

NIPPECRAFT LIMITED

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

UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE FIRST QUARTER ENDED 31 MARCH 2015 UNDER RULE 1313 (2) OF THE LISTING MANUAL

Nippecraft Limited (the “Company” together with its subsidiaries, the “Group”) was placed on the watch-list pursuant to Rule 1311 of the Singapore Exchange Securities Trading Limited’s (“SGX-ST”) Listing Manual on 5 March 2014.

Pursuant to Rule 1313 (2) of the Listing Manual of the SGX-ST, the Board of Directors of the Company wishes to provide the following updates in respect to the financial position of the Company and the Group for the first quarter ended 31 March 2015.

1. Update on Financial Position

For the first quarter ended 31 March 2015 (“1Q2015”), the Group achieved a revenue of \$37.5 million as compared with the quarter ended 31 March 2014 (“1Q2014”) of \$30.0 million, an increase of \$7.5 million or 24.9%. The increase was primarily due to an increase in our trading sales of \$8.9 million offset by a decline of stationery business sales of \$0.3 million and a decrease of sales of \$1.1 million from household tissue business which we sold in August 2014.

As the overall revenue increased, the Group also achieved a higher gross profit in 1Q2015. Overall gross profit was \$2.6 million in 1Q2015 as compared to \$1.8 million in 1Q2014. The gross profit margin was also higher in 1Q2015 achieving 6.9% as compared to 6.0% in 1Q2014. The improvements in gross profit and gross profit margin were mainly due to

- (i) higher gross profit of \$887,000 (with a corresponding gross profit margin of 2.8%) from the trading business for 1Q2015. The improvement in the gross profit of \$388,000 in 1Q2015 was due to higher sales. The higher gross profit margin by 0.6% was due to different product mix traded.
- (ii) higher gross profit of \$403,000 (with a corresponding gross profit margin of 27.9%) from the stationery business for 1Q2015. The improvement in the gross profit margin of 10.5% as compared to 1Q2014 was mainly due to lower depreciation costs and higher work in progress as compared to 1Q2014.

Selling and Distribution costs and General Administration costs declined by \$369,000 or 11.0% to \$2,973,000 in 1Q2015 as compared to \$3,342,000 in 1Q2014 as the Group continued its efforts to control, reduce and maintain costs.

The Group incurred a lower net loss of \$685,000 for 1Q2015 as compared with a net loss of \$921,000 in 1Q2014. The Earnings Before Tax, Depreciation, Amortisation and Interests (“EBITDA”) also improved in 1Q2015. The Group incurred a negative EBITDA of \$260,000 in 1Q2015 as compared to a negative of \$319,000 in 1Q2014.

2. Update on Future Direction

Nippecraft will continue to outsource more of its production activities to remain cost competitive. Our maiden launch of Collins Brand into the Taiwan market commenced in April 2015. Following the success of this maiden launch, we will proceed with our next phase of marketing our Collins products in the Indonesia and China markets. We have also intensified our marketing efforts on both existing and new customers in the US markets. The Group will continue to look for new business opportunities when they arise.

BY ORDER OF THE BOARD

Wiria Hartanto Muljono
Chief Executive Officer and Executive Director
11 May 2015