

NIPPECRAFT LIMITED

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

CLARIFICATION ON ANNUAL REPORT 2014

The Board of Directors of Nippcraft Limited (**Company**) would like to provide the following clarification in response to the queries raised by the Singapore Exchange Securities Trading Limited (**SGX-ST**) on 22 April 2015 in respect of the Company's Annual Report for the financial year ended 31 December 2014.

SGX's Queries:

- (a) Guideline 9.2 of the Code of Corporate Governance 2012 (the "Code") states that the company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

As required under Listing Rule 1207(12) of the Listing Manual, please make disclosure as recommended in the Code; or otherwise disclose and explain any deviation from the recommendation.

Company's Response:

The Company has not disclosed the total remuneration of each individual director (including the CEO) in dollar terms given the sensitivity of remuneration matters and to maintain confidentiality of the remuneration packages of these directors (including the CEO). The total compensation paid to the Directors of the Company (including the CEO) amounting to \$154,000 was disclosed in page 61 of the Company's Annual Report 2014.

- (b) Guideline 9.3 of the Code states that the company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As required under Listing Rule 1207(12) of the Listing Manual, please make disclosure as recommended in the Code; or otherwise disclose and explain any deviation from the recommendation.

Company's Response:

The top 4 key management personnel (who are not Directors or the CEO) are Mr Lim Poon Kheng (Chief Financial Officer of the Company), Mr Steve Ferretti (Managing Director of Collins Debden Pty Ltd in Australia), Mr Keith France (Managing Director of Collins Debden Ltd in United Kingdom) and Ms Jacqueline Darroch (Finance Director of Collins Debden Ltd in United Kingdom).

The Board was of the view that full disclosure in aggregate of the total remuneration paid to the above key management personnel would not be in the interests of the Company as such information was confidential and sensitive and could be exploited by competitors. The Board was of the opinion that the information disclosed in the 2014 Annual Report would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices in respect of the Company's key management personnel.

- (c) Guideline 11.3 of the Code states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:
- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
 - (b) regarding the effectiveness of the company's risk management and internal control systems.

As required under Listing Rule 710, please make disclosures as recommended in the Code; in particular, the effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems; as well as the adequacy of the internal controls including information technology controls, and risk management systems; or otherwise explain the reason(s) for the deviation.

Company's Response:

The Board has received assurance from the CEO and CFO that the i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control systems in place are effective. This is disclosed in page 17 of the Annual Report.

The Board is also satisfied that there is appropriate and adequate review by the AC of the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance controls, information technology controls, and risk management policies and systems established by Management. In this review, the AC has been assisted by both the external auditors and internal auditors and this review is conducted at least once every year. Based on the work performed by internal auditors during the financial year, as well as the statutory audit by external auditors, and the written assurance from Management, the Board, with the concurrence of the AC, is of the opinion that currently there are adequate internal controls systems in the Group in addressing financial, operational, information technology controls and compliance risks.

BY ORDER OF THE BOARD

Wiria Hartanto Muljono
Chief Executive Officer and Executive Director
24 April 2015