

APPENDIX DATED 5 APRIL 2019

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisor immediately.

This Appendix is circulated to Shareholders of Nippecraft Limited (the “**Company**”) together with the Company’s annual report for the year ended 31 December 2018 (the “**2018 Annual Report**”). Its purpose is to explain to Shareholders the rationale and provide information relating to the proposed renewal of the IPT Mandate (as defined herein) and the Share Purchase Mandate (as defined herein) to be tabled at the Annual General Meeting (“**AGM**”) to be held on 24 April 2019 at 9.00 a.m. at 9 Fan Yoong Road, Level 4 Conference Room, Singapore 629787. The Notice of AGM (as defined herein) and proxy form are enclosed with the 2018 Annual Report.

If you have sold or transferred all of your ordinary shares in the capital of the Company, held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix together with the Notice of AGM and the proxy form to be sent to the purchaser or transferee. If you have sold or transferred all of your ordinary shares in the capital of the Company, represented by physical share certificate(s), you should immediately forward this Appendix together with the Notice of AGM and the proxy form which are enclosed with the 2018 Annual Report, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Sponsor has not independently verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

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



NIPPECRAFT LIMITED

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

APPENDIX TO SHAREHOLDERS IN RELATION TO

- (i) THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE
- (ii) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

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DEFINITIONS

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

“2019 AGM”	:The AGM of the Company to be convened on 24 April 2019
“ACRA”	:The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:The Annual General Meeting of the Company
“Appendix”	:This Appendix dated 5 April 2019
“APP”	:Asia Pulp & Paper Company Ltd, a company incorporated in Singapore
“APP Golden”	:APP Golden Limited, a company incorporated in the British Virgin Islands
“APP Group”	:APP, its subsidiary and associated companies
“APP Printing”	:APP Printing (Holding) Pte Ltd, a company incorporated in Singapore
“Approved Agency/Distributor Agreement”	:Has the meaning ascribed to it in Paragraph 7.2(d)(i) of Annex A
“Approved Independent Sources”	:Has the meaning ascribed to it in Paragraph 7.2(b)(i) of Annex A
“Approved Licensing Fees”	:Has the meaning ascribed to it in Paragraph 7.2(d)(ii) of Annex A
“Audit Committee”	:The Audit Committee of the Company
“Average Closing Price”	:Has the meaning ascribed to it in Paragraph 3.3(d) of the Letter to Shareholders
“Board” or “Directors”	:The Board of Directors of the Company
“Catalist”	:The Catalist Board of the SGX-ST
“Catalist Rules”	:SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
“CDP”	:The Central Depository (Pte) Limited
“Companies Act”	:The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Company”	:Nippecraft Limited
“Constitution”	:The constitution of the Company, as amended, modified or supplemented from time to time
“Control”	:The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	:A person who: (a) holds directly or indirectly 15% or more of the number of all voting shares in the Company; or (b) in fact exercises Control over the Company

DEFINITIONS

“EAR Group”	:Has the meaning ascribed to it in Paragraph 2.2(c) of Annex A
“EGM”	:Extraordinary General Meeting of the Company
“EPS”	:Earnings per Share
“FY2018”	:Financial year ended 31 December 2018
“Group”	:Company and its subsidiaries collectively
“IPT(s)”	:Transaction(s) proposed to be entered into between the EAR Group and interested persons as defined under Chapter 9 of the Catalyst Rules
“IPT Mandate”	:The general mandate given by Shareholders to permit the Group to enter into IPTs with Mandated Interested Person
“IPT Register”	:Has the meaning ascribed to it in Paragraph 7.6(a) of Annex A
“Latest Practicable Date”	:18 March 2019, being the latest practicable date prior to the printing of this Appendix
“Mandated Interested Persons”	:Has the meaning ascribed to it in Paragraph 5.1 of Annex A
“Mandated IPTs”	:Has the meaning ascribed to it in Paragraph 6.1 of Annex A
“Market Day”	:A day on which the SGX-ST is open for trading in securities
“Market Purchase”	:Has the meaning ascribed to it in Paragraph 3.3(c)(i) of the Letter to Shareholders
“Maximum Price”	:Has the meaning ascribed to it in Paragraph 3.3(d) of the Letter to Shareholders
“NTA”	:Net tangible assets
“Notice of AGM”	:The notice of AGM dated 5 April 2019 as set out in the annual report of the Company for FY2018
“Off-Market Purchase”	:Has the meaning ascribed to it in Paragraph 3.3(c)(ii) of the Letter to Shareholders
“Relevant Period”	:The period commencing from the date on which the resolution authorising the Share Purchase Mandate is passed and expiring on the earliest of (i) the date on which the next AGM is or is required by law to be held, (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated, or (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in a general meeting
“PT APP”	:PT Andalan Prapanca Pertiwi, a company incorporated in the Republic of Indonesia
“Securities Account”	:The securities accounts maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:Singapore Exchange Securities Trading Limited

