



NIPPECRAFT LIMITED

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

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

1. INTRODUCTION

Nippecraft Limited (“**Nippecraft**” or the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Notice of Annual General Meeting, dated 9 April 2021 in respect of the Company’s annual general meeting for the financial year ended 31 December 2020 (“**AGM**”). The AGM will be convened and held by electronic means on 28 April 2021 at 10.00 a.m. (Singapore time).

2. RESPONSE TO QUESTIONS FROM SHAREHOLDERS

The Company has received questions from Shareholders in relation to the resolutions to be tabled for approval at the AGM. Nippecraft appreciates the questions raised by shareholders and is releasing with this announcement, the responses to the said questions.

BY ORDER OF THE BOARD

Raja Hayat
Executive Director and interim Chief Executive Officer

27 April 2021

*This announcement has been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”). It 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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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



1. **Financial Performance of the Group**

The Group recorded profit after tax amounting to US\$59,000 for financial year ended 31 December (“FY”) 2020. It was also noted that under “other income”, the Group received US\$553,000 of government grant income. Having considered the aforementioned and looking at the financial performance of the Group for the last 5 financial years, it appears that the Group always straddling between making losses or making marginal profits.

In this regard, what is the Management and the Board’s plans to improve the Group’s financial performance? Has the Management and the Board thought about conducting a strategic review of its business and operations? If not, why not?

Company’s response:

The Management and the Board had, following a strategic review of the Group’s stationery business, set in place a plan to transform the stationery business into a design-led lifestyle product business three years ago. In the last three years, the Group has modernised its Collins brand logo, expanded its range of lifestyle products to include, amongst others, bags, desk organisers, and KeepCups; increased the number of distribution channels in Europe, Indonesia, Middle East, Japan and USA. The Group also collaborated with well-known brands such as Singapore Airlines and participated in promotional activities lead by UOB Bank, Royal Dutch Shell and Stabilo International GmbH. The Group will continue to develop new product ranges to complement our lifestyle stationery products and believes that the focus on lifestyle products, which presents better gross margins for the Group will improve the financial performance in the long term. In addition, the Group is also focusing on online sales channels to expand our customer base and to complement the traditional brick and mortar distribution channels. For more information of our new lifestyle product ranges, please refer to the URL as follows: <https://sg.collinsdebden.com>.

The Group’s trading business, on the other hand, has shown improvements since FY2018, with revenue improving from US\$97 million in FY2018 to US\$105 million in FY2019 and US\$128 million in FY2020. Profit from the trading business has also improved from US\$1.3 million in FY2018 to US\$1.6 million in FY2019 and US\$1.9 million in FY2020. However, as discussed in paragraph 10 of the announcement dated 22 February 2021 in relation to the Group’s full year results for FY2020 (“**FY2020 Results Announcement**”), gross margin from our trading business is expected to reduce significantly in financial year 2021 due to strong market competition. Overall, the performance of the Group is expected to decline due to depressed margins from the trading business in the next reporting period and the next twelve months. The Group will continue to monitor the performance of the trading business.

The Group will continue to regenerate itself to seek sustainable growth and to improve overall financial performance in the long term. We thank shareholders for their continued support in our transformation journey.

2. **New Interim CEO**

Reference is made to the Company’s announcement on 30 December 2020 in relation to the appointment of Mr. Raja Hayat (“**Mr. Hayat**”) as Executive Director and Interim Chief Executive Officer (“**CEO**”). **What is the current status of the Group’s search for a CEO?**

Company’s response:

Following the Group’s announcement dated 30 December 2020 in relation to the appointment of Mr. Hayat as the Interim CEO and Executive Director with effect from 1 January 2021, Mr. Hayat has been relocated to Singapore on 9 April 2021. Mr. Hayat will continue his role as the Interim CEO of the Group while the Board continues to search and identify a suitable candidate. Shareholders will be kept apprised on the appointment of a CEO via SGXNet.



The Group has also received questions from shareholders regarding the new CEO's vision and plans for the Group. As the Board is still in the midst of identifying a suitable candidate, the Group will arrange for the new CEO to share his/her vision and plans for the Group when appointed.

3. Directors' Fees

Reference is made to the Notice of AGM dated 9 April 2021. Under Resolution 5, the Company is proposing an increase in Directors' fees from S\$106,000 (equivalent to approximately US\$77,000) to S\$123,500 (equivalent to approximately US\$94,000). **Please explain the reason for the increase in Directors' fees.**

Company's response:

As disclosed in the Explanatory Note 5 on page 148 of the 2020 Annual Report, the increase in Directors' fees of S\$17,500 is to Mr. Khoo Song Koon for having taken up the responsibility of the Independent Non-Executive Chairman of the Board for the financial year ending 31 December 2021, payable quarterly in arrears.

4. 9 Fan Yoong Road property

It is noted that the lease on the 9 Fan Yoong Road property ("**Property**") will expire in 2027.

What are the Group's plans for the Property, including any intention to extend the said lease? Is the Property currently being used by the Group for its operations or is it being leased out?

Company's response:

The Company and its subsidiary, Paperich Pte Ltd, are using the Property for its office, production and warehousing needs. Currently, less than 30% of the Property's gross floor area has been leased out to unrelated third parties.

The Management and the Board is aware of the remaining tenure and has been exploring and evaluating plans for Property. Shareholders will be kept apprised on developments relating to the Property via SGXNet.

5. Pulp trading business

How has an increase in pulp prices affect the Group's pulp trading business? Does an increase in pulp prices improve the margins and profitability for the Group's pulp trading business?

Company's response:

The pulp trading business is derived mainly from sales to interested persons. The Group earns a fixed percentage markup on its purchases. Assuming a fixed percentage markup, higher pulp prices will translate to higher gross margins in absolute dollar terms. However, as discussed in paragraph 10 of the FY2020 Results Announcement, gross margin for the Group's trading business is expected to reduce significantly in FY2021 due to strong market competition. Overall, the performance of the Group is expected to decline due to depressed margins from the trading business in the next reporting period and the next twelve months.