the external auditors and recommends to the Board, the nomination of the external auditors for re-appointment.

CHFT is an accounting firm registered with the Accounting and Corporate Regulatory Authority. The AC is satisfied that CHFT is able to meet its audit obligation, having considered that CHFT has adequate resources and the audit engagement team (including the audit engagement partner) has the relevant experience. In this connection, the Group confirms that it is in compliance with Rules 712 and 715 of the Catalyst Rules.

In recommending the re-appointment of CHFT as the external auditor for the financial year ending 31 December 2021 to the Board, the AC considered the adequacy of their resources, training and quality control, experience of the engagement team and the firm as a whole and quality of work carried out by the external auditor.

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

The Company recognises the importance of the internal audit function as an integral part of an effective system of good corporate governance. The AC reviews, on an annual basis, the adequacy and effectiveness of the internal audit ("IA") function of the Group.

The AC approves the hiring, removal and evaluation and compensation of the internal auditors. For FY2020, the Company has outsourced its IA function to a professional service firm, BDO LLP, which is independent of the Group's business activities. The internal auditors report primarily to the AC Chairman and report administratively to CFO. The internal auditors have unrestricted access to the documents, records, properties and personnel of the Company and the Group. The AC is satisfied that the IA function has adequate resources to perform its function effectively, has appropriate standing within the Company and is independent of the activities it audits.

BDO LLP is a well-established firm with vast experience in areas, including internal audit. The engagement partner-in-charge has more than 17 years of internal audit experiences. He manages a portfolio of outsourced internal audits of over 50 listed companies and government bodies. The engagement team comprises of staffs who are Accountancy, IT or Business graduates from good universities, ACCA graduates and many possess relevant

Provision 10.4 of the 2018 Code: Primary reporting line of the internal audit function is to AC; Internal audit function has unfettered access to Company's documents, records, properties and personnel

<p>Professional certifications such as CA (Singapore), CPA, CIA and CISA. The AC has assessed and is satisfied that the IA function of the Group is independent and the internal auditors have adequately resources to perform its function effectively and is staffed by qualified and experienced professionals with the relevant experience. Accordingly, the Company is in compliance with Rule 1204(10C) of the Catalist Rules.</p> <p>The internal auditors conduct their work in accordance with the BDO Global IA methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing adopted by the Institute of Internal Auditors as a reference and guide when performing their reviews. The annual audit conducted by the internal auditors assesses the adequacy and effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC that the Group's risk management, controls and governance processes are adequate and effective.</p> <p>The IA function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the AC works closely with the Management to ensure that the internal controls are being reviewed and discussed with the Management of the significant internal audit observations. Key processes including cash management, information technology general controls and general controls, of the Company were reviewed in FY2020. Summary of findings are recommendations by the internal auditors are discussed at the AC meetings. The related internal audit report, including the Management's responses and implementation status, have been reviewed and approved by the AC. No high risk weaknesses were identified based on the work done in FY2020. If any high risk weaknesses were identified, those would be disclosed in the Company's annual reports together with the steps taken to address them.</p>	
<p>The AC met two (2) times in FY2020. In performing its functions, apart from the two (2) formal meetings, the AC met with the external and internal auditors once during the financial year without the presence of the Management.</p>	<p>Provision 10.5 of the 2018 Code: AC meets with the auditors without the presence of Management annually</p>

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2020, the AC has discussed with the Management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements.

The following key audit matter, which is included in the independent auditors' report for FY2020, was discussed with the Management and the external auditor and was reviewed by the AC:

Key audit matter	How the matter was addressed by the AC
<p>Completeness of pulp trading revenue recognition</p>	<p>Revenue from pulp trading amounted to approximately US\$128.3 million, accounting for 90% of the Group's total revenue for FY2020.</p> <p>Pulp trading is the largest contributor to the revenue for the Group in the recent years. As such, the completeness and accuracy of the reported pulp trading revenue will have a significant impact on the financial statements. Having consulted with the internal and external auditors in respect of, <i>inter alia</i>, 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 recognition as well as having 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 6 April 2021.</p>

WHISTLE-BLOWING CHANNELS

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

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

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

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

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

The AC Chairman can also be contacted directly via his email address as follows: AC_Chairman@nippecraft.com.sg.

There was no whistle blowing report received via the whistle-blowing channels in FY2020.

SHAREHOLDER RIGHTS AND ENGAGEMENT

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

**Principle 11:
SHAREHOLDER RIGHTS AND
CONDUCT OF GENERAL
MEETINGS**

The Company encourages active shareholder participation at its general meetings. Notices of meetings are given to all shareholders together with explanatory notes or a circular on items of special business, at least fourteen (14) clear days (for ordinary resolutions) or at least twenty-one (21) clear days (for special resolutions) before the meeting. Reports or circulars of the general meetings are despatched to all shareholders by post and disseminated through SGXNet.

Provision 11.1 of the 2018 Code: Company provides shareholders with the opportunity to participate effectively and vote at general meetings

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The rules, including the voting process, will be explained by the scrutineers at such general meetings. The Company's Constitution permit a shareholder to appoint up to two (2) proxies to attend and vote in his stead at these meetings. Furthermore, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies to attend and vote on their behalf at general meetings. The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. The Company will employ electronic polling if necessary.

<p>In view of the COVID-19 situation, the Company will be putting in place alternative measures and arrangements for its upcoming Annual General Meeting. Shareholders are advised to refer to the Company's announcement on SGXNet on the notice of Annual General Meeting which will be released in due course.</p>	
<p>Shareholders are invited to attend general meetings via electronic means and put forth any questions by submitting questions in advance in relation of the resolutions set out in the Notices they may have on the motions to be decided upon. Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions. The Company shall avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situations where resolutions are inter-conditional, the Company will provide clear explanations.</p>	<p>Provision 11.2 of the 2018 Code: Separate resolution on each substantially separate issue</p>
<p>The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. All the Directors, including the Chairmen of various Board Committees, and Executive Officer are normally available at the general meetings to answer those queries and receive feedback from shareholders. The external auditors are also usually present to assist the Directors in addressing any relevant queries by shareholders. All Directors, including the former Executive Chairlady and save for Raja Hayat and Chan Cheng Fei who were appointed on 1 January 2021, had attended the general meetings held on 24 June 2020.</p>	<p>Provision 11.3 of the 2018 Code: All Directors attend general meetings</p>
<p>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.</p>	<p>Provision 11.4 of the 2018 Code: Company's Constitution allow for absentia voting of shareholders</p>
<p>The Company Secretary prepares minutes of general meetings which incorporate substantial comments or queries from shareholders and responses from the Board and the Management. The minutes will be made available within one (1) month from the date of the general meetings.</p>	<p>Provision 11.5 of the 2018 Code: Minutes of general meetings are published on the Company's corporate website as soon as practicable</p>
<p>The Company does not have a formal dividend policy. While this would mean that its practice varies from Provision 11.6 of the 2018 Code which implies that companies should have a dividend policy, the Company is of the view that the following disclosure would constitute a balanced and understandable assessment of its position on a dividend policy, and that this practice is consistent with the intent of Principle 11.</p> <p>The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deemed appropriate.</p> <p>In accordance to its Constitution and Companies Act, the Company may, by ordinary resolution of shareholders, declare dividends out of profits at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors subject to the approval of the shareholders. The Directors may also declare an interim dividend out of profits without the approval of the shareholders. No dividends have been declared for FY2020 as the Group wants to conserve cash during this challenging period of time.</p>	<p>Provision 11.6 of the 2018 Code: Dividend policy</p>
<p>The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.</p>	<p>Principle 12: ENGAGEMENT WITH SHAREHOLDERS</p>

<p>The Company is firmly committed to corporate governance and transparency by disclosing to its stakeholder, including its shareholder, as much relevant information as possible, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. All material information on the performance and development of the Group and of the Company is disclosed in an accurate, comprehensive and timely manner through SGXNet. The Company does not practice selective disclosure of material information.</p> <p>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:</p> <ul style="list-style-type: none"> (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. 	<p>Provision 12.1 of the 2018 Code: Company provides avenues for communication between the Board and shareholders and discloses steps taken to solicit and understand the views of shareholders</p>
<p>In addition to general meetings, the Company uses mainly the SGXNet to disseminate information to the shareholders and investment community on a timely, accurate, fair and transparent basis.</p> <p>When the opportunity arises, the Management will also meet with investors, analysts and the media as well as participate in investor relations activities to solicit and understand the views of the investment community.</p> <p>Shareholders and the investment community can contact the Company by telephone at +65 6262 2662, fax at +65 6268 4827 or email us at: investors@nippecraft.com.sg to address their queries, concerns and feedback.</p>	<p>Provisions 12.2 and 12.3 of the 2018 Code: Company has in place an investor relations policy; Investor relations policy sets out mechanism of communication between the shareholders and the Company</p>
MANAGING STAKEHOLDERS RELATIONSHIPS	
<p>The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.</p>	<p>Principle 13: ENGAGEMENT WITH STAKEHOLDERS</p>
<p>The Company takes pride in meeting and exceeding the expectations of our stakeholders. Our engagement with material stakeholder groups, including key areas of focus and engagement channels, are disclosed in the latest Sustainability Report. Please refer to the Sustainability Report for more information.</p> <p>The Group seizes opportunities to engage our stakeholders and welcomes feedback on our sustainability reports. The Company's sustainability team can be contacted via email at: sustainability@nippecraft.com.sg.</p>	<p>Provisions 13.1 and 13.2 of the 2018 Code: Engagement with material stakeholder groups</p>
<p>Stakeholders who wish to know more about the Group and our business and governance practices can visit our corporate website at the URL https://www.nippecraft.com.sg.</p>	<p>Provision 13.3 of the 2018 Code: Corporate website to engage stakeholders</p>
DEALINGS IN SECURITIES	
<p>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.</p>	

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:

- (a) on short-term considerations;
- (b) 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
- (c) if they are in possession of unpublished material price sensitive information.

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

INTERESTED PERSON TRANSACTIONS

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

The Company has adopted a general mandate in respect of IPT ("**IPT Mandate**") which has been effective since 24 October 2017, and renewed at the AGM held on 24 June 2020. The Company has established procedures to ensure that all IPT are reported in a timely manner to the AC, and that the IPT are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The Company will seek renewal of the IPT Mandate at the forthcoming AGM and further information is set out in the Appendix to the Annual Report 2020.

The aggregate value of IPT during FY2020 was as follows:

Name of interested person and nature of transactions	Nature of relationship	Aggregate value of all IPT during the financial period under review (excluding transactions less than S\$100,000)	
		Not conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules	Conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules
		US\$'000	US\$'000
<u>Sales (pulp trading)</u>			
PT Paramitra Gunakarya Cemerlang*	PT Paramitra Gunakarya Cemerlang is an entity under the APP Group. (which comprises of Asia Pulp & Paper Company Ltd, its subsidiaries and associated companies). APP Printing (Holding) Pte Ltd, an entity under the APP Group, held 49% of the Company's shares and is the controlling shareholder of the Company.	-	65,492

MATERIAL CONTRACTS AND LOANS

The Company and its subsidiaries did not enter into any material contract (including loan) involving the interests of the CEO / interim CEO, Director or controlling shareholder, which is either subsisting as at end of FY2020 or if not then subsisting, entered into since the end of the previous financial year.

SPONSORSHIP

With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsorship fees paid/payable to the Company's Sponsor, SAC Capital Private Limited, in FY2020.

Additional Information on Directors Seeking Re-election

Lim Yu Neng Paul, Raja Hayat and Chan Cheng Fei are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 28 April 2021 (“AGM”) (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to the Retiring Directors is set out below and to be read in conjunction with their respective biographies under the section entitled “Board of Directors” in the Annual Report 2020:

Name of Director	Lim Yu Neng Paul	Raja Hayat	Chan Cheng Fei
Date of appointment	29 July 2011	1 January 2021	1 January 2021
Date of last re-appointment	27 April 2018	–	–
Age	58	49	49
Country of principal residence	Singapore	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board having considered the skills, qualifications and working experience of Lim Yu Neng Paul, as well as his contribution and performance during the financial year, has accepted the recommendation of the Nominating Committee and approved his re-appointment as an independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.	The Board having considered the track record, age, working experience, capability, skills and the working knowledge of Raja Hayat, has accepted the recommendation of the Nominating Committee and approved his re-appointment as an Executive Director of the Company. Mr. Raja will concurrently hold the position as the Interim Chief Executive Officer of the Company.	The Board having considered the track record, age, working experience, capability, skills and the working knowledge of Chan Cheng Fei, has accepted the recommendation of the Nominating Committee and approved his re-appointment as an Executive Director of the Company. Mr. Chan will concurrently hold the position as the Chief Financial Officer of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Executive – Overall management of the Company.	Executive – Direct oversight of the functions of treasury, financial reporting and control, risk management, tax and compliance of the Group.
Professional qualifications	<ul style="list-style-type: none"> Bachelor of Science in Computer Science and Master’s Degree in Finance, University of Wisconsin, Madison, USA Chartered Financial Analyst 	<ul style="list-style-type: none"> General Cambridge Examination: Advance Level 	<ul style="list-style-type: none"> Bachelor of Accountancy and Master of Business Administration, Nanyang Technological University Member of the Institute of Singapore Chartered Accountants.