DEFINITIONS

“Share Purchase Mandate”	:The general mandate given by Shareholders to enable the Company to purchase or otherwise acquire its issued Shares within the Relevant Period, in accordance with the terms of that mandate, as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
“Shareholders”	:Registered holders of the Shares or, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares
“Shares”	:Issued ordinary shares (excluding treasury shares, if any) in the capital of the Company
“Stationery Business”	:Has the meaning set out in Paragraph 3.1 of Annex A
“Substantial Shareholder”	:A person who has an interest or interests in one or more voting shares in the Company, and the total votes attached to those Shares is not less than 5% of the total votes attached to all the voting shares in the Company
“Take-over Code”	:The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Trading Business”	:Has the meaning set out in Paragraph 3.2 of Annex A
“US\$” and “cents”	:United States dollars and cents, respectively, being the lawful currency of the United States of America
“S\$” and “cents”	:Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore
“%”	:Per centum or percentage

The term **“acting in concert”** shall have the meaning ascribed to it in the Take-over Code.

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

The terms **“treasury shares”**, **“subsidiary holdings”**, **“subsidiary”** and **“interest”** shall have the meanings ascribed to them in the Companies Act.

The terms **“entity at risk”**, **“interested person”**, **“associate”**, **“approved exchange”** and **“interested person transaction”** shall have the meanings ascribed to them in Chapter 9 of the Catalist Rules.

The prevailing exchange rate between US\$ and S\$ is assessed at US\$1.00 : S\$1.35 for the purposes of this Appendix.

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

Any discrepancies in the tables in this Appendix between the listed amounts and the totals thereof are due to rounding. Any reference to a time of day and date in this Appendix shall be a reference to Singapore time, unless otherwise stated.

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the SFA, the Catalist Rules, the Take-over Code or any statutory or regulatory modification thereof and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Catalist Rules, the Take-over Code or any statutory or regulatory modification thereof, as the case may be, unless otherwise provided.

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

LETTER TO SHAREHOLDERS

NIPPECRAFT LIMITED

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

Directors:

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

Registered Office:

9 Fan Yoong Road
Singapore 629787

5 April 2019

To: The Shareholders of Nippecraft Limited

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

Dear Sir/Madam,

1. INTRODUCTION

1.1 We refer to the Notice of AGM convening the 2019 AGM, and in particular:

- (a) the ordinary resolution 6 under the heading “Special Business” in relation to the proposed renewal of the IPT Mandate; and
- (b) the ordinary resolution 7 under the heading “Special Business” in relation to the proposed renewal of the Share Purchase Mandate.

The purpose of this Appendix is to explain the rationale and provide information to Shareholders for the proposed renewal of the IPT Mandate and the proposed renewal of the Share Purchase Mandate (the “**Proposals**”), and to seek Shareholders’ approval for the Proposals at the 2019 AGM.

The SGX-ST takes no responsibility for the contents of this Appendix, including the correctness of any statements or opinions made or reports contained in this Appendix.

LETTER TO SHAREHOLDERS

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 Background

The Company had, at the EGM held on 24 October 2017, sought and obtained the approval of Shareholders for the IPT Mandate to enable the EAR Group to enter into Mandated IPTs in the ordinary course of business with Mandated Interested Persons, provided that such transactions are made on normal commercial terms and in accordance with the review procedures set out in Paragraph 7 of Annex A to this Appendix.

The IPT Mandate is subject to annual renewal. The current IPT Mandate was renewed and approved on 27 April 2018 and was expressed, unless revoked or varied by the Company in general meeting, to continue to be in force until the next AGM which is scheduled to be held on 24 April 2019. It is intended that approval from Shareholders will be sought for the renewal of the IPT Mandate on an annual basis, subject to satisfactory review by the Audit Committee of its continued application to transactions with interested persons.

The renewed IPT Mandate will take effect from the passing of the ordinary resolution relating thereto at the 2019 AGM and will (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company. Approval from the Shareholders will be sought for the renewal of the IPT Mandate at the next AGM and at each subsequent AGM of the Company, subject to the satisfactory review by the Audit Committee of its continued relevance and application to the transactions with the Interested Persons and confirms that the methods or review procedures for the transactions with Interested Persons are sufficient to ensure that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its minority Shareholders.

The IPT Mandate, including the rationale for, and the benefits to, the Company, the Mandated Interested Persons, the Mandated IPTs, the review procedures for determining transaction prices and other general information relating to the Chapter 9 of the Catalist Rules, are set out in the Annex A to this Appendix. The terms of the IPT Mandate which is sought to be renewed remain unchanged. There is no change in the categories of transactions, entities at risk and interested persons in the proposed renewal of the IPT Mandate.

