

**NIPPECRAFT LIMITED**

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

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**UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE SECOND QUARTER ENDED 30 JUNE 2014 UNDER RULE 1313 (2) OF THE LISTING MANUAL**

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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 consolidated financial statements of the Company and its subsidiaries for the second quarter ended 30 June 2014.

**1. Update on Financial Position**

The Group revenue for 1H2014 was S\$58.5 million, 81% higher than the revenue of S\$32.3 million for the corresponding period in 2013. The increase in revenue of S\$26.2 million was primarily due to the increase in trading sales (pulp and waste paper) of S\$27.4 million to the Indonesia market offset by a decline in sales of S\$0.6 million from the stationery business as a result of weak demand from the North America market & translation differences and a decrease of sales of S\$0.6 million from household tissue business.

Despite the increase in revenue, we achieved a lower gross profit of S\$3.5 million for 1H2014, a decline of S\$1.9 million as compared to 1H2013. The decline in gross profit was mainly due to lower production output. The production arm of Nippecraft has commenced a cost rationalisation exercise in an effort to bring costs down.

Our effort to control costs have shown results with the biggest decline from the selling and distribution costs, registering a decline of 19.1% or S\$0.9 million. We will continue with our effort to reduce general administration costs.

The Group incurred a net loss of S\$2.4 million for 1H2014.

For full details on the results of the Group, please refer to the unaudited first half announcement for the period ended 30 June 2014 released on the 14 August 2014.

**2. Update on Future Direction**

The current market remain challenging. The trading business will continue to grow in the 2H2014. The Group will expand its stationery business into new markets and launch new undated products under the Collins Debden brand. We are currently reviewing our production processes and costs and may outsource certain processes in an effort to bring productions costs down. We will consider divesting loss making subsidiaries when opportunities arise. The Group will also continue to look for new business opportunities when they arise.

**BY ORDER OF THE BOARD**

Wiria Hartanto Muljono  
Chief Executive Officer and Executive Director  
14 August 2014