<p>Working experience and occupation(s) during the past 10 years</p>	<p>Mr. Lim currently holds the position of Managing Director of SBI Venture Capital Pte Ltd since year 2016 to present.</p> <p>His previous work experiences were as follows:</p> <ul style="list-style-type: none"> • <u>2013 to 2015</u> President Commissioner, PT BNI Securities • <u>2013 to 2014</u> Adviser, Leafgreen Capital Partners Pte Ltd • <u>2012 to 2013</u> Managing Director, Leafgreen Capital Partners Pte Ltd • <u>2010 to 2011</u> Board of Adviser, PT BNI Securities • <u>2007 to 2011</u> ID, Interim Acting CEO/ Executive Director, NED, Hankore Environmental Tech Group Limited • <u>2006 to 2011</u> Founder and Managing Director, TruPartners Asia Pte Ltd. 	<p>Mr. Raja held the position of Interim Chief Executive Officer since 1 January 2021 to present and has been Managing Director of Collins Debden Limited since June 2017 to present.</p> <p>His previous work experiences were as follows:</p> <ul style="list-style-type: none"> • <u>March 2010 to June 2017</u> Divisional Director, Change Group • <u>February 2008 to March 2010</u> Senior Operations Manager, Alshaya Group 	<p>Mr. Chan held the position of Chief Financial Officer of the Company and Managing Director of Paperich Pte Ltd since June 2018 to present.</p> <p>His previous work experiences were as follows:</p> <ul style="list-style-type: none"> • <u>October 2016 to March 2018</u> Chief Financial Officer, Geo Energy Resources Limited • <u>September 2014 to September 2016</u> Chief Financial Officer, Chasen Holdings Limited • <u>June 2013 to September 2014</u> Deputy Chief Financial Officer, DeClout Limited • <u>May 2012 to May 2013</u> Finance Director and Company Secretary, Popular Holdings Limited • <u>June 2006 to May 2012</u> Financial Controller, Eu Yan Sang International Ltd
<p>Shareholding interest in the listed issuer and its subsidiaries</p>	<p>Nil</p>	<p>Nil</p>	<p>20,000 ordinary shares in Nippecraft Limited</p>
<p>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</p>	<p>None</p>	<p>None</p>	<p>None</p>
<p>Conflict of interest (including any competing business)</p>	<p>None</p>	<p>None</p>	<p>None</p>
<p>Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>

Other principal commitments* including directorships			
* Excludes the working experience and occupation(s) as listed in the previous section			
Past (for the last 5 years)	Nil	Nil	Nil
Present	<ul style="list-style-type: none"> • SBI Venture Capital Pte Ltd • China Everbright Water Limited • Golden Energy and Resources Limited • Trupartners Asia Pte Ltd • Fides Capital Partners Limited 	<ul style="list-style-type: none"> • Collins Debden Limited (United Kingdom) • Debden Importing (UK) Limited (United Kingdom) • Collins Debden USA, Inc (United States of America) • Collins Debden Pty Ltd (Australia) • Paperich Pte Ltd (Singapore) 	<ul style="list-style-type: none"> • Collins Debden Limited (United Kingdom) • Debden Importing (UK) Limited (United Kingdom) • Collins Debden USA, Inc (United States of America) • Paperich Pte Ltd (Singapore)
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

<p>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	No	No	No
<p>(c) Whether there is any unsatisfied judgment against him?</p>	No	No	No
<p>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</p>	No	No	No
<p>(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?</p>	No	No	No

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

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) ny entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No

<p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>			
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	<p>No</p>	<p>No</p>	<p>No</p>

Sustainability Report FY2020



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1.0 Introduction

1.1 About Us

Listed on the Catalist of the SGX-ST, Nippcraft Limited, is headquartered in Singapore and was founded in 1977.

Today, Nippcraft has grown from a stationery manufacturer to becoming a leading provider of innovative lifestyle stationery solutions and pulp trader. The key markets of the stationery business include the United Kingdom, Australia and Singapore while the key markets of the pulp trading business include Indonesia, Europe, Singapore, Hong Kong and Malaysia.

The Group has two main consumer stationery brands: Collins and Debden. Collins and Debden are both global brands, with Collins having more than 200 years of British heritage, while Debden has about 40 years of history in Australia and New Zealand. We are proud of our heritage and always embrace sustainability as one of the priorities in our decision-making process for our business.

Collins and Debden are names that are synonymous with high-quality stationery products across the world. We are passionate about everything we do and strive to make the Collins and Debden brands the best that they can be based on our key principles:

- Quality;
- Creativity;
- Environmentally responsible;
- Innovation; and
- Investment in people.

For more information on Nippcraft, please visit our website at the following URL: <https://www.nippcraft.com.sg>.

1.2 Our Presence

Nippecraft Limited and its Subsidiaries

- Nippecraft Limited (HQ in Singapore)
- Collins Debden Pty Limited (Australia, Sydney)
- Collins Debden Limited (United Kingdom, Glasgow)
- Collins Debden USA, Inc. (USA, San Francisco)
- Collins Office Products International Ltd (Mauritius, Port Louis)
- Paperich Pte Ltd (Singapore)



1.3 About this Report

We are pleased to present Nippecraft's Sustainability Report for FY2020. It has been prepared in accordance with Global Reporting Initiatives ("GRI") Standards 2016 – Core Option as well as Catalyst Rules 711A and 711B and Practice Note 7F of the Catalyst Rules. We have chosen the GRI Standards as it is an internationally recognised reporting framework and this allows for comparison with Nippecraft's peers.

We conducted a formal material assessment with internal stakeholders during FY2019, which led to the identification of sustainability matters most material to our business. These Economic, Environmental, Social and Government ("EESG") matters have been reviewed and validated by our Management in FY2020.

The reporting scope covers our corporate office and stationery operations for Singapore, Australia and the United Kingdom for FY2020. Where applicable, past financial year's data have been included for comparison purposes.

We have not sought external assurance on this report but will consider doing so as our reporting matures over time.

In our effort to meet the expectations of our stakeholders, we have taken steps to ensure the transparency and accountability of our global operations in accordance with the scope of our report.

Our stakeholders' feedback is the key to defining our sustainability approach. We look forward to your continuing support and welcome any feedback. Please contact us at sustainability@nippecraft.com.sg for any feedback.

1.4 Organisation Profile

Name of organization	Nippecraft Limited
HQ location	9 Fan Yoong Road, Singapore 629787
Geography	Offices in Singapore, Australia, United Kingdom
Legal form	Publicly listed on the SGX-ST since 1994
Markets served	United Kingdom, Australia, Japan, Singapore, Malaysia, Indonesia, India, the United Arab Emirates, Hong Kong, Continental Europe and United States of America
Organisation scale	Number of employees : 66 Number of key business units : 4 Revenue : US\$ 143.0 million Cash and bank balances : US\$ 18.2 million Total debt : US\$ - million Total equity : US\$ 30.8 million
Membership and Associations	Chamber of Commerce (United Kingdom) Forest Stewardship Council (“ FSC ”) Programme for the Endorsement of Forest Certification (“ PEFC ”) GS1 Singapore, United Kingdom and Australia Singapore National Employer Federation Singapore Business Federation Supplier Ethical Data Exchange (“ SEDEX ”) The BOSS Federation (United Kingdom)

2.0 Approach to Sustainability

2.1 Board's Statement

Please refer to the Independent Non-Executive Chairman's Statement on Page 13-14 of this Annual Report.

2.2 Stakeholders' Engagement

The success that we enjoyed is built upon effective stakeholder engagement. Feedback received from stakeholders may greatly influence business performance. From our corporate and overseas offices, our people engage with different stakeholder groups on a daily basis. We will strive to keep up with their evolving needs and this guides the type of responses required from us. Our approach to stakeholder engagement is detailed in Table 1 below:

Table 1: Material Stakeholders' Engagement

Stakeholders Groups	Frequency of Engagement	Method of Engagement	Key Interests of Stakeholder Group	Our Response
Customers and consumers	Daily to weekly	<ul style="list-style-type: none"> Consumer enquiry channels Surveys, market research and focus groups Marketing and labeling of products Mass media and social media Point of sales 	<ul style="list-style-type: none"> Stock availability Innovation Product quality Convenience and experience Product labeling Product safety 	<ul style="list-style-type: none"> To sustain brand trust and loyalty through a unique brand experience to meet their needs and enjoyment To develop innovation and strive for high-quality products at competitive pricing
Local community	Ad hoc to annually	<ul style="list-style-type: none"> Annual reports Corporate social responsibility initiatives Participation in charitable activities 	<ul style="list-style-type: none"> Support activities organised by local communities Local employment Environmental impact of operations 	<ul style="list-style-type: none"> To contribute to the development of the communities we operate in
Employees and trade unions	Daily	<ul style="list-style-type: none"> Daily meeting Staff feedback Collective bargaining agreement Company events and activities Surveys and interviews Staff appraisal Training and development programmes 	<ul style="list-style-type: none"> Work environment Pay and benefits Equal opportunities and non-discrimination Health, safety and well-being Job satisfaction Training and development opportunities 	<ul style="list-style-type: none"> To improve productivity To reward performance with incentive To strengthen the relationships with our staff through communication and participation in building our work environment

Stakeholders Groups	Frequency of Engagement	Method of Engagement	Key Interests of Stakeholder Group	Our Response
Shareholders	Half-yearly to annually and ad-hoc	<ul style="list-style-type: none"> • SGXNet announcements • Press releases • Half-yearly result announcements • Annual reports • Circulars • Shareholders' general meetings • Corporate website 	<ul style="list-style-type: none"> • Business performance • Good corporate governance • Transparency 	<ul style="list-style-type: none"> • To improve profitability • To develop new strategies and initiatives • To create long-term sustainable value • To create an atmosphere of trust via timely communication and provide relevant and reliable information • To adhere to good corporate governance practices
Suppliers	Daily to weekly	<ul style="list-style-type: none"> • Annual reports • Electronic mails • Conference calls • Long-term business relationship • Service performance review • Site visits and audits 	<ul style="list-style-type: none"> • Product and service quality • Cost of product and service • Business ethics 	<ul style="list-style-type: none"> • To collaborate, develop products and service quality • To achieve a sustainable business relationship with our suppliers
Government and regulators	Daily, monthly and annually	<ul style="list-style-type: none"> • Annual reports • Half-yearly result announcements • Participation in conferences, meetings and discussions • Press releases • Circulars • SGXNet announcements • Daily manpower submission to Ministry of Trade and Industry 	<ul style="list-style-type: none"> • Business performance • Good corporate governance • Contribution to social and economic development • Environmental impact of operations 	<ul style="list-style-type: none"> • To comply with the relevant statutes and regulations • To support for relevant government and regulators' initiatives

2.3 Materiality Assessment

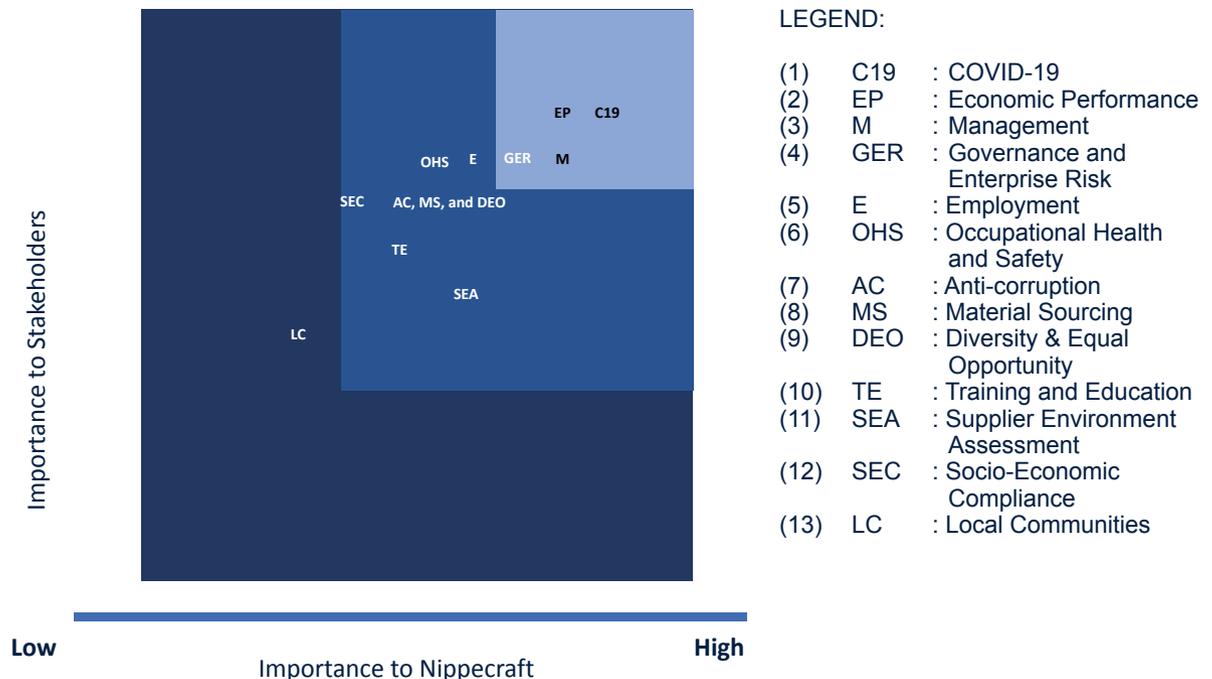
A formal materiality assessment was conducted in FY2019 to identify EESG matters which were most material to our businesses. In FY2020, these existing matters were reviewed by our Management team during a workshop session to shortlist material factors that create a significant impact on our businesses. We will review our material matters annually to ensure that it continued to be relevant for our future reporting periods.