2.2 Audit Committee Statement

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

- (a) The review procedures as set out in Paragraph 7 of Annex A to this Appendix, including the methods or procedures for determining the transaction prices under the IPT Mandate, have not changed since the EGM held on 24 October 2017; and
- (b) the methods or procedures referred to in Paragraph 2.2(a) above remain sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as set out in Paragraph 7 of Annex A to this Appendix are inadequate or inappropriate to ensure that the Mandated IPTs will be carried out on normal commercial terms, or that the transactions will be prejudicial to the interests of the Company and its minority Shareholders, or in the event of any amendment to Chapter 9 of the Catalist Rules, it will in consultation with the Board to take such action as it deems proper in respect of such procedures, modify or implement such procedures as may be necessary and direct the Company to revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons.

2.3 Disclosure

Disclosure will be made in the Company's annual report of the aggregate value of all IPTs conducted with

LETTER TO SHAREHOLDERS

interested persons pursuant to the IPT Mandate during the current financial year, and in the annual reports for subsequent financial years during which the IPT Mandate will continue in force, in accordance with the requirements of Chapter 9 of the Catalist Rules. The Company will also announce the aggregate value of transactions conducted pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Catalist Rules and within the time period required for the announcement of such report.

3 THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 Background

Under the Companies Act, a company may purchase or otherwise acquire its own shares if it is expressly permitted to do so by its constitution. The Constitution of the Company expressly permits the Company to, *inter alia*, purchase or otherwise acquire Shares. It is also a requirement under the Companies Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders at the general meeting of its shareholders. In this regard, the Share Purchase Mandate was approved by the Shareholders at the EGM held on 24 October 2017 and the last renewal was approved on 27 April 2018 to enable the Directors to exercise all powers of the Company to purchase or otherwise acquire the Shares on the terms of the Share Purchase Mandate. The Share Purchase Mandate conferred on the Directors will, unless renewed, expire at the 2019 AGM to be held on 24 April 2019. Accordingly, the Directors are proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate at the 2019 AGM.

If approved, the renewed Share Purchase Mandate will take effect from the date of the AGM and continue in force until the date of the next AGM or such date of the next AGM is required by law or by its Constitution, unless prior thereto, purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated or the Share Purchase Mandate is revoked or varied by the Company in a general meeting.

3.2 Rationale for the Share Purchase Mandate

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

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

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

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

The Company will only purchase or acquire Shares pursuant to the Share Purchase Mandate if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full extent as authorised. No purchase or acquisition of

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Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole and/or affect the listing status of the Company on the SGX-ST.

3.3 Authority and Limits of the Share Purchase Mandate

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

(a) Maximum Number of Shares

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

For illustrative purposes only, based on 351,398,000 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2019 AGM, the purchase or acquisition by the Company pursuant to the Share Purchase Mandate of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 35,139,800 Shares. However, as stated in Paragraph 3.2 above and Paragraph 3.7 below, purchases or acquisitions pursuant to the Share Purchase Mandate need not be carried out to the full extent mandated, and, in any case, would not be carried out to such an extent that would have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole and/or result in the Company being delisted from the SGX-ST. The public float in the issued Shares as at the Latest Practicable Date is disclosed in Paragraph 3.9 below.

(b) Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 AGM at which the renewal of the Share Purchase Mandate is approved, up to the earliest of:

- (i) the date on which the next AGM is held or is required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting.

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

(c) Manner of Purchases or Acquisitions of Shares

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

- (i) on-market purchases, transacted through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for that purpose ("**Market Purchases**"); and/or

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- (ii) off-market purchases pursuant to an equal access scheme in accordance with Section 76C of the Companies Act and the Catalist Rules (“**Off-Market Purchases**”).

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

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

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

In addition, Rule 870 of the Catalist Rules provides that, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document to all Shareholders containing at least the following information:

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

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

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

LETTER TO SHAREHOLDERS

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

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

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

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

3.4 Status of the Purchased or Acquired Shares

Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, as the Directors deem fit in the interests of the Company at that time.

All Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

3.5 Treasury Shares

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

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). Any Shares in excess of this limit shall be disposed of or cancelled in accordance with the applicable provisions of the Companies Act within six months or such further periods as the ACRA may allow.

(b) Voting and Other Right

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

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

LETTER TO SHAREHOLDERS

(c) Disposal and Cancellation

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

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

In addition, under Rule 704(31) of the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares held by it stating the following:

- (i) the date of the sale, transfer, cancellation and/or use of such treasury shares;
- (ii) the purpose of such sale, transfer, cancellation and/or use of such treasury shares;
- (iii) the number of treasury shares which have been sold, transferred, cancelled and/or used;
- (iv) the number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use; and
- (vi) the value of the treasury shares if they are used for a sale or transfer, or cancelled.

3.6 Source of funds

The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

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

3.7 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the renewal of the Share Purchase Mandate on the financial effects as the financial effects

LETTER TO SHAREHOLDERS

arising from a purchase or acquisition of Shares pursuant to the Share Purchase Mandate on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares, how the purchase or acquisition is funded and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial statements of the Group and the Company for FY2018 will depend, *inter alia*, on the factors set out below:

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

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

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

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

(b) Number of Shares Acquired or Purchased

Based on 351,398,000 issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2019 AGM, the purchase or acquisition of Shares by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 35,139,800 Shares.

