

NIPPECRAFT LIMITED

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

UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 2015.

1. Update on Financial Position

Revenue

The Group recorded a revenue of S\$116.1 million for the half year ended 30 June 2015 (“1H2015”). This represents an increase in revenue of 98.5% or S\$57.6 million against the corresponding first half of 2014 (“1H2014”). The increase in trading sales (pulp and waste papers) revenue of S\$62.2 million was due to increase in trading activities. This increase was offset by a decrease in sales of S\$4.6 million from the stationery business which was as follows:

- (a) Decrease of stationery business sales of S\$2.4 million from the Australia market. The decrease was due to timing of billing to customers in which there was late arrival of goods into Australia.

Due to the nature of our product offerings, our stationery business sales tend to be stronger in the second half of each year.

- (b) Decrease sales of S\$2.0 million from the household tissue business. We had sold the household tissue business in August 2014.

Gross Profit

We achieved a higher gross profit of S\$6.7 million for 1H2015, an increase of S\$3.1 million as compared to 1H2014. Overall, a slight decline in gross profit margin of 5.8% in 1H2015 as compared to 6.1% in 1H2014. The increase in gross profit was due to:

- (a) Increase due to higher trading sales activities. Higher gross profit margin due to different product mix traded.
- (b) Increase in gross profit from the stationery business due to lower cost of sales (declined by S\$5.6 million or 43.8%) even though revenue declined by S\$4.6 million or 30.1%. The lower cost of sales was due to (i) reduction in depreciation costs by S\$528,000 as a result of impairment charge on plant and equipment incurred in FY2014; (ii) increasing outsourcing activities to reduce production costs; and (iii) absence of production costs incurred by a wholly-owned subsidiary, Jinmei Industrial, which was sold in August 2014.

A higher gross profit margin of 33.4% was achieved in 1H2015 as compared to 17.2% in the corresponding period. The improvement of gross profit margin was due to lower unit costs of production as a result of a combination of (i) more outsourcing activities; (ii) higher production output in 1H2015 as compared to 1H2014; and (iii) lower overhead costs, namely depreciation costs.

Distribution and Marketing Expenses

We incurred a lower distribution costs of S\$317,000 or 8.5% due to lower stationery business sales.

Administrative Expenses

Administrative expenses declined by S\$189,000 due to absence of amortisation charge in 1H2015 as a result of impairment of intangibles in FY2014 offset by an increase in salary costs (increase in headcount).

Other Income

The decrease in other income of S\$705,000 was mainly due to exchange fluctuations as a result of weakening of Australia dollars.

Finance Expenses

The finance expenses incurred was due to discounting of trade bills for our trading sales business.

Profit / (Loss) Before Income Tax

We incurred a net profit before tax of S\$66,000 for the 1H2015 as compared to a loss of S\$2.4 million in the corresponding period. EBITDA (Earnings before tax, interests, depreciation and amortisation) also improved in 1H2015. We achieved a positive EBITDA of S\$890,000 as compared to a negative EBITDA of S\$1.2 million in 1H2014.

Income Tax Expense

The higher income tax expense in 1H2015 was due to higher taxable profit arising from the trading business.

For full details on the results of the Group, please refer to the unaudited first half announcement for the half year ended 30 June 2015 released on the 6 August 2015.

2. Update on Future Direction

Global economic outlook is expected to improve marginally, with growth likely to remain tepid and fraught with uncertainties. The weakening of the Australia Dollars against major currencies, the expectation of an interest rate hike and an increasingly competitive business environment, the Group expects the operating environment to remain challenging for the next 12 months. The Group will continue to expand its 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
6 August 2015