Table 2: Four Steps Materiality Assessment Process

1	<p>Identification A list of EESG factors was consolidated through discussions with key management personnel across various stationery divisions.</p>
2	<p>Prioritisation The identified EESG matters were evaluated and prioritised by representatives from the various stationery divisions; taking into consideration both internal and external stakeholders' perspectives. These EESG matters were subsequently aligned at the Corporate level for consistency across the Group stationery divisions.</p>
3	<p>Validation The final list of material factors for FY2020 Sustainability Report was presented to the Board of Directors for their validation and approval.</p>
4	<p>Review Material matters selected for reporting in FY2019 were reassessed to ensure their continued relevance to our operations in FY2020. We will continue to review our material factors on an annual basis.</p>

A materiality assessment exercise was conducted for FY2020 in accordance with the process described above. Incorporating inputs from our stakeholders, our material factors are ranked as follows:

Chart 1: Nippecraft's Materiality Matrix



3.0 Economic

3.1 Economic Performance

The scope of this report covers our stationery business operations in Singapore, the United Kingdom (“UK”) and Australia in which Nippecraft has an ownership interest of more than 50%.

Our Stationery business has ended FY2020 with a 7% decrease in revenue to US\$14.7 million and an operating loss of US\$1.4 million (FY2019: operating loss of US\$1.7 million) due a to decline in the traditional stationery business, exacerbated by COVID-19 locked down in our key markets which affected our wholesale business and retail channel customers. Through proactive supply chain management, the Group was able to avoid any material supply disruption due to the pandemic. While there has been growth in the lifestyle stationery and online businesses, these were not sufficient to offset the headwinds in FY2020.

Nevertheless, Nippecraft continues to hold a holistic view in generating long-term profitability and shareholders’ returns with a consideration of the interest of various stakeholders identified under the stakeholders’ engagement. For example, our classic diaries and notebooks are evolving to portray the personality, lifestyle and fashion-sense of the consumers. We will continue looking into improving our consumers’ experience by engaging them in a focus group to gather feedback on their experience in using our products and to comment on our work in progress to keep up with the ever-changing consumer trends.

For more information on our stationery financial performance in FY2020, please to the financial report section of this Annual Report.

4.0 Environment

In Nippecraft, we are conscious of our environmental footprint and have been working with our suppliers to reduce them. With the growing concern of climate change, it is imperative for us to focus on our effort in using sustainably sourced and recyclable materials in our products so that we can contribute to the global force to shift the tide of climate change. In year 2020, “Whatever we do, Nature will always win” remained as our guiding principle in conducting our businesses. To-date, we have not identified by any authorities for non-compliance with environmental laws and/or regulations.

4.1 Materials Sourcing

We have suppliers located across Asia. These suppliers supplied the bulk of our finished goods. We often update them about our consumers and governmental requirements so that they are prepared for the changing needs. In year 2019, we explored with our suppliers to further reduce the use of plastics for packaging. Since then, plastic packaging is still the most suitable for our premium product ranges such as Cosmopolitan and Legacy ranges, as there is currently no alternative in the marketplace that performs as effectively. However, we will use paper packaging whenever we can and have adopted this for a majority of our products, which include the Associate, Rural Management, Student, Elite and Classic ranges. Moving forward, we will consciously attempt to minimise the use of plastic on our new products.

Pulp and paper are the key raw materials in our finished products. As we continue to embrace sustainable sourcing, we are committed to responsible forestry management. As Nippecraft is both FSC and PEFC certified, we are committed to increasing the proportion of materials that are certified under the Chain-of-Custody programmes. In addition, most of our cover materials are either sourced from FSC or Registration, Evaluation, Authorisation and Restriction of Chemicals accredited suppliers.

In addition to sustainable sourcing, we also adhere to high social and ethical standards along with our supply chain. Our Company is a member of SEDEX, a global organisation that helps companies manage an ethical supply chain. The SEDEX Members Ethical Trade Audit is one of the most widely use audit procedures in the world. It provides a globally-recognised way to assess responsible supply chain activities, including labour rights, health and safety, the environment and business ethics. Furthermore, we have been instrumental in our key vendors adopting the SEDEX standards. In year 2020, we have successfully renewed our SEDEX membership along with our key vendors to demonstrate our continuous commitments to ethical sourcing & management.

Our materials have passed the stringent checks by the customs of the importing markets and we perform ongoing reviews to ensure that we comply with respective market customs regulations. We also review the commodity codes on an ongoing basis to ensure we are using the correct codes and therefore pay the correct level of duty. Commodity codes are used to classify goods for import and export within the European Union (“EU”) or outside the EU. The classification aims to pay the right tax and duty and follow the respective regulations. We also continued to perform quality checks on our materials to ensure that there are no hazardous elements. For example, we ensure that our materials are non-hazardous through the use of materials which are REACH certified in particular, the materials used for our book covers. We practise ethical sourcing by using materials only from well-established suppliers who are compliant with environmental legislation and procedures.

Paper, which makes up approximately 90% of a book, can be recycled. Other elements, which cannot be recycled, include book cover materials, ribbon markers and head and tail bands. In the UK, these materials are disposed of through a third-party vendor via our distributor. In Australia, the unsold products are disposed of through a third-non-recoverable waste streams are shredded, baled then air-dried and exported to Asia to be used in energy production.

During the year, 1,535 (FY2019: 1,408) metric tonnes of materials were used to produce and pack our books sold.

Performance and Targets

Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Material from sustainable sources	85%	87%	88%
	Tonnage	Tonnage	Tonnage*
Renewable material	1,305	1,335	1,351
Non-renewable material	230	200	184

**Note: The target total weight of the materials used will only be known after FY2021. As such we used FY2020 total weight of the materials used as an estimate for setting the target for FY2021.*

4.2 Supplier Environmental Assessment

Our Quality Control team performs regular site visits to our suppliers and check that they are indeed using sustainable materials. For all new suppliers, we perform rigorous due diligence checks before appointing them. The following reports will also be obtained from them:

- 1) ISO9001 Quality Management;
- 2) ISO14001 Environmental Management Certification;
- 3) FSC or PEFC;
- 4) SEDEX; and
- 5) Social Accountability (SA8000) or Occupational Health and Safety Assessment Series (OHSAS 18001).

Any potential vendors who are unwilling or unable to provide the abovementioned reports will not be appointed as our vendor. Due to the COVID-19 pandemic, travel ban was imposed by most countries across their national borders. As we were unable to conduct physical site visits, we have issued to our vendors a set of self-audit questionnaire for the purpose of conducting a review across quality, social and environmental aspects of the manufacturing process. This set of self-audit questionnaire aimed to give us assurance that all our downstream suppliers have put in the necessary efforts to support ethical sourcing and management.

In addition, we have appointed independent third-party inspection services provider to conduct on-site quality checks to ensure that there were no compromises on quality and delivery last year. We have also initiated joint quality review and discussion with vendors through video conferencing and performed physical sample review. Customers may also request for the SEDEX audit reports which we will promptly provide to them for them to understand how our supply chains are performing.

5.0 Social

In FY2019, we saw 4% decrease in headcount to 66 employees. This was mainly due to the reduction of twelve full-time employees offset by the employment of nine full-time employee. Employee turnover rate has also reduced from 31% to 18% (refer to Table 5).

**Table 3: Total employed staff
As at 31 December**

	Male		Female		Total	
	2020	2019	2020	2019	2020	2019
Full-Time	28	30	36	37	64	67
Part-Time	–	–	2	2	2	2
Total	28	30	38	39	66	69

While our headcount decreased from 69 in FY2019 to 66 in FY2020, there were 9 new hires in FY2020 replacing those whom have resigned within the Group, as illustrated below:

**Table 4: Newly employed staff by Countries
As at 31 December**

By Countries	By Gender		2020	2019
	Male	Female	Total	Total
Australia	1	2	3	5
Singapore	1	2	3	10
United Kingdom	1	2	3	5
Total	3 (33%)	6 (67%)	9	20

**Table 5: Employee Turnover
As at 31 December**

By Countries	By Gender		2020	2019
	Male	Female	Total	Total
Australia	1	1	2	8
Singapore	–	4	4	9
United Kingdom	4	2	6	5
Total	5 (42%)	7 (58%)	12	22
Employee Turnover rate			18%	31%

As we are operating within a fast-moving consumer goods industry, people are our greatest asset that serve as an important point of contact between our customers and Nippecraft. It is a priority for us to equip them with the required skill sets so that they can be at their best at all times. This includes functions like customer service, sales, procurement, warehousing, quality assurance, product development, human resources, administrative and finance. We hope to continue to improve their skills to meet the changing demands of the industry.

Nippecraft is committed to fair employment, elimination of discrimination and encouraging diversity amongst our workforce.

Table 6: Age profiles of new hires

FY2020 Age Profile of new hires	<30	30 to 50	>50
Number	2	3	6
In percentage	18%	27%	55%
FY2019 Age Profile of new hires			
Number	6	13	1
In percentage	30%	65%	5%

We continue to believe that Group's operations required a strong talent pool to make a positive impact. In FY2020, we believed that we have recruited the right candidates in catering to the needs of the Company.

Performance and Targets

Material Aspect	Target FY2020	Performance for FY2020	Perpetual Target
Recruiting and matching the right candidates for the job	100%	Achieved	100%

5.1 Diversity and Equal Opportunity

We embrace diversity, and at the same time expect employees to be aligned with the Group's vision and strategic initiatives. The age of our staff ranges from the 20s to the 60s. Our staff consists of people coming from different nationalities and academic qualifications but we strive for fair treatment. We are committed to providing competitive remuneration and benefits to our employees.

The employees in our Group comprise of union and non-unionised members. In Singapore, a collective bargaining agreement between the Company and the Building Construction and Timber Industries Employee Union covers all our locally engaged employees other than staff holding managerial and confidential positions. Our employees in the UK and Australia are not unionised.

In both FY2020 and FY2019, 44% of the senior management team comprised of females. The Board continues to believe that with existing gender equality in the senior management team, the Group can continue to expect diversity of ideas and innovative breakthroughs. Nippecraft will continue to ensure gender equality on the boards of all our subsidiaries as well as the senior management team.

Employee Profile of the Group as at 31 December 2020 and 31 December 2019 are as follows:

Table 7: Age profile of all employees

FY2020 Age Profile of all employees	<30	30 to 50	>50
Number	7	42	17
In percentage	11%	63%	26%
FY2020 Age Profile of all employees			
Number	11	42	16
In percentage	16%	61%	23%

Table 8: Academic profile of all employees

FY2020 Academic Profile of all employees	Below diploma	Diploma	Degree and above
Number	15	17	34
In percentage	23%	26%	51%
FY2019 Academic Profile of all employees			
Number	17	16	36
In percentage	25%	23%	52%

Table 9: Nationality profile of all employees

FY2020 Nationality Profile	Australia	British	Chinese	Malaysian	Singaporean	Others
Number	12	17	3	10	22	2
In percentage	18%	26%	5%	15%	33%	3%
FY2019 Nationality Profile						
Number	12	21	4	10	19	3
In percentage	17%	30%	6%	15%	28%	4%

5.2 Code of Conduct

The Group sets out the expected code of conduct in its employee handbook. During the year, the Group has updated the business ethics guidelines that are required to be adhered to in dealings with both customers and vendors. Nippecraft ensures compliance with labour and employment laws, including working hours. The Group does not discriminate against anyone because of age, gender, national origin, disability, religion, sexual orientation, marital or maternity status, union membership or political opinion, among others. An Equality and Diversity Policy has been established within the Group to show our commitment towards promoting equality and diversity and to ensure that individuals are treated fairly and valued as a member of a team. The Company recognises that it has clear obligations towards all employees to ensure they are treated fairly. There are channels to report any non-compliance in relation to discrimination through our whistle-blowing system.

Nippecraft's Grievance Policy encourages employees to freely communicate with their immediate supervisor or human resource personnel. This is to ensure that problems are aired and resolved as quickly as possible. In the event that issue cannot be resolved at the operational level, it will be escalated to the next level of the organisational hierarchy.

In both years 2020 and 2019, there was no known instance of discrimination or reported discrimination received.

Performance and Targets

Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Instance of discrimination	Zero tolerance of discrimination	Achieved	Zero tolerance of discrimination

5.3 Training and Education

Training in Nippecraft begins at the induction stage of our new hires. Our employees go through a host of internal coaching programmes including selling, customer service, procurement, inventory control, human resources and finance.

Nippecraft understands that staff training and development paves the way for the Group to progress into the future. One of our initiatives is to re-deploy our staff to assume new roles while leveraging on their expertise amidst the evolving business model that we operate in. Staff is encouraged to go for courses and seminars to upgrade themselves and improve their skills. We set-off into FY2021 with a training target of no less than 150 hours. At the end of FY2020, 428 (FY2019: 137 hours) training hours were provided to our employees across all functions. This cannot be achieved without the strong support of the Singapore Workforce Skills Qualifications (WSQ) which helped to clock 231 training hours.