(c) Maximum Price Paid for Shares Acquired or Purchased

Assuming that the Company purchases or acquires 35,139,800 Shares at the Maximum Price of S\$0.03948 per Share (being the price equivalent 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST on and immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 35,139,800 Shares is approximately S\$1,387,000 (equivalent to approximately US\$1,028,000) (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses).

(d) Illustrative Financial Effects

For illustrative purposes only, based on the assumptions set out above and assuming that (i) the purchase or acquisition of Shares are made to the extent aforesaid; and (ii) such Shares are funded wholly by internal resources within the Group, the financial effects of the purchase or acquisition of 35,139,800 Shares by way of:

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

on the audited financial statements of the Group and the Company for FY2018 pursuant to the Share Purchase Mandate are set out as follows:

LETTER TO SHAREHOLDERS

(A) Purchases or acquisitions made entirely out of capital

	←————— Group —————→				
		Market Purchase (A)	Purchase (B)	Off-Market Purchase (A)	Purchase (B)
	Audited before buyback US\$'000	After buyback and held as treasury shares US\$'000	After buyback and cancelled US\$'000	After buyback and held as treasury shares US\$'000	After buyback and cancelled US\$'000
As at 31 December 2018					
Share capital	36,817	36,817	35,789	36,817	35,789
Reserves	1,000	1,000	1,000	1,000	1,000
Accumulated losses	(6,767)	(6,767)	(6,767)	(6,767)	(6,767)
	31,050	31,050	30,022	31,050	30,022
Treasury shares	–	(1,028)	–	(1,028)	–
Shareholders' funds	31,050	30,022	30,022	30,022	30,022
NTA ⁽¹⁾	31,050	30,022	30,022	30,022	30,022
Current assets	45,461	44,433	44,433	44,433	44,433
Current liabilities	17,957	17,957	17,957	17,957	17,957
Working capital	27,504	26,476	26,476	26,476	26,476
Number of issued Shares (excluding treasury shares) (‘000)	351,398	316,258	316,258	316,258	316,258
Financial Ratios					
NTA per Share ⁽²⁾ (cents)	8.84	9.49	9.49	9.49	9.49
Net gearing ratio ⁽³⁾ (times)	N.M.	N.M.	N.M.	N.M.	N.M.
Current ratio ⁽⁴⁾ (times)	2.53	2.47	2.47	2.47	2.47
EPS ⁽⁵⁾ (cents)	(0.017)	(0.019)	(0.019)	(0.019)	(0.019)

Notes:

⁽¹⁾ NTA refers to net assets less intangible assets and non-controlling interest. There is no non-controlling interest in the Group.

⁽²⁾ NTA per Share is computed based on the NTA divided by the number of issued Shares (excluding treasury shares).

⁽³⁾ Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds. This ratio is not meaningful since the Group does not have borrowings as at 31 December 2018.

⁽⁴⁾ Current ratio equals to current assets divided by current liabilities.

⁽⁵⁾ EPS equals to profit after tax and non-controlling interest divided by the number of issued Shares (excluding treasury shares).

LETTER TO SHAREHOLDERS

(A) Purchases or acquisitions made entirely out of capital (Continued)

	←———— Company —————→				
		Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
		After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled
	Audited before buyback US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2018					
Share capital	36,817	36,817	35,789	36,817	35,789
Reserves	748	748	748	748	748
Accumulated losses	(14,448)	(14,448)	(14,448)	(14,448)	(14,448)
	23,117	23,117	22,089	23,117	22,089
Treasury shares	–	(1,028)	–	(1,028)	–
Shareholders' funds	23,117	22,089	22,089	22,089	22,089
NTA ⁽¹⁾	23,117	22,089	22,089	22,089	22,089
Current assets	6,092	5,064	5,064	5,064	5,064
Current liabilities	2,889	2,889	2,889	2,889	2,889
Working capital	3,203	2,175	2,175	2,175	2,175
Number of issued Shares (excluding treasury shares) (‘000)	351,398	316,258	316,258	316,258	316,258
Financial Ratios					
NTA per Share ⁽²⁾ (cents)	6.58	6.98	6.98	6.98	6.98
Net gearing ratio ⁽³⁾ (times)	N.M.	N.M.	N.M.	N.M.	N.M.
Current ratio ⁽⁴⁾ (times)	2.11	1.75	1.75	1.75	1.75
EPS ⁽⁵⁾ (cents)	0.071	0.079	0.079	0.079	0.079

Notes:

- (1) NTA refers to net assets less intangible assets and non-controlling interest. There is no non-controlling interest in the Group.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares (excluding treasury shares).
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds. This ratio is not meaningful since the Group does not have borrowings as at 31 December 2018.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals to profit after tax and non-controlling interest divided by the number of issued Shares (excluding treasury shares).

