

NIPPECRAFT LIMITED

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

QUARTERLY UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 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 unaudited full year consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

1. Update on Financial Position

The Group achieved a revenue of \$313.4 million in FY2014, an increase of \$202.2 million as compared to FY2013. The increase in revenue came from the trading sales (i) sales of pulp and waste papers of \$200 million mainly to the Indonesia and Hong Kong market (ii) increase in paper bags and gift boxes of \$6 million to the North America market and (iii) \$3.3 million sales of coated paper and paperboards to the South America markets which we commenced in the fourth quarter of 2014. To ensure our collections for these customers, we have insured them under a credit insurance scheme. Stationery business revenue declined by \$5.0 million due to lower sales in the Australia market (decreased by \$2.6 million) and decrease of \$2.4 million from the household tissue business. There was no household tissue business in the fourth quarter of 2014 as we disposed our wholly owned subsidiary, Jinmei Industrial Sdn Bhd ("Jinmei") on 21 August 2014 (refer to SGX announcements dated 21 August 2014 and 30 September 2014).

Although revenue has increased, we achieved a lower gross profit of \$13.7 million for FY2014, a decline of \$1.0 million as compared to FY2013. The trading business continued to drive earnings but at a lower gross profit margin. The decline of gross profit margin for trading was due to trading of different product mix. The stationery business gross profit declined by \$4.6 million due to lower sales, different mix of products sold and higher costs of production due to lower production output.

The Group incurred a net loss of \$8.2 million as compared to \$1.5 million in FY2013.

Group	FY2014	FY2013	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Net loss before tax for the year	(8,211)	(1,485)	(6,727)	452.9%
Loss on disposal of Jinmei	927	-	(927)	N/M
Add Impairment of plant and equipment at Nippecraft	3,434	-	(3,434)	N/M
Add additional amortization of intangible	3,016	-	(3,016)	N/M
Adjusted net loss before tax	(834)	(1,485)	651	-43.8%
Add depreciation	1,726	1,920	(194)	-10.1%
Add finance costs	233	29	204	714.4%
Add amortization of intangible	769	718	51	7.1%
Adjusted EBITDA (Earnings before income tax, depreciation, amortization and interest costs)	1,894	1,182	712	60.3%

N/M: not meaningful

Had we excluded the above exceptional loss, the Group incurred an adjusted net loss of \$834,000 as compared to \$1.5 million loss in FY2013. The improvement in net loss of \$651,000 was due to growth from the trading business, outsourcing of certain production processes to reduce our production costs and our continuous effort to reduce overhead costs. Adjusted EBITDA has also improved by 60% from \$1.2 million in FY2013 to \$1.9 million.

For full details of the results of the Group, please refer to the unaudited full year announcements for the year ended 31 December 2014 released on 27 February 2015. .

2. Update on Future Direction

The global economic outlook continue to remain uncertain. With uncertainties in the economic environment, we have to remain vigilant. Nippecraft will be outsourcing more of its production activities to remain cost competitive. The launch of new stationery products under the Collins Debden Brand to the market is on track. However, the launch is dependent on market demand. 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
27 February 2015