Performance and Targets

Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Training and Education	137 hours	Achieved	150 hours

5.4 Occupational Health and Safety

The well-being and safety of our employees are paramount to us. We are committed to safeguarding our employees' health and safety against any potential occupational hazards. Yellow tapes demarcate areas that may cause potential fall or injury. Same as FY2019, there was no workplace incident in FY2020.

Performance and Targets

Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Occupational Health and Safety	Zero incident of workplace accident	Achieved	Zero incident of workplace accident

5.5 Local Communities

The UK office continued to make yearly donations to the British Heart Foundations and Glasgow City Missions to show their care for the homeless and sick people. In addition, our UK office had also donated £1 to National Health Service (NHS) charity fund for every Rainbow calendar sold. The Australian office helps protect the native habitats of endangered animals like the Tasmania devil, spotted quoll and the wedge-tailed eagle. Support is given to the Tasmanian Native Forest Protection Project with carbon offsets from the Kyoto range of diaries. In FY2020, the Group has achieved its target set-out in the Sustainability Report for FY2019.

Performance and Targets

Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Supporting local community charity and not for profit activities	At least two charity and/or not for profit events	Achieved	At least two charity and/or not for profit events

5.6 Socio-economic Compliance

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external.

Similar to FY2019, we have achieved zero incidents on non-compliance in FY2020.

Performance and Targets

Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Socio-economic Compliance	Zero tolerance of non-compliance	Achieved	Zero tolerance of non-compliance

5.7 COVID-19

While we continue to focus on sustaining our businesses during this challenging period, our employees' health and safety remain as our top priorities. Since April 2020, we had adopted the following measures in response to the COVID-19 for all our global operations:

- (a) work from home arrangement;
- (b) providing staff with the necessary equipment to work from home;
- (c) rigorous cleaning for warehouse facility that is still open;
- (d) maintaining social distancing for warehousing and office; and
- (e) applied and obtained "Safe Entry" QR code (for the purpose of contact tracing) for entry and exit from the warehouse premise in Singapore.

We will continue to play our part in preventing the spread of COVID-19 by adopting the above measures till the geographical regions that we operate in are declared COVID-19 safe.

6.0 Governance

Our ability to integrate sustainable initiatives and processes remained the critical factor for our business continuity. Our Board is overall responsible for sustainability and integration of EESG factors in the formulation of our business strategy. Management will then set the sustainability direction for our business operations. This includes the target setting and execution of initiatives. Management will report the sustainability performance to the Board on an annual basis,

6.1 Minority Representation

As at the date of this report, our Board consists of five members of which three are independent directors. This will ensure that the interests of the minority shareholders are protected and that their voices will be heard.

6.2 Policies and Practices

Strong corporate governance and good business ethics provide foundation support for many successful organisations in the world. Nippecraft aligns itself to the industry's best practices and strives to meet stakeholders' expectation. As part of our corporate governance framework, a set of policies, such as the Code of Conduct (refer to 5.2 Code of Conduct) and Whistle-blowing Policy, has been formulated to direct us on the right way to conduct business responsibly.

We strive to maintain the highest standard of accountability, fairness and integrity. Our employees are informed of their expected conduct during onboarding. We also encouraged them to raise any complaints or feedback regarding questionable accounting, audit matters, internal controls or any matter that breaches the Group policy, corruption and employee misconduct in accordance with our Whistle-Blowing Policy. Please refer to the Corporate Governance section for further information.

6.3 Enterprise Risk Management

Our Board recognised 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 a structured Enterprise Risk Management (“**ERM**”) programme to Nippecraft and its subsidiaries, management reviews of key transactions, and the assistance of independent consultants such as external and internal auditors to review financial statements and internal controls covering key risk areas.

By identifying and managing risks through the ERM programme, we should be able to make more informed and collective decisions and to benefit from a better balance between risk and reward. As part of the programme, Management will also have more structured review processes as new risks emerge to be aware of the potential impact from such new risks and to undertake meaningful measures to address them.

More information on our Corporate Governance can be found in the Corporate Governance Statement section.

Performance and Targets

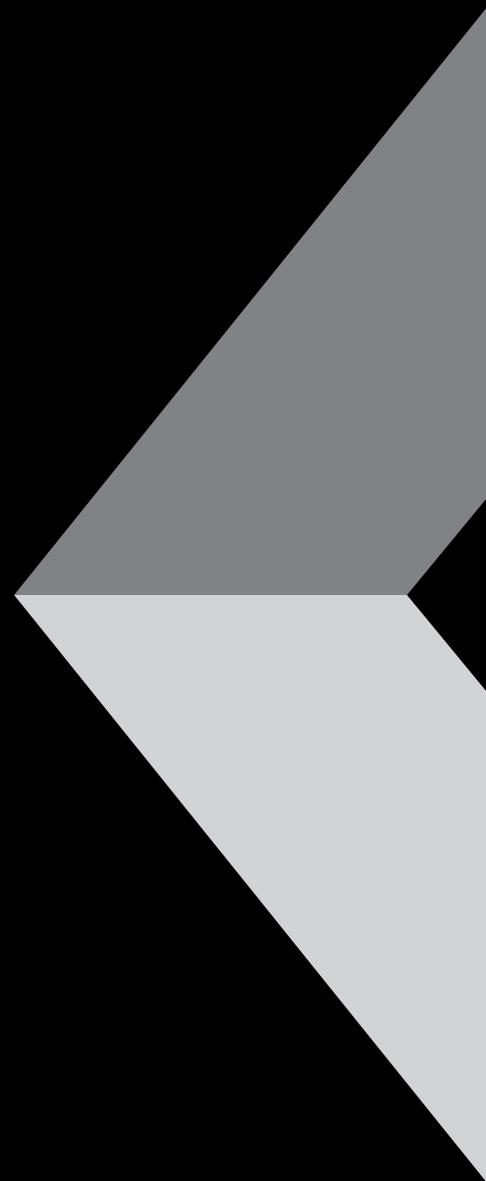
Material Aspect	Target for FY2020	Performance for FY2020	Target FY2021
Compliance with Catalist Rules, Code of Corporate Governance and the governing Statutes of the countries that we operated in.	Zero instance of non-compliance	Achieved	Zero instance of non-compliance
Perform risk assessment annually and make relevant disclosures in accordance with the Catalist Rules and the Code of Corporate Governance.	Zero tolerance approach towards non-compliance	Achieved	Zero cases of non-compliance
Compliance of Code of Conduct	Maintain a high standard of ethical conduct and adopts a zero-tolerance approach to fraud and zero incident of corruption or similar misconduct	Achieved	Maintain a high standard of ethical conduct and adopts a zero-tolerance approach to fraud and zero incident of corruption or similar misconduct

GRI Standard Content Index

By Countries	Disclosure	Reference / Description	
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures 2016	102-1	Name of organisation	Nippecraft Limited
	102-2	Activities, brands, products and services	Introduction, page 53
	102-3	Location of headquarters	Organisation Profile, page 55
	102-4	Location of operations	Organisation Profile, page 55
	102-5	Ownership and legal form	Organisation Profile, page 55
	102-6	Markets served	Organisation Profile, page 55
	102-7	Scale of the organisation	Organisation Profile, page 55
	102-8	Information on employees and other workers	Social, pages 62 to 66
	102-9	Supply chain	Environment, pages 60 to 61
	102-10	Significant changes to the organisation and its supply chain	There were no significant changes.
	102-11	Precautionary Principle or approach	Nippecraft supports the intent of the Precautionary Principle, but has not expressed a specific commitment.
	102-12	External initiatives	Nil
	102-13	Membership of associations	Organisation Profile, page 55
	102-14	Statement from senior decision-maker	Independent Non-Executive Chairman's Statement, page 13
	102-16	Values, principles, standards and norms of behaviour	Governance, pages 67 to 68; Corporate Governance Statement, pages 18 to 43
	102-18	Governance structure	Governance, pages 67 and 68; Corporate Governance Statement, Pages 18 to 43
	102-40	List of stakeholder groups	Stakeholders' Engagement, pages 57 to 58
102-41	Collective bargaining agreements	Diversity and Equal Opportunities, page 63	
102-42	Identifying and selecting stakeholders	Stakeholders' Engagement, page 57	
102-44	Key topics and concerns raised	Stakeholders' Engagement, pages 57 to 58	
102-45	Entities included in the consolidated financial statements	Global Presence, page 54; Financial Report, page 110	

By Countries	Disclosure	Reference / Description	
	102-46	Defining report content and topic boundaries	About this Report, page 53
	102-47	List of material topics	Materiality Assessment, page 59
	102-48	Restatement of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	1 January to 31 December 2020
	102-51	Date of most recent previous report	29 May 2020
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions about the report	About this Report, page 54
	102-54	Claims of reporting in accordance with the GRI Standards	About this Report, page 54
	102-55	GRI content index	GRI Standard Content Index, pages to 69 to 70
	102-56	External assurance	We may seek external assurance in the future.
MATERIAL TOPICS			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Economic, page 60
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Governance, pages 67 to 68
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Environment, pages 60 to 61
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Environment, page 61
GRI 401: Employment 2016	401-1	New employees hire and employee turnover	Social, page 62
GRI 403: Occupational Health and Safety 2018	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Social, pages 65 to 66
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Social, page 65
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Social, pages 63 to 64
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments and development programmes	Social, page 66
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Social, page 66

FINANCIAL REPORT



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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 2020 and the statement of financial position of the Company as at 31 December 2020.

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 81 to 139 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 2020 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:

Khoo Song Koon	Non-Executive Chairman and Independent Director
Raja Hayat	Executive Director and Interim Chief Executive Officer (Appointed on 1 January 2021)
Chan Cheng Fei	Executive Director and Chief Financial Officer (Appointed on 1 January 2021)
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, save for the following director, none of the other 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 2021, except as follows:

	Direct interests			Deemed interests				
	At 1 January 2020	At 31 December 2020	At date of appointment	At 21 January 2021	At 1 January 2020	At 31 December 2020	At date of appointment	At 21 January 2021
Company								
<i>Ordinary shares</i>								
Chan Cheng Fei	–	–	20,000	20,000	–	–	–	–

DIRECTORS' STATEMENT (Continued)**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.

Share options

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

Audit committee

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

Khoo Song Koon	Chairman of Audit Committee, Non-Executive Chairman and Independent Director
Lim Yu Neng Paul	Independent Director
Chow Wai San	Independent Director

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

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

In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 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.

DIRECTORS' STATEMENT (Continued)

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.

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

RAJA HAYAT
Director

CHAN CHENG FEI
Director

6 April 2021

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIPPECRAFT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nippecraft Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 139, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, 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 2020 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	
Refer to the following notes to the financial statements Note 2 "Significant accounting policy – revenue from contracts with customers" Note 15 "Revenue from contracts with customers"	
The key audit matter	How the matter was addressed in our audit
<p>The Group's pulp trading forms a significant portion 90% (2019: 87%) of the Group's revenue, amounting to US\$128,307,000 (2019: US\$104,856,000). As the sales transactions of pulp trading are voluminous with some individually material transactions, errors in the recording of sales in the correct financial period represents a significant risk of misstatement. Manual, rather than automated process, also increases the risk that transactions might not be captured in the financial statements in a complete manner.</p> <p>Reviews are undertaken by management to ensure that internal controls are operating effectively and proper revenue recognition policies are complied with.</p>	<p>Our audit of revenue focused on whether the Group's revenue recognition policies complied with SFRS(I) 15 <i>Revenue from Contracts with Customers</i> and in addressing the completeness of the recorded revenue.</p> <p>Our procedures applied include:</p> <ul style="list-style-type: none"> - Assess whether the Group's revenue recognition policies complied with SFRS(I) 15 and test the implementation of these policies; - Obtain sales confirmations to ensure the completeness of the recorded revenue; - Perform test of controls on the back-to-back trading arrangement and ensure that the transactions are supported with documents and proper approval; and - Perform revenue cut off testing to ensure that revenue was recognised based on the transfer of the controls 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. <p>Based on the results of the above procedures, we found no significant exceptions with regard to completeness of revenue.</p>

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

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

As part of an audit in accordance with SSAs, we 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

6 April 2021

STATEMENTS OF FINANCIAL POSITION**As at 31 December 2020**

(Amounts in United States dollars)

	Note	Group		Company	
		2020	2019	2020	2019
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	4,618	5,103	4,279	4,691
Intangible assets	4	–	–	–	–
Subsidiaries	5	–	–	16,512	16,512
Deferred tax assets	11	–	–	–	–
		4,618	5,103	20,791	21,203
Current assets					
Inventories	6	2,707	3,527	335	348
Trade and other receivables	7	31,699	24,629	2,807	3,665
Prepayments		421	332	110	38
Cash and bank balances	8	18,242	14,072	1,324	620
		53,069	42,560	4,576	4,671
TOTAL ASSETS		57,687	47,663	25,367	25,874
LIABILITIES					
Current liabilities					
Trade and other payables	9	24,827	15,201	1,069	1,593
Lease liabilities	10	275	257	110	108
Income tax payable		202	101	–	–
		25,304	15,559	1,179	1,701
Non-current liability					
Lease liabilities	10	1,534	1,785	1,491	1,566
		1,534	1,785	1,491	1,566
TOTAL LIABILITIES		26,838	17,344	2,670	3,267
NET ASSETS		30,849	30,319	22,697	22,607