LETTER TO SHAREHOLDERS

(B) Purchases or acquisitions made entirely out of profits

	←		Group		→	
	Market Purchase		Off-Market Purchase			
	(A)	(B)	(A)	(B)	(A)	(B)
	After	After	After	After	After	After
	buyback	buyback	buyback	buyback	buyback	buyback
	and	and	and	and	and	and
	held as	held as	held as	held as	held as	held as
	treasury	treasury	treasury	treasury	treasury	treasury
	shares	shares	shares	shares	shares	shares
	cancelled	cancelled	cancelled	cancelled	cancelled	cancelled
	and	and	and	and	and	and
	cancelled	cancelled	cancelled	cancelled	cancelled	cancelled
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2018						
Share capital	36,817	36,817	36,817	36,817	36,817	36,817
Reserves	1,000	1,000	1,000	1,000	1,000	1,000
Accumulated losses	(6,767)	(6,767)	(7,795)	(6,767)	(7,795)	(7,795)
	31,050	31,050	30,022	31,050	30,022	30,022
Treasury shares	–	(1,028)	–	(1,028)	–	–
Shareholders' funds	31,050	30,022	30,022	30,022	30,022	30,022
NTA ⁽¹⁾	31,050	30,022	30,022	30,022	30,022	30,022
Current assets	45,461	44,433	44,433	44,433	44,433	44,433
Current liabilities	17,957	17,957	17,957	17,957	17,957	17,957
Working capital	27,504	26,476	26,476	26,476	26,476	26,476
Number of issued Shares (excluding treasury shares) ('000)	351,398	316,258	316,258	316,258	316,258	316,258
Financial Ratios						
NTA per Share ⁽²⁾ (cents)	8.84	9.49	9.49	9.49	9.49	9.49
Net gearing ratio ⁽³⁾ (times)	N.M.	N.M.	N.M.	N.M.	N.M.	N.M.
Current ratio ⁽⁴⁾ (times)	2.53	2.47	2.47	2.47	2.47	2.47
EPS ⁽⁵⁾ (cents)	(0.017)	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)

Notes:

- (1) NTA refers to net assets less intangible assets and non-controlling interest. There is no non-controlling interest in the Group.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares (excluding treasury shares).
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds. This ratio is not meaningful since the Group does not have borrowings as at 31 December 2018.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals to profit after tax and non-controlling interest divided by the number of issued Shares (excluding treasury shares).

LETTER TO SHAREHOLDERS

(B) Purchases or acquisitions made entirely out of profits (Continued)

	←———— Company —————→				
		Market Purchase (A)	(B)	Off-Market Purchase (A)	(B)
	Audited before buyback	After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2018					
Share capital	36,817	36,817	36,817	36,817	36,817
Reserves	748	748	748	748	748
Accumulated losses	(14,448)	(14,448)	(15,476)	(14,448)	(15,476)
	23,117	23,117	22,089	23,117	22,089
Treasury shares	–	(1,028)	–	(1,028)	–
Shareholders' funds	23,117	22,089	22,089	22,089	22,089
NTA ⁽¹⁾	23,117	22,089	22,089	22,089	22,089
Current assets	6,092	5,064	5,064	5,064	5,064
Current liabilities	2,889	2,889	2,889	2,889	2,889
Working capital	3,203	2,175	2,175	2,175	2,175
Number of issued Shares (excluding treasury shares) ('000)	351,398	316,258	316,258	316,258	316,258
Financial Ratios					
NTA per Share ⁽²⁾ (cents)	6.58	6.98	6.98	6.98	6.98
Net gearing ratio ⁽³⁾ (times)	N.M.	N.M.	N.M.	N.M.	N.M.
Current ratio ⁽⁴⁾ (times)	2.11	1.75	1.75	1.75	1.75
EPS ⁽⁵⁾ (cents)	0.071	0.079	0.079	0.079	0.079

Notes:

- (1) NTA refers to net assets less intangible assets and non-controlling interest. There is no non-controlling interest in the Group.
- (2) NTA per Share is computed based on the NTA divided by the number of issued Shares (excluding treasury shares).
- (3) Net gearing ratio equals to total borrowings less cash and cash equivalents divided by Shareholders' funds. This ratio is not meaningful since the Group does not have borrowings as at 31 December 2018.
- (4) Current ratio equals to current assets divided by current liabilities.
- (5) EPS equals to profit after tax and non-controlling interest divided by the number of issued Shares (excluding treasury shares).

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

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

3.8 Requirements under the Companies Act

Within 30 days of the passing of a Shareholders' ordinary resolution to approve the renewal of the Share Purchase Mandate, the Company shall lodge a copy of such ordinary resolution with ACRA.

The Company shall notify ACRA within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchase or acquisition, including the date of the purchase or acquisition, the total number of Shares purchased or otherwise acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase or acquisition of Shares, the Company's issued share capital after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of profits or the capital of the Company and such other particulars as may be required by ACRA.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form as required by ACRA.

