

NIPPECRAFT LIMITED

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

UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2015.

1. Update on Financial Position

The Group revenue for the nine months ended 30 September 2015 (“9MFY2015”) was S\$250.1 million, 32.8% higher than the revenue of S\$188.4 million for the corresponding period ended 30 September 2014 (“9MFY2014”).

Revenue	Period ended 30 September 2015	Period ended 30 September 2014	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Stationery business	25,332	29,020	(3,688)	(12.7%)
Trading business	224,738	159,330	65,408	41.1%
Total Revenue	250,070	188,350	61,720	32.8%

The increase in revenue of S\$61.7 million was primarily due to the increase in trading sales (pulp and waste paper) of S\$65.4 million mainly to the Indonesia market. The stationery business declined by S\$3.7 million due to (i) a decline of household tissue business sales of S\$2.8 million which we sold the business in August 2014 and (ii) decrease of sales of S\$0.9 million from the stationery business mainly due to translation differences as a result of weakening Australian dollars.

Gross Profit	Period ended 30 September 2015	Gross Profit Margin	Period ended 30 September 2014	Gross Profit Margin	Variance	Change
	S\$'000	%	S\$'000	%	S\$'000	%
Stationery business	6,285	24.8%	5,165	17.8%	1,120	21.7%
Trading business	6,550	2.9%	2,451	1.5%	4,099	167.2%
Total Gross Profit	12,835	5.1%	7,616	4.0%	5,219	68.5%

The Group achieved a higher gross profit in 9MFY2015 due to higher revenue. Overall gross profit was S\$12.8 million in 9MFY2015 as compared to S\$7.6 million in 9MFY2014. The gross profit margin was also higher in 9MFY2015 achieving 5.1% as compared to 4.0% in 9MFY2014. The improvements in gross profit and gross profit margin were due to:-

- (i) higher trading sales and higher gross profit margin brought about by different product mix traded;

(ii) Higher gross profit and higher gross profit margin from the stationery business as a result of lower cost of sales. The lower cost of sales was in turn due to lower depreciation costs and more outsourcing production activities. In addition, the disposal of wholly owned subsidiary, Jinmei Industrial Sdn Bhd (*Jinmei*), in August 2014, reduced production costs.

Net profit after tax	Period ended 30 September 2015	Period ended 30 September 2014	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Net profit / (loss) after tax (including loss on disposal of Jinmei)	1,254	(2,971)	4,225	142.2%
Add Loss on disposal of Jinmei (one off transaction)	-	927	(927)	NM
Adjusted net profit / (loss) after tax (exclude loss on disposal of Jinmei)	1,254	(2,044)	3,298	161.4%

NM: not meaningful

The Group achieved net profit of S\$1.3 million for 9MFY2015 as compared with an adjusted net loss of S\$2.0 million (excluding the loss on disposal of Jinmei) in 9MFY2014.

EBITDA (Earnings before interest, taxes, depreciation and amortisation) also improved in 9MFY2015. We achieved a positive EBITDA of S\$3.0 million as compared to a negative EBITDA of S\$27,000 in 9MFY2014.

2. Update on Future Direction

The economic outlook continued to remain challenging especially the Australia market. The Group will continue to expand the stationery business under the Collins brand into new markets. We will continue with our outsourcing activities to remain cost competitive and will continue to explore business and investment opportunities when they arise.

BY ORDER OF THE BOARD

Wiria Hartanto Muljono
Chief Executive Officer and Executive Director
9 November 2015