STATEMENTS OF FINANCIAL POSITION
(CONTINUED) As at 31 December 2020
(Amounts in United States dollars)

	Note	Group		Company	
		2020	2019	2020	2019
		US\$'000	US\$'000	US\$'000	US\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	12	36,817	36,817	36,817	36,817
Reserves	13	1,604	1,133	748	748
Accumulated losses	14	(7,572)	(7,631)	(14,868)	(14,958)
TOTAL EQUITY		30,849	30,319	22,697	22,607

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	2020 US\$'000	2019 US\$'000
Revenue from contracts with customers	15	143,048	120,629
Cost of sales		(135,144)	(112,388)
Gross profit		7,904	8,241
Distribution and marketing expenses		(4,676)	(4,798)
Administrative expenses		(3,740)	(3,888)
Impairment loss on financial assets	24(iii)(a)	(146)	(128)
Other income, net	16	1,200	442
Finance expense, net	17	(317)	(622)
Profit / (Loss) before tax	18	225	(753)
Tax expense	19	(166)	(111)
Profit / (Loss) for the year		59	(864)
Other comprehensive income:			
<u>Item that may be reclassified subsequently to profit or loss</u>			
- Foreign currency translation differences for foreign operations		471	133
Other comprehensive income for the year, net of tax		471	133
Total comprehensive income / (loss) for the year		530	(731)
Earnings / (Loss) per share (cents)			
Basic and diluted	21	0.017	(0.246)

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 2020	36,817	748	385	(7,631)	30,319
Profit for the year	–	–	–	59	59
Other comprehensive income, net of tax - Currency translation differences	–	–	471	–	471
Total comprehensive income for the year	–	–	471	59	530
Balance as at 31 December 2020	36,817	748	856	(7,572)	30,849
Balance as at 1 January 2019	36,817	748	252	(6,767)	31,050
Loss for the year	–	–	–	(864)	(864)
Other comprehensive income, net of tax - Currency translation differences	–	–	133	–	133
Total comprehensive loss for the year	–	–	133	(864)	(731)
Balance as at 31 December 2019	36,817	748	385	(7,631)	30,319

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

(Amounts in United States dollars)

	Note	2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Profit / (Loss) before tax		225	(753)
Adjustments:			
Depreciation of property, plant and equipment	3	645	506
Property, plant and equipment written off	18	3	–
Impairment loss on financial assets	24(iii)(a)	146	128
Interest income	17	(127)	(61)
Interest expense	17	444	683
Write-down of inventories	18	480	1,388
Operating profit before working capital changes		1,816	1,891
Inventories		495	(884)
Trade and other receivables		(6,939)	1,389
Trade and other payables		9,303	(2,708)
Deposit pledged	8	(1,400)	–
Cash generated from / (used in) operations		3,275	(312)
Income tax (paid) / refund, net of tax (paid) / refund		(65)	53
Net cash from / (used in) operating activities		3,210	(259)
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(163)	(73)
Interest received		127	61
Net cash used in investing activities		(36)	(12)
Cash flows from financing activities			
Interest paid for trade financing	17	(360)	(594)
Payment of lease liabilities including interest	10	(349)	(232)
Net cash used in financing activities		(709)	(826)
Net increase / (decrease) in cash and cash equivalents		2,465	(1,097)
Cash and cash equivalents at beginning of year		11,972	12,911
Effects of exchange rate changes on cash and cash equivalents		305	158
Cash and cash equivalents at end of year	8	14,742	11,972

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Amounts in United States dollars)

	Note	2020	2019
		US\$'000	US\$'000
Note A:			
Total addition of property, plant and equipment	3	176	574
Less: Addition of right-of-use assets		(13)	(501)
Acquisition of property, plant and equipment		163	73

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

(Amounts in United States dollars unless otherwise stated)

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

1. GENERAL INFORMATION

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

APP Printing (Holding) Pte Ltd (“APP Printing”), a company incorporated in Singapore, holds 49% (2019: 49%) of the share capital of the Company and is deemed to be the controlling shareholder of the Company. APP Printing is a wholly-owned subsidiary of PT Andalan Prapanca Pertiwi (“PT APP”), and Asia Pulp & Paper Company Ltd (“APP”) owns 89.9% (2019: 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% (2019: 63.32%) of the voting power of APP and is considered as the ultimate holding company.

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

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 6 April 2021.

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)****Adoption of new and revised standards**

On 1 January 2020, the Group adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I). The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

Early adoption of Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions

The Group has elected to early adopt the amendments to SFRS(I) 16 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession occurring as a direct consequence of Covid-19 is a lease modification, if all the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

There is no Covid-19 rent concessions granted by the lessor during the financial year.

Standards issued but not yet effective

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

Descriptions	Effective for annual periods beginning on or after
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: <i>Interest Rate Benchmark Reform — Phase 2</i>	1 January 2021
Amendments to SFRS(I) 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37: <i>Onerous Contracts—Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRSs 2018-2020	1 January 2022
- Amendments to SFRS(I) 1: <i>First-time Adoption of FRS</i>	
- Amendments to SFRS(I) 9: <i>Financial Instruments</i>	
- Amendments to Illustrative Examples accompanying SFRS(I) 16: <i>Leases</i>	
- Amendments to SFRS(I) 1-41: <i>Agriculture</i>	
Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to SFRS(I) 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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

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

(b) Acquisition of businesses

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

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

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

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 result in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

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

Investments in subsidiaries

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

Currency translation**(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(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 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
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 assets, if any, is transferred directly to retained earnings.

Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

Financial assets and liabilities

(i) Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Financial assets and liabilities (Continued)****(ii) Classification and subsequent measurement**Financial assets

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

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

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

Financial assets at amortised costs

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

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

These assets, mainly trade and other receivables including amounts due from related companies and subsidiaries, and 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 amounts due to related companies and subsidiaries, and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Financial assets and liabilities (Continued)****(iii) Derecognition**Financial assets

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

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

Financial liabilities

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

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

Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Impairment of financial assets (Continued)***Simplified approach*

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

General approach

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

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

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 ECL.

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 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

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 inventory 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.

Leases

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

ROU asset

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

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

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

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

Lease liability

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Exemption / exclusion

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

Sub-leasing

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

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

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

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

Covid-19 Rent concessions

The Group has applied the practical expedients under *Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions* and hence is not required to assess whether eligible rent concessions and rebates that are direct consequence of the Covid-19 are lease modifications. The Group applies the practical expedient to all property leases and recognise the effect in profit or loss as other income. For rent concessions in other leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assess whether there is a lease modification.

Revenue from contracts with customers

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Other income**

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

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.

Employees' benefits**(i) Retirement benefits**

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

(ii) Short-term employee benefits

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

(iii) Employee leave entitlement

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

(iv) Termination benefits

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

Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all the attached conditions. When the grant relates to expenses, it is recognised in profit or loss as other income on a systematic basis in the periods in which the related costs, unless the conditions are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash subjected to restriction, assessment is made on the economic substance of the restriction and such restricted cash are excluded from Group's cash management.

Income tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share capital

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Earnings per share**

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

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person’s family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

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

Segment reporting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Critical accounting estimates, assumptions and judgements**

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

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Allowance for inventory obsolescence

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

(b) Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings (d)	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Leasehold land (c)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost							
As at 1 January 2019	9,739	589	1,509	1,389	90	1,728	15,044
Additions	501	–	7	66	–	–	574
Written off	–	–	(102)	(189)	(89)	–	(380)
Currency translation differences	–	–	2	7	(1)	–	8
As at 31 December 2019	10,240	589	1,416	1,273	–	1,728	15,246
As at 1 January 2020	10,240	589	1,416	1,273	–	1,728	15,246
Additions	10	–	164	2	–	–	176
Written off	–	–	–	(97)	–	–	(97)
Currency translation differences	27	–	33	11	–	–	71
As at 31 December 2020	10,277	589	1,613	1,189	–	1,728	15,396

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold buildings (d)	Factory equipment	Office equipment	Furniture and fittings	Motor vehicles	Leasehold land (c)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Accumulated depreciation and impairment losses							
As at 1 January 2019	6,492	585	1,391	1,352	90	99	10,009
Charge for the year	329	1	63	14	–	99	506
Written off	–	–	(102)	(189)	(89)	–	(380)
Currency translation differences	–	–	2	7	(1)	–	8
As at 31 December 2019	6,821	586	1,354	1,184	–	198	10,143
As at 1 January 2020	6,821	586	1,354	1,184	–	198	10,143
Charge for the year	453	1	73	19	–	99	645
Written off	–	–	–	(94)	–	–	(94)
Currency translation differences	17	–	33	34	–	–	84
As at 31 December 2020	7,291	587	1,460	1,143	–	297	10,778
Net carrying amount							
As at 31 December 2020	2,986	2	153	46	–	1,431	4,618
As at 31 December 2019	3,419	3	62	89	–	1,530	5,103

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Leasehold buildings (d)	Factory equipment	Office equipment	Furniture and fittings	Leasehold land (c)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost						
As at 1 January 2019	9,739	589	962	973	1,728	13,991
Additions	66	–	2	44	–	112
As at 31 December 2019	9,805	589	964	1,017	1,728	14,103
As at 1 January 2020	9,805	589	964	1,017	1,728	14,103
Additions	10	–	34	1	–	45
As at 31 December 2020	9,815	589	998	1,018	1,728	14,148
Accumulated depreciation and impairment losses						
As at 1 January 2019	6,492	585	889	935	99	9,000
Charge for the year	256	1	43	13	99	412
As at 31 December 2019	6,748	586	932	948	198	9,412
As at 1 January 2020	6,748	586	932	948	198	9,412
Charge for the year	282	1	38	37	99	457
As at 31 December 2020	7,030	587	970	985	297	9,869
Net carrying amount						
As at 31 December 2020	2,785	2	28	33	1,431	4,279
As at 31 December 2019	3,057	3	32	69	1,530	4,691

NOTES TO THE FINANCIAL STATEMENTS (Continued)**3. PROPERTY, PLANT AND EQUIPMENT (Continued)**

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 3 (c) and 3 (d).

(a) The Group's major properties as at 31 December 2020 and 2019 are as follows:

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

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

If the leasehold buildings stated based on July 1993 valuation had been included in the financial statements at cost less accumulated depreciation, their net book values would have been US\$1,739,000 (2019: US\$1,949,000).

(c) The Group has lease agreement for land with Jurong Town Corporation ("JTC"). The average lease term is 55 – 60 years (2019: 55 – 60 years). With JTC's approval, the Group acts as an intermediate lessor under arrangement in which it subleases out partial of its leasehold land to third parties for monthly lease payments. The sublease periods do not form a major part of the remaining leases terms under the head leases and accordingly, the sub-leases are classified as an operating lease.

Income from subleasing the leasehold lands disclosed in Note 16 was recognised during the financial year was US\$405,000 (2019: US\$477,000) relate to variable lease payments that do not depend on an index or rate.

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

The total cash outflow for leases for the current financial year amount to US\$383,000 (2019: US\$275,000), which includes leases expenses not included in lease liabilities, as disclosed in Note 18.

Potential exposure of future cash flows that are not included in lease liabilities as at 31 December 2020 are the lease payments for leasehold buildings under extension options not included in lease term as the Group has determined at commencement date, that it is not reasonably certain to be exercised. If the Group were to extend those leases, additional potential future cash outflows are US\$549,800 (2019: US\$591,500).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings	Leasehold land	Office equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Carrying amounts as at 1 January 2020	422	1,530	–	1,952
Additions for the year	–	–	13	13
Depreciation for the year	(195)	(99)	(3)	(297)
Carrying amounts as at 31 December 2020	227	1,431	10	1,668
Carrying amounts as at 1 January 2019	–	1,629	–	1,629
Additions for the year	501	–	–	501
Depreciation for the year	(79)	(99)	–	(178)
Carrying amounts as at 31 December 2019	422	1,530	–	1,952
Company				
Carrying amounts as at 1 January 2020	62	1,530	–	1,592
Additions for the year	–	–	13	13
Depreciation for the year	(33)	(99)	(3)	(135)
Carrying amounts as at 31 December 2020	29	1,431	10	1,470
Carrying amounts as at 1 January 2019	–	1,629	–	1,629
Additions for the year	66	–	–	66
Depreciation for the year	(4)	(99)	–	(103)
Carrying amounts as at 31 December 2019	62	1,530	–	1,592

NOTES TO THE FINANCIAL STATEMENTS (Continued)**4. INTANGIBLE ASSETS**

	Group	
	2020	2019
	US\$'000	US\$'000
Cost		
As at 1 January	13,014	12,577
Currency translation differences	399	437
As at 31 December	13,413	13,014
Accumulated amortisation and impairment losses		
As at 1 January	13,014	12,577
Currency translation differences	399	437
As at 31 December	13,413	13,014
Net carrying amount		
As at 31 December	–	–

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

5. SUBSIDIARIES

	Company	
	2020	2019
	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	
		2020 %	2019 %
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 ⁽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
Collins Debden USA, Inc ^{(4) (5)}	To carry on the business of promoting the global marketing services of the Group’s stationery business / United States	100	–

⁽¹⁾ Audited by Crowe Horwath First Trust LLP, Singapore.