3.9 Requirements under the Catalist Rules

The Catalist Rules specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

Such announcement (which must be in the form of Appendix 8D to the Catalist Rules) must include, *inter alia*, the details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings, and the number of treasury shares held after the purchase.

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

The Company does not have any individual shareholding limit or foreign shareholding limit. Rule 723 of the Catalyst Rules requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. The term “**public**”, as defined under the Catalyst Rules, are persons other than (i) the Directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries; and (ii) associates of the persons in (i).

Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, 127,573,334 issued Shares were held by the public, representing approximately 36.3% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). Assuming the Company exercises the Share Purchase Mandate in full and purchases 10% of the issued Shares through Market Purchases from the public, the public float would be reduced to 92,433,534 issued Shares, representing approximately 29.2% of the issued Shares (excluding treasury shares and subsidiary holdings). In undertaking any Share Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient number of Shares remain in public hands so that the Share Purchases will not (a) adversely affect the listing status of the Shares on Catalyst; (b) cause market illiquidity; or (c) adversely affect the orderly trading of Shares.

3.10 Take-over Implications under the Take-over Code

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

(a) Obligation to make a take-over offer

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

(b) Persons acting in concert

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

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

- (i) a company with its parent company, subsidiaries, fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing

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

- (ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts, which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

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

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

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

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

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

The statements in this Appendix do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisors and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company.

3.11 Tax Implications

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

3.12 Shares Purchased or Acquired by the Company

The Company has not purchased or acquired any Shares in the last 12 months immediately preceding the Latest Practicable Date.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Directors' Interests in Shares

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

4.2 Substantial Shareholders' Interest in Shares

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

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares ⁽¹⁾	No. of Shares	% of Shares ⁽¹⁾
APP Printing	172,185,020	49.00	–	–
PT APP ⁽²⁾	–	–	172,185,020	49.00
APP ⁽²⁾	–	–	172,185,020	49.00
APP Golden ⁽²⁾	–	–	172,185,020	49.00
Upwood Investments Limited	51,619,646	14.69	–	–

Notes:

⁽¹⁾ The percentage is computed based on the total of 351,398,000 Shares in issue as at the Latest Practicable Date.

⁽²⁾ APP and APP Golden are deemed to have an interest of 172,185,020 Shares as APP Printing is a wholly owned subsidiary of PT APP and APP has 89.9% shares in PT APP whereas APP Golden controls approximately 63.32% of the voting power of APP.

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

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5. DIRECTORS' RECOMMENDATIONS

5.1 Proposed Renewal of IPT Mandate

Having fully considered, *inter alia*, the continuing relevance of the rationale and benefits for the proposed renewal of the IPT Mandate, the scope, guidelines and review procedures of the IPT Mandate, the Directors are of the opinion that the review procedures set out in the IPT Mandate remain sufficient to ensure that the Mandated IPTs will be carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders. Further, as the Mandated IPTs are in the ordinary course of business, the renewal of the IPT Mandate will enhance the efficiency of the Group, and is in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the IPT Mandate as set out in the Notice of AGM.

5.2 Proposed Renewal of Share Purchase Mandate

Having considered, *inter alia*, the terms and the rationale for the proposed renewal of the Share Purchase Mandate, the Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of AGM.

6. ABSTENTION FROM VOTING

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

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

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 9 Fan Yoong Road Singapore 629787 during normal business hours from the date of this Appendix up to and including the time and date of the 2019 AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report for FY2018.

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

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer

ANNEX A

THE IPT MANDATE

1. Chapter 9 of the Catalyst Rules

- 1.1 Chapter 9 of the Catalyst Rules governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons.
- 1.2 Terms such as “interested person”, “associate”, “associated company”, “controlling shareholder”, “and entity at risk”, “interested person transaction” and “transaction” shall have the meanings given to them in the Catalyst Rules.
- 1.3 Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Catalyst Rules, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated NTA, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction.

An immediate announcement is required for an interested person transaction of a value equal to, or exceeding:

- (a) 3% of the listed company’s latest audited consolidated NTA; or
- (b) 3% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalyst Rules) during the same financial year.

Shareholders’ approval (in addition to an immediate announcement) is required for an interested person transaction of a value equal to, or exceeding:

- (a) 5% of the listed company’s latest audited consolidated NTA; or
- (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalyst Rules) during the same financial year.

- 1.4 For illustrative purposes only, based on the latest audited consolidated financial statements of the Company and its subsidiaries for the FY2018, the consolidated NTA of the Group was US\$31,050,000. Accordingly, in relation to the Company for the purpose of Chapter 9 of the Catalyst Rules, in the current financial year and until such time as the audited consolidated financial statements of the Group for the financial year ending 31 December 2019 are published, 3% and 5% of the latest audited consolidated NTA of the Group would be US\$931,500 and US\$1,552,500 respectively. Shareholders’ approval is required where:
 - (a) an interested person transaction is of a value equal to, or more than, US\$1,552,500; or
 - (b) an interested person transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, US\$1,552,500.
- 1.5 Rule 920 of the Catalyst Rules, however, allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company’s interested persons. A general mandate is subject to annual renewal.

