Issuer: Nippecraft Limited
Security: Nippecraft Limited

Meeting details:
Date: 27 April 2018
Time: 9.00 a.m.
Venue: 9 Fan Yoong Road, Singapore 629787

Company Description

Nippecraft Limited, together with its subsidiaries, designs, manufactures, distributes, and trades in information and organizing tools for personal and professional users in Singapore, the United Kingdom, Europe, Australia, North America and South America, Indonesia, Hong Kong, and internationally. The company offers a range of diaries, notebooks, organisers, and other stationery products for the office, home, or school environment under the Collins and Debden brands. It is also involved in the trading and sourcing of paper, pulp, chemical, paper bags, recycled waste, and other products. The company was founded in 1977 and is headquartered in Singapore. Nippecraft Limited is a subsidiary of APP Printing (Holding) Pte Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=N32)

Q1. On 27 February 2018, the company provided shareholders with an update that it would seek a transfer from the Mainboard of the SGX-ST to the Catalist Board of the SGX-ST as the proposed transfer will "*position the company appropriately*". In addition, the company has also submitted an application to the SGX-ST for an extension of a further 6 months to exit the Watch-List pending the Proposed Transfer of the Company's listing to the Catalist.

Previously, as announced on 18 April 2017, the company disclosed that it had received a notification from the SGX-ST that it is unable to grant an extension of time to exit from the Watch-List as "the Company has not demonstrated that it has been able to meet any of the criteria under Rule 1314 of the Listing Manual" and accordingly, the company will be delisted pursuant to Rule 1315 of the Listing Manual.

Then on 1 June 2017, the company announced that it had been notified by the SGX-ST that it has no objection to granting the Company a further time extension of up to 12 months to 1 March 2018 for the company to meet the requirements for its removal from the Watch-list, subject to certain conditions.

a) **Can the company confirm that if the proposed transfer to the Catalist Board were approved, it would remove the risk of delisting of the company by SGX-ST?**

b) **If the proposed transfer to the Catalist Board were not approved for any reason, would the company then proceed to make a reasonable exit offer to the company's minority shareholders in compliance with Rule 1309 of the Listing Manual?**

c) The company has also stated that "the listing on the Catalist will position the Company appropriately and better allow the Company to attract investors in the future". **Can the board elaborate further why a Mainboard listing would not be superior to a Catalist listing in seeking new investors?**

Q2. Given the focus of the Chairlady's Statement, it would appear that the group intends to keep the stationery business as the group's core business. Even though the margin has crept up to 30.9% in FY2017, revenue has dropped from US$27.6 million in FY2015 to US$22.0 million in FY2017. Even though the group regards the strength of the Collins and Debden brands as one of the Group's strongest assets, it has very strong competitors (e.g. Moleskine) fighting for a shrinking market for physical planners and diaries.

a) **What are management's efforts to reverse the drop in revenue and to grow the business for the long term? What is the board's view of the long term viability of the stationery business?**

b) **Can management confirm that the stationery segment continues to report segment losses even as the business has been restructured?** As seen in Note 23 (page 66 – Operating segments), the reportable segment losses were US$(1.47) million and US$(3.35) million in FY2017 and FY2016 respectively.

The group recognised a provision of US$1.68 million for slow-moving inventories as a result of weak sales replenishments. This follows the restructuring exercise in FY2016 where the company sold slow moving stocks and raw materials to some of its international customers.

c) **Can management elaborate further if the provision of US$1.68 million relates to inventories for its stationery business? If so, did the group stock up on inventories after the restructuring in FY2016 and had to recognise a provision in FY2017 "as a result of weak sales replenishments"?**

d) The group's major properties are 9 & 11 Fan Yoong Road and 8 Kwong Min Road. **With manufacturing being outsourced since the group's restructuring, how does the board intend to maximise the value of these properties?**

Q3. The group reported a gross profit margin of 2.7%, 2.8%, 2.9% and 1.8% in FY2017, FY2016, FY2015 and FY2014 respectively for the trading business. The reportable segment profit before tax was US$1.18 million or 1.1% and US$1.29 million or 1.4% in FY2017 and FY2016.

a) **Does the group provide any value-add in the trading business? How does the group differentiate itself from other commodities traders?**

b) **With a gross profit margin of under 3%, has the company and the board evaluated the trading business vis-à-vis the risks (such as market risks, counterparty/credit risks, operational risks) involved?**

c) In FY2017, about US$45 million out of the US$103 million of the trading business was conducted with Interested Persons. **Can the audit committee help shareholders understand the current procedures for monitoring such interested party transactions? What is the audit committee's efforts to ensure that all transactions are carried out at arms length and are not prejudicial to the interests of the company and of the shareholders?**