⁽²⁾ Audited by Crowe U.K. LLP, a member firm of Crowe Global in United Kingdom.

⁽³⁾ Audited by Crowe Australasia Sydney, a member firm of Crowe Global in Australia.

⁽⁴⁾ Not required to be audited or not significant subsidiary.

⁽⁵⁾ The subsidiary is newly incorporated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**6. INVENTORIES**

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Raw materials	10	42	10	42
Finished goods	2,593	3,063	254	224
Goods in transit	104	422	71	82
	2,707	3,527	335	348

The Group's inventories are stated at net realisable value after the write-down of inventories of US\$480,000 (2019: US\$1,388,000) respectively during the year (Note 18).

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables				
- Subsidiaries ⁽¹⁾	–	–	1,467	2,205
- Related companies ⁽¹⁾	2,175	2,469	–	–
- Third parties	29,447	21,913	75	257
	31,622	24,382	1,542	2,462

NOTES TO THE FINANCIAL STATEMENTS (Continued)**7. TRADE AND OTHER RECEIVABLES (Continued)**

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Less: Impairment losses (Note 24(iii)(a))				
- Subsidiaries	–	–	(39)	(32)
- Third parties	(65)	(52)	–	–
	(65)	(52)	(39)	(32)
Net trade receivables	31,557	24,330	1,503	2,430
Deposits ⁽²⁾	70	30	17	11
Other receivables				
- Third parties	36	269	15	252
- Subsidiaries ⁽³⁾	–	–	1,236	972
Government grant receivables ⁽⁴⁾	36	–	36	–
	31,699	24,629	2,807	3,665

⁽¹⁾ Trade receivables due from subsidiaries and related companies are unsecured, interest-free and with credit term of 30 to 165 days (2019: 30 to 165 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.

⁽⁴⁾ Government grant receivables are in respect of Jobs Support Scheme, details of which are disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**8. CASH AND BANK BALANCES**

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and in hand	14,672	11,933	1,324	620
Short-term bank deposits ⁽ⁱ⁾	3,570	2,139	–	–
Cash and bank balances as per statements of financial position	18,242	14,072	1,324	620
Bank balances and deposits pledged ⁽ⁱⁱ⁾	(3,500)	(2,100)	–	–
Cash and cash equivalents per consolidated statement of cash flows	14,742	11,972	1,324	620

⁽ⁱ⁾ Short-term bank deposits at the reporting date had maturity of 1 month (2019: 1 month) from the end of the financial year.

⁽ⁱⁱ⁾ Bank balances and deposits 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	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Trade payables				
- Third parties	21,466	12,376	61	338
- Subsidiaries	–	–	369	310
- Related companies	227	172	–	–
Rental deposits received	125	123	125	123
Contract liabilities ⁽¹⁾	–	–	–	476
Advances from a subsidiary ⁽²⁾	–	–	8	–
Deferred government grant income ⁽³⁾	83	–	83	–
Accrued operating expenses	2,726	2,343	250	180
Other payables	200	187	173	166
	24,827	15,201	1,069	1,593

⁽¹⁾ Contract liabilities represents advance payment received from a customer which is a subsidiary of the Company.

⁽²⁾ The advances from a subsidiary is unsecured, interest-free and repayable on demand.

⁽³⁾ Deferred government grant income is in respect of Jobs Support Scheme, details of which are disclosed in Note 16 to the financial statements.

10. LEASE LIABILITIES

	Group		Company	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Current	275	257	110	108
Non-current	1,534	1,785	1,491	1,566
	1,809	2,042	1,601	1,674

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. LEASE LIABILITIES (Continued)

Reconciliation of liabilities arising from financing activities

	Non-cash changes					
	At beginning of the year	Financing cash flows	New lease	Currency translation differences	Accretion of interests (Note 17)	At end of the year
Group	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2020	2,042	(349)	13	19	84	1,809
2019	1,660	(232)	501	24	89	2,042

Maturity analysis:

	Group			Company	
	Effective interest rate	Lease liabilities US\$'000	Contractual undiscounted cash flows US\$'000	Lease liabilities US\$'000	Contractual undiscounted cash flows US\$'000
2020					
Not later than 1 year		275	356	110	183
Later than 1 year and not later than 5 years		401	631	358	587
Later than 5 years		1,133	1,532	1,133	1,532
	0.81% to 7.35%	1,809	2,519	1,601	2,302

NOTES TO THE FINANCIAL STATEMENTS (Continued)**10. LEASE LIABILITIES (Continued)**

Maturity analysis (Continued)

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

11. DEFERRED TAX ASSETS**Unrecognised deferred tax assets**

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

	Group		Company	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Tax losses	8,428	7,739	2,137	2,137

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**12. SHARE CAPITAL**

	Group and Company			
	2020		2019	
	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	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Asset revaluation reserve	748	748	748	748
Foreign currency translation differences for foreign operations	856	385	–	–
Total reserves	1,604	1,133	748	748

Asset revaluation reserve

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

Foreign currency translation reserve

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

The above reserves are not distributable as dividends.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**14. ACCUMULATED LOSSES**

	Company	
	2020	2019
	US\$'000	US\$'000
At the beginning of the year	14,958	14,448
(Profit)/ loss for the year	(90)	510
At the end of the year	14,868	14,958

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	
	2020	2019
	US\$'000	US\$'000
Sales of goods		
- Stationery products	14,740	15,773
- Pulp and related trading products	128,308	104,856
	143,048	120,629

	Group	
	2020	2019
	US\$'000	US\$'000
<u>Geographical markets</u>		
Asia Pacific	135,745	113,718
Europe and United Kingdom	7,062	6,668
Others	241	243
	143,048	120,629

NOTES TO THE FINANCIAL STATEMENTS (Continued)**15. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)****(b) Contract balances**

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

16. OTHER INCOME, NET

	Group	
	2020	2019
	US\$'000	US\$'000
Foreign exchange gain/ (loss), net	142	(72)
Government grant income ⁽ⁱ⁾	553	5
Rental rebate ⁽ⁱⁱ⁾	64	–
Rental income from sublet of premise (Note A)	405	477
Others	36	32
	1,200	442

(i) Government grant income is related to Job Support Scheme introduced by government of Singapore and similar schemes granted by Australia and United Kingdom which represents cash grants for employers.

(ii) Rental rebate is granted by lessor from property tax rebate by Singapore government.

Note A

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

	Group	
	2020	2019
	US\$'000	US\$'000
Less than one year	296	448
One to two years	226	162
Total undiscounted lease payment	522	610

NOTES TO THE FINANCIAL STATEMENTS (Continued)**17. FINANCE EXPENSE, NET**

	Group	
	2020	2019
	US\$'000	US\$'000
Interest income	(127)	(61)
Interest expense for trade financing	360	594
Interest expense on lease liabilities	84	89
	444	683
	317	622

18. PROFIT / (LOSS) BEFORE TAX

This is determined after charging the following:

	Group	
	2020	2019
	US\$'000	US\$'000
Depreciation of property, plant and equipment (Note 3)	645	506
Audit fees payable to:		
- auditors of the Company	75	81
- other auditors	59	61
Directors' fees payable to:		
- directors of the Company	77	77
Non-audit fees payable to:		
- auditors of the Company	8	8
- other auditors	11	25
Short term lease	34	43
Personnel expenses (Note 20)	4,098	4,159
Write-down of inventories (Note 6)	480	1,388
Property, plant and equipment written off	3	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)**19. TAX EXPENSE**

	Group	
	2020 US\$'000	2019 US\$'000
Current tax		
Current year	166	104
Under provision in prior years	–	7
Income tax expense	166	111

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

	Group	
	2020 US\$'000	2019 US\$'000
Reconciliation of effective tax rate		
Profit/ (loss) before tax	225	(753)
Tax using the Singapore tax rate of 17% (2019: 17%)	38	(128)
Effect of different tax rates in foreign jurisdictions	(2)	(79)
Income not subject to tax	(97)	(7)
Non-deductible expenses	51	31
Deferred tax assets on tax losses not recognised	189	318
Tax exemptions	(13)	(12)
Tax rebates and carried back	–	(19)
Under provision in prior years	–	7
	166	111

The Company and its Singapore subsidiary

The Company and its Singapore incorporated subsidiary are subject to an applicable tax rate of 17% (2019: 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% (2019: 19%).

Australia subsidiary

This subsidiary is subject to an applicable tax rate of 30% (2019: 30%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)**20. PERSONNEL EXPENSES**

	Group	
	2020	2019
	US\$'000	US\$'000
Wages, salaries and bonuses *	3,647	3,693
Defined contribution plans *	307	297
Others	144	169
	4,098	4,159

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

Out of the above personnel expenses, an amount US\$528,000 (2019: US\$559,000) is included as cost of sales for the current financial year.

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

	Group	
	2020	2019
	US\$'000	US\$'000
Net profit/ (loss) attributable to equity holders of the Company	59	(864)
	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	351,398	351,398
	0.017	(0.246)
Basic and diluted earnings/ (loss) per share (cents)		

As at 31 December 2020 and 2019, there is no dilutive or anti-dilutive instrument outstanding. The diluted earnings/ (loss) per share is the same as the basic earnings / (loss) 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	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Sale of goods to related companies	65,492	43,263	–	–

Related companies are entities under the APP Group (which comprises of Asia Pulp & Paper Company Ltd, its subsidiaries and associated companies).

Key management personnel compensation

Compensation payable to key management personnel comprise:

	Group	
	2020	2019
	US\$'000	US\$'000
Short-term employee benefits	1,336	1,273
Defined contribution plans	63	66
Directors' fees	77	77
	1,476	1,416

Included in the above was total compensation to directors of the Company amounting to US\$514,000 (2019: US\$557,000).

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 bank balances, inventories, trade and other receivables and prepayments.

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

Segment liabilities consist primarily of trade and other payables and lease liabilities. Capital expenditure consists of additions to property, plant and equipment (excluding right-of-use assets).

The segment results, assets and liabilities of the above reportable segments are 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**23. OPERATING SEGMENTS (Continued)**

Group	Stationery US\$'000	Trading US\$'000	Total US\$'000
2020			
Segment revenue	22,336	128,348	150,684
Intra-segment revenue	(7,596)	(40)	(7,636)
External revenue	14,740	128,308	143,048
Segment (loss) / profit	(1,403)	1,945	542
Finance income			127
Finance expense			(444)
Profit before tax			225
Tax expense			(166)
Consolidated profit for the year			59
Segment assets	21,629	36,058	57,687
Segment liabilities	5,307	21,531	26,838
Other segment information:			
Capital expenditure	163	–	163
Depreciation of property, plant and equipment	645	–	645
Write-down of inventories	480	–	480
Impairment loss on financial assets	146	–	146

NOTES TO THE FINANCIAL STATEMENTS (Continued)**23. OPERATING SEGMENTS (Continued)**

Group	Stationery US\$'000	Trading US\$'000	Total US\$'000
2019			
Segment revenue	23,329	104,897	128,226
Intra-segment revenue	(7,556)	(41)	(7,597)
External revenue	15,773	104,856	120,629
Segment (loss) / profit	(1,691)	1,560	(131)
Finance income			61
Finance expense			(683)
Loss before tax			(753)
Tax expense			(111)
Consolidated loss for the year			(864)
Segment assets	22,708	24,955	47,663
Segment liabilities	5,585	11,759	17,344
Other segment information:			
Capital expenditure	73	–	73
Depreciation of property, plant and equipment	506	–	506
Write-down of inventories	1,388	–	1,388
Impairment loss on financial assets	126	2	128

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 non-current assets are based on location of those assets.

	Group	
	2020	2019
	US\$'000	US\$'000
External revenue		
Indonesia	65,509	43,344
Malaysia	32,567	4,737
Hong Kong	30,015	36,137
Australia	7,271	7,964
United Kingdom	6,893	6,540
Singapore	383	21,536
Continental Europe	169	128
United States of America	42	65
Others	199	178
	143,048	120,629
Non-current assets		
Singapore	4,278	4,691
United Kingdom	208	215
Australia	132	197
	4,618	5,103

Major customers for trading segment

Revenue derived from sales to related companies as disclosed in Note 22 amounted to US\$65,492,000 (2019: US\$43,263,000).

Revenue of approximately \$32,559,000 and \$17,590,000 (2019: \$4,686,000 and \$28,304,000) are derived from 2 major third party customer operating from Malaysia and Hong Kong.

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 riskForeign 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's entities. The currencies in which these transactions primarily are denominated are the Singapore dollars, United States dollars, Australian dollars, Great Britain pound, Euro and Japanese yen.