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2. Rationale and Benefit to Shareholders

- 2.1 It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group and the Company's interested persons are likely to occur from time to time. Such transactions would include, but are not limited to; the provision of goods and services in the ordinary course of business of the EAR Group to the Company's interested persons or the obtaining of goods and services from them.
- 2.2 In view of the time-sensitive and recurrent nature of commercial transactions, the obtaining of the IPT Mandate pursuant to Chapter 9 of the Catalist Rules will enable:
- (a) the Company;
 - (b) subsidiaries of the Company (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and
 - (c) associated companies of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Company, or the Company and its interested person(s), has or have control, (together, the "**EAR Group**"), or any of them, in the ordinary course of their businesses, to enter into the categories of interested person transactions set out in Paragraph 6 below with the specified classes of the Company's interested persons set out in Paragraph 5 below, provided such interested person transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
- 2.3 The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings, on each occasion to seek shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channeled towards attaining corporate objectives.

3. Principal Activities

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

4. Scope and Validity Period of the IPT Mandate

- 4.1 The IPT Mandate covers various types of interested person transactions under each category of activities to which the IPT Mandate applies, and describes the review procedures for ensuring that such transactions will be entered into with the specified classes of interested persons on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.
- 4.2 The IPT Mandate will not apply to any transaction by a company in the EAR Group with an interested person that:

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- (a) is below S\$100,000 in value, as the threshold and aggregation requirements contained in Chapter 9 of the Catalist Rules would not apply to such a transaction; or
- (b) is equal to or exceeds S\$100,000 in value, but qualifies as an excepted transaction in accordance with Rules 915 and 916 of the Catalist Rules and is thus exempted from the threshold and aggregation requirements contained in Chapter 9 of the Catalist Rules.

Transactions with interested persons that do not fall within the ambit of either of the exceptions in (a) or (b) above, or the scope of the IPT Mandate, will be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules. For the avoidance of doubt, the IPT Mandate does not cover transactions in respect of any purchase or sale of assets, undertakings or businesses.

- 4.3 The IPT Mandate is subject to Shareholders' approval at the AGM. If approved by the Shareholders at the AGM, the IPT Mandate will take effect from the date of the passing of the ordinary resolution as set out in the notice of AGM relating thereto, and will continue in force until the conclusion of the next AGM (unless revoked or varied by the Company in a general meeting), or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier. Approval from Shareholders will be sought for the renewal of the IPT Mandate at the next AGM, subject to satisfactory review by the Audit Committee of the continued requirement of the IPT Mandate and the continued sufficiency of the review procedures to ensure that the transactions with the interested persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5. Classes of Interested Persons

- 5.1 The IPT Mandate will apply to the EAR Group's transactions with companies in the APP Group and associates ("**Mandated Interested Persons**"). The APP Group and associates are principally involved in manufacturing and distributing fine printing and writing paper, consumer and industrial packaging products, as well as paper towel and tissue paper.
- 5.2 The direct and/or indirect interests of the APP Group in the Company are as follows:
 - (a) APP Printing holds 49% of the issued share capital of the Company and is the Controlling Shareholder of the Company;
 - (b) APP Printing is a company incorporated in the Republic of Singapore and is a wholly-owned subsidiary of PT APP, a company incorporated in the Republic of Indonesia;
 - (c) APP, a company incorporated in the Republic of Singapore, holds approximately 89.9% of PT APP; and
 - (d) APP Golden, a company incorporated with limited liability under the laws of the British Virgin Islands, controls approximately 63.32% of the voting power of APP.
- 5.3 Transactions with Mandated Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules.

6. Categories of Interested Person Transactions

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

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6.2 Stationery Business

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

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

6.3 Trading Business

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

7. Guidelines and Review Procedures

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

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

- (a) The guiding principle is that all Mandated IPTs shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Mandated Interested Persons compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms after taking into account all pertinent factors such as, but not limited to the purchase price, order quantity, product quality, standard of services, reliability, industry norms, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term, discounts and rebates and fluctuations in foreign exchange rates. The Company will use its reasonable endeavours to make comparisons with at least two other quotes from unrelated third parties, wherever possible for the same or substantially similar type of transactions.
- (b) In relation to the engagement of a Mandated Interested Person to produce products and the purchase of materials, pulp and paper and products by the Group from a Mandated Interested Person:
 - (i) subject to and in accordance with Paragraphs 7.1 to 7.2(a) above, the Company will make comparisons against the quotations from at least two other comparative quotations from