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 2020	Singapore dollars US\$'000	United States dollars US\$'000	Australian dollars US\$'000	Great Britain pound US\$'000	Euro US\$'000	Japanese yen US\$'000	Total US\$'000
<u>Financial assets</u>							
Trade and other receivables	58	25,103	3,337	3,092	3	–	31,593
Cash and bank balances	252	12,115	2,162	3,711	2	–	18,242
Intragroup receivables	118	2,431	482	19	–	–	3,050
	428	39,649	5,981	6,822	5	–	52,885
<u>Financial liabilities</u>							
Trade and other payables	(576)	(20,592)	(1,462)	(2,095)	(9)	(10)	(24,744)
Lease liabilities	(1,601)	–	(125)	(83)	–	–	(1,809)
Intragroup payables	(118)	(2,431)	(482)	(19)	–	–	(3,050)
	(2,295)	(23,023)	(2,069)	(2,197)	(9)	(10)	(29,603)
Net financial (liabilities) / assets	(1,867)	16,626	3,912	4,625	(4)	(10)	23,282
Less: Net financial assets denominated in the respective entities' functional currencies	–	(17,813)	(4,278)	(4,606)	–	–	(26,697)
Foreign currency exposure	(1,867)	(1,187)	(366)	19	(4)	(10)	(3,415)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

Company 2020	Singapore dollars US\$'000	United States dollars US\$'000	Australian dollars US\$'000	Great Britain pound US\$'000	Euro US\$'000	Japanese yen US\$'000	Total US\$'000
Financial assets							
Trade and other receivables	176	2,464	116	–	–	–	2,756
Cash and bank balances	236	1,044	–	44	–	–	1,324
	412	3,508	116	44	–	–	4,080
Financial liabilities							
Trade and other payables	(443)	(140)	(368)	(17)	(9)	(9)	(986)
Lease liabilities	(1,601)	–	–	–	–	–	(1,601)
	(2,044)	(140)	(368)	(17)	(9)	(9)	(2,587)
Net financial (liabilities) / assets	(1,632)	3,368	(252)	27	(9)	(9)	1,493
Less: Net financial assets denominated in the functional currency of the Company	–	(3,368)	–	–	–	–	(3,368)
Foreign currency exposure	(1,632)	–	(252)	27	(9)	(9)	(1,875)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. FINANCIAL INSTRUMENTS (Continued)****Financial risk management objectives and policies (Continued)****(i) Market risk (Continued)**Foreign exchange risk (Continued)*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% (2019: 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 US\$'000	United States dollars US\$'000	Australian dollars US\$'000	Great Britain pound US\$'000	Euro US\$'000	Japanese yen US\$'000
2020						
Increase / (Decrease) in profit before tax	(187)	(119)	(37)	2	–	(1)
2019						
(Increase) / Decrease in loss before tax	173	203	17	(3)	(10)	–
Company						
2020						
Increase / (Decrease) in profit before tax	(163)	–	(25)	3	(1)	(1)
2019						
(Increase) / Decrease in loss before tax	140	–	7	(2)	–	–

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. FINANCIAL INSTRUMENTS (Continued)****Financial risk management objectives and policies (Continued)****(ii) Liquidity risk**

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

The maturity analysis of the contractual undiscounted cash flows of lease liabilities are disclosed in Note 10. All the other financial liabilities of the Group as at 31 December 2020 and 2019 are repayable on demand or due within 1 year from the reporting date.

(iii) Credit riskExpected Credit Losses

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

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

(a) Trade receivables

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

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

Group	Trade receivables – gross carrying amount (Note 7)	
	2020 US\$'000	2019 US\$'000
Stationery	6,636	6,580
Trading		
- Not past due	21,081	14,748
- Past due 1 to 60 days	3,905	3,054
	24,986	17,802
	31,622	24,382

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)**Trading

Credit risks from Group's trading business normally are very low, as the Group deals only with a few companies with established relationship with the related companies, and trades on letter of credit payment terms for certain material transactions. Such customers have a good payment record with the Group. Past due but not impaired balances have been fully recovered subsequent to reporting date. Credit term granted for trading business is from 30 to 165 days (2019: 30 to 165 days). Based on historical default rates and analysis of the profiles, the Group believes that no ECL allowance is necessary in respect of trading business.

Stationery

On the other hand, customers from stationery business represents retailers (both online and physical stores) and individual customers. Retailers are granted with credit term ranging from 30 to 90 days and individual customers settled with advance payment or cash on delivery. Based on past experience, the Group has very low historical loss experience from the past track records.

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

Group

	Not past due	Past due 1 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Total
As at 31 December 2020					
Expected loss rate	0%	2.3%	16%	100%	
Gross carrying amount (US\$'000)	5,453	1,074	87	22	6,636
ECL assessed (US\$'000)	–	25	14	22	61
ECL allowance (US\$'000)	–	*	*	*	*
Individually impaired (US\$'000)	–	–	43	22	65
As at 31 December 2019					
Expected loss rate	0%	3%	5.4%	100%	
Gross carrying amount (US\$'000)	4,829	1,086	647	18	6,580
ECL assessed (US\$'000)	–	33	35	18	86
ECL allowance (US\$'000)	–	*	*	*	*
Individually impaired (US\$'000)	–	32	20	–	52

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. FINANCIAL INSTRUMENTS (Continued)****Financial risk management objectives and policies (Continued)****(iii) Credit risk (Continued)**Expected Credit Losses (Continued)**(a) Trade receivables (Continued)**

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

Group	Not credit-impaired US\$'000	Credit-impaired US\$'000	Total US\$'000
Balance as at 1 January 2020	–	52	52
Impairment loss recognised during the year	–	146	146
Written off	–	(136)	(136)
Currency translation differences	–	3	3
Balance as at 31 December 2020	–	65	65
Balance as at 1 January 2019	14	796	810
Impairment loss recognised during the year	128	–	128
Written off	(128)	(754)	(882)
Transfer to credit-impaired	(14)	14	–
Currency translation differences	–	(4)	(4)
Balance as at 31 December 2019	–	52	52
Company	Not credit-impaired US\$'000	Credit-impaired US\$'000	Total US\$'000
Balance as at 1 January 2020	–	32	32
Currency translation differences	–	7	7
Balance as at 31 December 2020	–	39	39
Balance as at 1 January 2019	–	120	120
Written off	–	(88)	(88)
Balance as at 31 December 2019	–	32	32

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. FINANCIAL INSTRUMENTS (Continued)****Financial risk management objectives and policies (Continued)****(iii) Credit risk (Continued)**Expected Credit Losses (Continued)**(a) Trade receivables (Continued)**

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

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
<u>By geographical areas</u>				
- Asia Pacific	28,398	21,153	1,503	2,430
- Europe	3,159	3,177	–	–
	31,557	24,330	1,503	2,430

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
<u>By types of customers</u>				
Related companies	2,175	2,469	–	–
Subsidiaries	–	–	1,428	2,173
Non-related parties *				
- Other companies	29,382	21,861	75	257
	31,557	24,330	1,503	2,430

* Amount in stationery business includes balances owing from the established office supplies wholesaler and retailers in Australia and United Kingdom totalling US\$6,496,000 (2019: US\$5,729,000), out of which total amount of US\$3,800,000 (2019: US\$2,840,000) was owing from two customers.

The top 2 balance in trading business was a customer from Malaysia amounted to US\$15,768,000 (2019: Nil); and a customer from Hong Kong with balance of US\$7,043,000 (2019: US\$15,242,000).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. FINANCIAL INSTRUMENTS (Continued)****Financial risk management objectives and policies (Continued)****(iii) Credit risk (Continued)**Expected Credit Losses (Continued)**(b) Trade and other receivables – Company level**

The credit exposure of the Company mainly arise from trade and non-trade balances due from subsidiaries, totalling US\$2,664,000 (2019: US\$3,145,000). Trade balance are with 60-90 days credit term. Non-trade balances are repayable on demand, however the Company did not demand such payments until there are cash flows needs. Based on the liquidity position of these subsidiaries, including the amount of liquid assets, the Company assessed that the credit risk is low on these subsidiaries, and the amount of 12-month ECL is insignificant.

(c) Cash and bank balances

The Group and the Company held cash and bank balances of US\$18,242,000 and US\$1,324,000 (2019: US\$14,072,000 and US\$620,000) under reputable financial institutions. The cash and bank balances are mainly held in 2 financial institution (2019:1) that individually represented 22% and 20% respectively (2019: 30%) of cash and bank balances as at the reporting date.

Impairment on cash and bank balances 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 bank balances have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and bank balances was negligible.

(iv) Financial instruments by category

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

	Group		Company	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Financial assets at amortised cost	49,835	38,432	4,080	4,033
Financial liabilities at amortised cost	26,553	17,243	2,588	2,791

NOTES TO THE FINANCIAL STATEMENTS (Continued)**24. FINANCIAL INSTRUMENTS (Continued)****Capital risk management policies and objectives**

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group had maintain its strategy in maintaining debts capital to a minimum.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital and statutory reserves as disclosed in Notes 12 and 13.

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. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

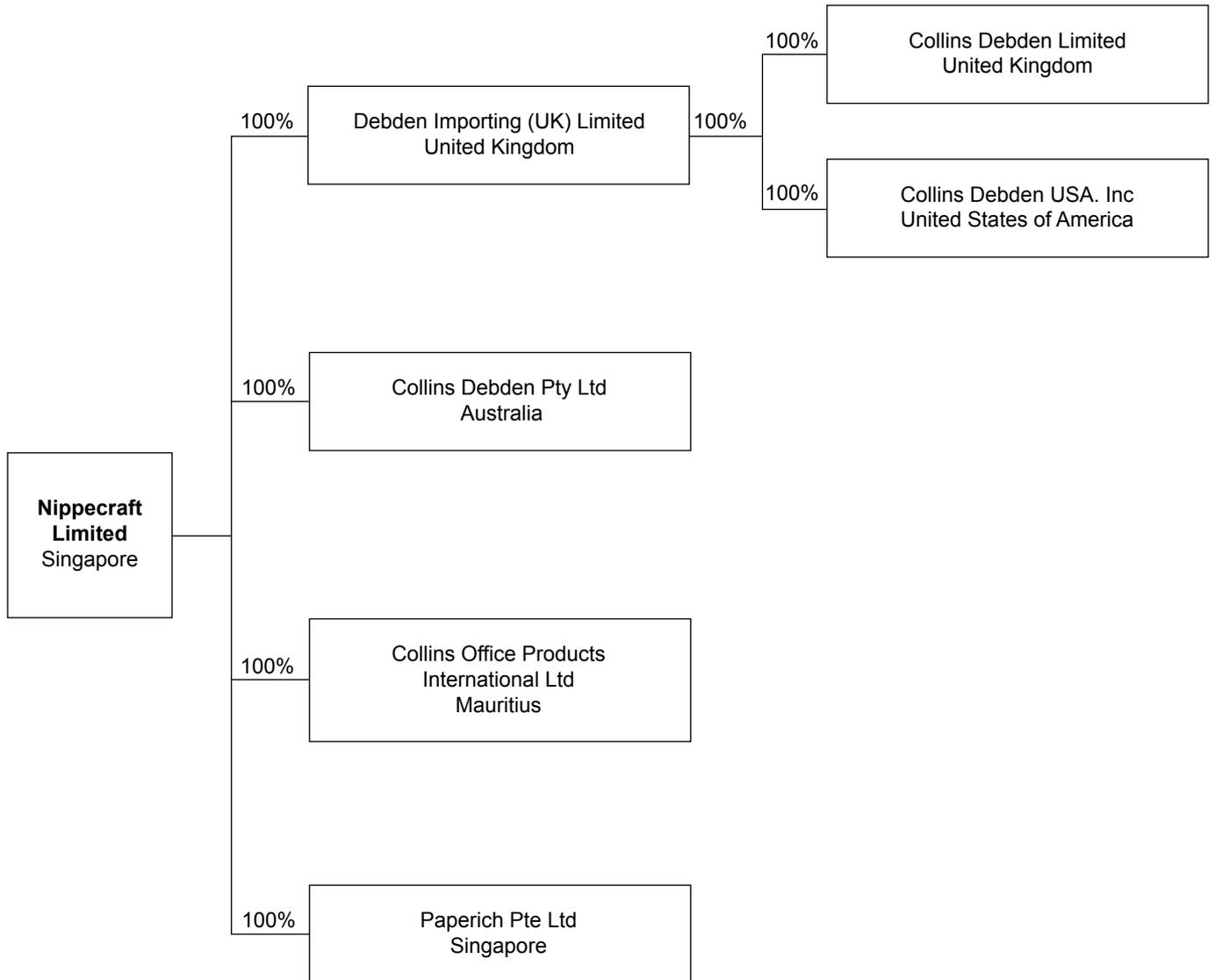
Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. FAIR VALUE DISCLOSURES

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

CORPORATE STRUCTURE

As at 18 March 2021



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SHAREHOLDING STATISTICS AS AT 18 MARCH 2021

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 18 March 2021, 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	0.05	56	0.00
100 - 1,000	1,537	28.47	1,528,950	0.43
1,001 – 10,000	2,890	53.53	15,592,251	4.44
10,001 – 1,000,000	954	17.67	54,421,527	15.49
1,000,001 and above	15	0.28	279,855,216	79.64
Total	5,399	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	UOB KAY HIAN PTE LTD	10,377,700	2.95
4	DBS NOMINEES PRIVATE LIMITED	10,274,300	2.92
5	ABN AMRO CLEARING BANK N.V.	7,021,100	2.00
6	LIM POH CHOON	4,922,700	1.40
7	TEOH HAI THOW	4,806,500	1.37
8	KAM TEOW CHONG	3,498,300	1.00
9	CITIBANK NOMINEES SINGAPORE PTE LTD	3,101,700	0.88
10	RAFFLES NOMINEES (PTE) LIMITED	2,933,900	0.83
11	OCBC NOMINEES SINGAPORE PTE LTD	2,343,500	0.67
12	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	2,307,750	0.66
13	TAY HUI SAN	1,961,100	0.56
14	PHILLIP SECURITIES PTE LTD	1,259,000	0.36
15	THIAN YIAN CHIEW	1,243,000	0.35
16	LOW EE LAM LEWIS	981,000	0.28
17	ONG SZE WANG (WANG SIYUAN)	900,000	0.26
18	TAY MING KHOON	672,000	0.19
19	WIRTZ JOCHEN	667,000	0.19
20	CHEW AH KONG	603,100	0.17
		283,678,316	80.73

Substantial Shareholders as at 18 March 2021

(as shown in the Company's Register of substantial shareholders)

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

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

NOTICE IS HEREBY GIVEN that an Annual General Meeting (“**AGM**”) of Nippcraft Limited (“**Company**”) will be held by way of electronic means on Wednesday, 28 April 2021 at 10.00 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2020, together with the Auditor’s Report thereon. **(Resolution 1)**
2. To re-elect and re-appoint Mr. Lim Yu Neng Paul, retiring by rotation under regulation 144 of the Company’s Constitution and Rule 720(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited. **(Resolution 2)**
3. To re-elect and re-appoint Mr. Raja Hayat, retiring by rotation under regulation 154 of the Company’s Constitution. **(Resolution 3)**
4. To re-elect and re-appoint Mr. Chan Cheng Fei, retiring by rotation under regulation 154 of the Company’s Constitution. **(Resolution 4)**
5. To approve Directors’ fees of S\$123,500 (equivalent to approximately US\$94,000) for the financial year ending 31 December 2021, payable quarterly by the Company in arrears (2020: S\$106,000, equivalent to approximately US\$77,000). **(Resolution 5)**
6. To re-appoint Crowe Horwath First Trust LLP as auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business that may properly be transacted at an AGM.

As Special Business

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

8. Authority To Allot And Issue Shares

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

 - (a)
 - (i) allot and issue shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from the exercise of share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.

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

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all legal requirements under the Companies Act and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in a general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM 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 7)

9. 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 9 April 2021 ("**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 AGM 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 8)

10. 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 AGM 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) Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs during the relevant five-day period and the day on which the purchases are made;

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

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

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

- (i) in the case of a 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 9)

BY ORDER OF THE BOARD

RAYMOND LAM KUO WEI
LEE LIH FENG
 Company Secretaries
 Singapore
 9 April 2021

Explanatory Notes:

Resolution 2

If re-appointed, Mr. Lim Yu Neng Paul will remain as a member of the Audit Committee and the Remuneration Committee of the Company and will also remain as an Independent Director and Chairman of the Nominating Committee of the Company. He is considered an Independent Director for the purpose of Rule 704(7) of the Catalist Rules. Key information on Mr. Lim can be found on pages 44 to 50 of the Annual Report 2020 of the Company. Mr. Lim is not intending to continue being appointed in office as Independent Director after 31 December 2021. Therefore, he will not be subjected to the two-tier vote.

Resolution 3

If re-appointed, Mr. Raja Hayat will remain as an Executive Director and interim Chief Executive Officer of the Company. Key information on Mr. Hayat can be found on pages 44 to 50 of the Annual Report 2020 of the Company.

Resolution 4

If re-appointed, Mr. Chan Cheng Fei will remain as an Executive Director and Chief Financial Officer of the Company. Key information on Mr. Chan can be found on pages 44 to 50 of the Annual Report 2020 of the Company.

Resolution 5

The increase in Directors' fees of S\$17,500 is to Mr. Khoo Song Koon for having to take up the responsibility of the Independent Non-Executive Chairman of the Board for the financial ending 31 December 2021, payable quarterly by the Company in arrears.

Resolution 7

The proposed Resolution 7, if passed, will empower the Directors, from the date of the AGM until the next AGM 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 8

The proposed Resolution 8, 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 AGM of the Company held on 24 June 2020) 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 AGM of the Company, or the date by which the next AGM is required by law to be held, whichever is the earlier.

Resolution 9

The proposed Resolution 9, 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 AGM 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 extent mandated, whichever is the earlier.

Notes:

1. A member of the Company (including a relevant intermediary*) entitled to attend and vote at the AGM must appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM. The Chairman of the AGM, as proxy, need not be a member of the Company.

* "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.

2. The proxy form appointing the Chairman of the AGM as proxy must be submitted to the Company no later than 10.00 a.m. on 25 April 2021 (being 72 hours before the appointed time for the AGM).
3. An investor who holds shares through relevant intermediaries, including an investor who buys shares using CPF monies (“**CPF Investor**”) or SRS monies (“**SRS Investor**”), and who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective relevant intermediaries, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the AGM and in any case, no later than 5.00 p.m. on 16 April 2021.
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 AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy:

By (a) submitting a form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via a “live” audio-visual webcast or a “live” audio-only stream, or (c) submitting any question prior to the AGM in accordance with this Notice, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; and
- (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

The member’s personal data and its proxy’s and/or representative’s personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company’s verification and record purposes.

IMPORTANT AGM NOTICE:

This AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will NOT be sent to members. Instead, this Notice will be sent to members solely by electronic means via publication on the Company's corporate website at the URL <https://www.nippecraft.com.sg> and will also be made available on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.

Alternative arrangements relating to members' participation at the AGM are:

- (a) observing and/or listening to the AGM proceedings contemporaneously via a "live" audio-visual webcast or a "live" audio-only stream (collectively, "**Live Webcast**") respectively;
- (b) submitting questions in advance in relation of the resolutions set out in the Notice of AGM; and
- (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM.

Members may participate at the AGM by taking note of the following steps:

1. Registration for the Live Webcast

A Member will be able to follow the proceedings of the AGM through the Live Webcast via mobile phone, tablet, computer or any such electronic device.

In order to do so, members **MUST** pre-register online at the URL <https://online.meetings.vision/nippecraft-agm-registration> by 10.00 a.m. on 25 April 2021 (the "**Registration Deadline**") to enable the Company to verify their members' status.

Following the verification and upon the closure of pre-registration, authenticated members will receive email instructions to access the Live Webcast of the AGM proceedings by 10.00 a.m. on 27 April 2021.

Members are reminded that the AGM proceedings are private. Accordingly, members must not forward the abovementioned email instructions to other persons who are not members and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast. In addition, recording of the Live Webcast by members in whatever form is also strictly prohibited.

Members who register by the Registration Deadline but do not receive the abovementioned email instructions by 10.00 a.m. on 27 April 2021 may contact the Company's technical support by email at Investors@nippecraft.com.sg for assistance, with the following details included for verification purpose:

- (a) Full name of the member; and
- (b) His/her/its national registration identity card ("**NRIC**") number/passport number/company registration number.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF and SRS Investors, and who wish to participate in the AGM should, in addition to pre-registering online, contact their relevant intermediary (which would include, in the case of CPF and SRS Investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

2. Submission of Questions

Members will NOT be able to speak or ask questions during the AGM via the Live Webcast, and therefore it is important for them to submit their questions in advance of the AGM.

Members may submit any questions related to the resolutions to be tabled for approval at the AGM via the URL <https://online.meetings.vision/nippecraft-agm-registration> no later than the Registration Deadline.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF and SRS Investors, can also submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

The Company will endeavour to provide its answers and responses to the substantial and relevant questions received from members relating to the resolutions to be tabled for approval at the AGM prior to the AGM via publication on (i) the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and (ii) the Company's corporate website at the URL <https://www.nippecraft.com.sg>; or at the AGM via the Live Webcast.

The minutes of the AGM, will thereafter be published on (i) the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>; and (ii) the Company's corporate website at the URL <https://www.nippecraft.com.sg> within (1) one month after the date of the AGM.

3. Voting by Proxy

Due to the current COVID-19 restriction orders in Singapore, a member will NOT be able to attend the AGM in person. A member (whether individual or corporate) MUST appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

The accompanying Proxy Form for the AGM may be accessed at the Company's corporate website at the URL <https://www.nippecraft.com.sg> and will also be made available on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF and SRS Investors, and who wish to appoint the Chairman of the AGM as proxy should contact their relevant intermediary (which would include, in the case of CPF and SRS Investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to submit their votes at least (7) seven working days before the AGM and in any case, no later than 5.00 p.m. on 16 April 2021.

The Proxy Form appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted to the Company in the following manner:

- (a) if submitted by post, be deposited at the registered office of the Company's Share Registrar at

M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902; or

- (b) if submitted electronically, be submitted via email to the Company's Share Registrar at gpe@mncsingapore.com,

in either case, not less than 72 hours before the time appointed for holding the AGM, i.e. no later than 10.00 a.m. on 25 April 2021.

A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the ongoing COVID-19 situation in Singapore and the safety measures imposed by the Singapore Government which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).

In the case of shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the Chairman of the AGM as proxy.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNet. Members are advised to check the SGXNet regularly for updates on the AGM.

The Company wishes to thank all shareholders for their patience and co-operation in enabling the Company to hold the AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

This Notice has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). This Notice has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made, or reports contained in this Notice.

The contact person for the Sponsor is Ms Charmian Lim (+65 6232 3210) at 1 Robinson Road #21-00 AIA Tower, Singapore 048542.

NIPPECRAFT LIMITED

(Company Registration Number: 197702861N)
(Incorporated in the Republic of Singapore on 29 December 1977)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT

1. The Annual General Meeting of the Company (“AGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM and Proxy Form will not be sent to members. Instead, the Notice of AGM and Proxy Form will be sent to members by electronic means via publication on the Company’s website at the URL: <https://www.nippecraft.com.sg>. The Notice of AGM is also available on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to the attendance at the AGM by way of electronic means via a “live” audio-visual webcast or a “live” audio-only stream, submission of questions to the Chairman of the AGM in advance in relation to any resolution set out in the Notice of AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Notice of AGM.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) MUST appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. By submitting the Proxy Form appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in this Proxy Form.

Please read the notes overleaf which contains instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member’s proxy to attend, speak and vote on his/her/its behalf at the AGM.

*I/We, _____ (name), *NRIC/Passport number/Company registration number _____ of _____ (address)

being *a member/members of NIPPECRAFT LIMITED (the “Company”), hereby appoint the Chairman of the AGM, as *my/our proxy to attend, speak and vote for *me/us on *my/our behalf at the AGM to be convened and held by way of electronic means via a “live” audio-visual webcast or a “live” audio-only stream on 28 April 2021 at 10.00 a.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM to vote for or against or abstain the Resolutions to be proposed at the AGM as indicated hereunder.

* Delete accordingly

No.	Resolutions	No. of votes for ⁽¹⁾	No. of votes against ⁽¹⁾	Abstain from voting ⁽¹⁾
Ordinary Business				
1.	To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2020, together with the Auditors’ Report thereon.			
2.	To re-elect and re-appoint Mr Lim Yu Neng Paul, who is retiring by rotation under regulation 144 of the Company’s Constitution and Rule 720(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.			
3.	To re-elect and re-appoint Mr Raja Hayat, who is retiring by rotation under regulation 154 of the Company’s Constitution.			
4.	To re-elect and re-appoint Mr Chan Cheng Fei, who is retiring by rotation under regulation 154 of the Company’s Constitution.			
5.	To approve Directors’ fees for the financial year ending 31 December 2021, payable quarterly in arrears.			
6.	To re-appoint Crowe Horwath First Trust LLP as auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors of the Company to fix their remuneration.			
Special Business				
7.	To authorise the Directors to issue and allot shares and/or instruments pursuant to Section 161 of the Companies Act, Cap. 50.			
8.	To renew the Shareholders’ Mandate for Interested Person Transactions.			
9.	To renew the Share Purchase Mandate.			

Notes:

- (1) If you wish to exercise all your votes “For” or “Against” or “Abstain”, please indicate with a tick within the box provided. Alternatively, please indicate the number of votes as appropriate.
- (2) In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2021.

Signature(s) of Member(s)/Common seal	Total number of shares in:	Number of shares
	(a) CDP Register	
	(b) Register of Members	
	Total	

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) MUST appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This Proxy Form may be accessed at the Company's corporate website at the URL <http://www.nippecraft.com.sg> and will also be made available on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
3. An investor who holds shares through relevant intermediaries, including an investor who buys shares using CPF monies ("CPF Investor") or SRS monies ("SRS Investor"), and who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective relevant intermediaries, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the AGM and in any case, no later than 5.00 p.m. on 16 April 2021.
4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. The Proxy Form appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the Proxy Form appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney duly authorised. Where the Proxy Form appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the Proxy Form appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the Proxy Form, or if the Proxy Form appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.
6. The instrument appointing the Chairman of AGM as proxy, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted to the Company in the following manner:
 - (a) if submitted by post, be deposited at the office of the Company's Share Registrar at
M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902;
or
 - (b) if submitted electronically, be submitted via email to the Company's Share Registrar at gpe@mncsingapore.com,in either case, not less than 72 hours before the time appointed for holding the AGM.

A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the ongoing COVID-19 situation in Singapore and the safety measures imposed by the Singapore Government which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

7. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to vote thereat unless his name appears on the Depository Register as at 72 hours before the time appointed for holding the AGM.
8. The Company shall be entitled to reject the Proxy Form appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form appointing the Chairman of the AGM as proxy lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting this Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2021.

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