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unrelated third parties and/or an industry recognised benchmark price published by independently verifiable and reliable sources as approved by the Audit Committee from time to time (“**Approved Independent Sources**”) that are reasonably contemporaneous in time, to ensure that such purchase price is no less favourable to the Group. Comparisons will take into consideration, the purchase price, order quantity, product quality, standard of services, reliability, industry norms, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term discounts and rebates and fluctuations in foreign exchange rates; and

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

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

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

- (a) where the individual or aggregate value of the IPTs is equal to or more than S\$100,000 but less than 3% of the Group’s latest audited NTA, all subsequent IPTs shall require the prior approval of the Group’s Chief Financial Officer or any one Director (each having no interest, direct or indirect, in the IPTs). IPTs which have been approved by the Audit Committee need not be aggregated for the purpose of the approval;

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

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

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

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

7.6 Additional Controls

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

- (a) The finance department of the Group will maintain and update a register of all transactions carried out with the Mandated Interested Persons pursuant to the IPT Mandate, including those of value below S\$100,000 (the "IPT Register"). The IPT Register will record the basis for entering into the Mandated IPTs including but not limited to, including the quotations and supporting evidence or records or details obtained to support such basis, on which they were entered into as well as the approving authority. The IPT Register shall be prepared, maintained, monitored and reviewed on a monthly basis, by both the Group Finance Manager and the Group Chief Financial Officer (or equivalent person) of the Company who are not Interested Persons. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of

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the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit Committee immediately.

- (b) The Group Chief Financial Officer (or equivalent person) will obtain signed letters of confirmation from key management personnel, Controlling Shareholders and the Directors on a periodic basis (of not more than half year) with respect to their interest in any transactions with the Group.
- (c) the Group Chief Financial Officer (or equivalent person) will maintain a list of the Directors and Controlling Shareholders and their associates of the Company (which is to be updated immediately if there are any changes) to enable identification of Mandated Interested Persons. The master list of Mandated Interested Persons which is maintained shall be reviewed by the Audit Committee on at least a semi-annual basis.
- (d) the Group's annual or periodic (such periods to be decided by the Audit Committee) internal audit plan shall incorporate a review of all IPTs (where applicable), including the established review procedures for monitoring of such Mandated IPTs, entered into during the current financial year pursuant to the IPT Mandate. The approving authority in the approval thresholds as set out in Paragraph 7.3 may be delegated with the approval in writing of the Audit Committee, such approval in writing of the Audit Committee to additionally set out the basis for the Audit Committee's approval.
- (e) The Audit Committee shall:
 - (i) carry out regular periodic reviews (at least twice a year) on the IPT Register and on all the Mandated IPTs to ascertain that the established guidelines and procedures for the Mandated IPTs have been complied with and are carried out on normal commercial terms. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review;
 - (ii) approve and/or ratify all the records for all the related party transactions to ensure that they comply with the internal control procedures;
 - (iii) consider from time to time (annually or such other period as may be determined by the Audit Committee) whether the established guidelines and procedures for transactions with interested persons have become inappropriate or are unable to ensure that the transactions will be transacted on arm's length basis, and will not be on terms or conditions that would be prejudicial to the interests of the Company. If the Audit Committee is of the view that the guidelines and review procedures have become inappropriate or insufficient to meet such objectives during periodic reviews, the Company will seek a fresh mandate from Shareholders based on new guidelines and review procedures for the Mandated IPTs. During the period prior to obtaining a fresh mandate from Shareholders, all Mandated IPTs will be subject to prior review and approval by the Audit Committee;
 - (iv) review the letters of confirmation from key management personnel, controlling shareholders and the Directors of the Company and all Mandated IPTs on a periodic basis (of not more than half a year) and the outcome of such review shall be minuted; and
 - (v) approve the internal control procedures and arrangements for all future interested person transactions to ensure that they are transacted on an arm's length basis, and will not be on terms or conditions that would be prejudicial to the interests of the Company. The review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

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- (f) In the event that a member of the Audit Committee is interested in any Mandated IPTs, he shall abstain from participating in the review of that particular transaction.
- (g) The Group's internal auditor shall periodically (based on the internal audit plan as approved by the Audit Committee, and subject to adjustment in frequency, depending on factors such as, *inter alia*, the substantial increment of aggregate transactional value), report to the Audit Committee on all Mandated IPTs, and the bases of such transactions, entered into with Mandated Interested Persons during the preceding period. Except where the Mandated IPTs concerned are required under the review procedures to be reviewed and approved by the Audit Committee prior to the entry thereof, the Audit Committee shall review such Mandated IPTs at its periodic meetings (which shall be held at least twice a year, or at such other frequency as decided by the Audit Committee).
- (h) For purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT Mandate and/or any Mandated IPTs will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the Mandated IPTs or during its review or approval of any Mandated IPTs.
- (i) The Directors will ensure that all disclosures, approvals and other requirements in respect of the IPT Mandate, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with.

8. Disclosures

8.1 In accordance with the requirements of Chapter 9 of the Catalist Rules, the Company will:

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

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

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