

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 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 unaudited full year consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

1. Update on Financial Position

Revenue	FY2015	FY2014	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Stationery business	37,695	41,928	(4,233)	(10.1%)
Trading business	290,697	271,489	19,208	7.1%
Total Revenue	328,392	313,417	14,975	4.8%

The Group revenue increased by \$15.0 million to \$328.4 million in FY2015. This represented a 10.1% decrease and 7.1% increase in the stationery and trading business respectively. However the Group experienced foreign currency volatility in FY2015 especially the Australia dollars. The revenue in Singapore dollar term may not fully reflect the performance of the underlying business.

- (i) The decline of \$4.2 million was due to lower sales of \$1.2 million from the stationery business primarily due to translation differences as a result of weakening of Australia dollars and absence of household tissue sales of \$2.8 million in which this business was sold in August 2014.

At constant foreign exchange rate, the stationery business (exclude household tissue sales) is stable at \$39.7 million in FY2015; a slight increase of \$0.6 million as compared to FY2014.

- (ii) The trading business is conducted in USD dollars which declined slightly from USD215.5 million in FY2014 to USD211.5 million in FY2015. This was driven by the overall decline in commodity prices and the Group’s effort to reduce exposure in emerging markets.

Gross Profit	FY2015	Gross Profit Margin	FY2014	Gross Profit Margin	Variance	Change
	S\$'000	%	S\$'000	%	S\$'000	%
Stationery business	8,033	21.3%	8,746	20.9%	(713)	(8.2%)
Trading business	8,443	2.9%	4,949	1.8%	3,494	70.6%
Total Gross Profit	16,476	5.0%	13,695	4.4%	2,781	20.3%

The Group achieved a higher gross profit of \$16.5 million in FY2015 as compared to \$13.7 million in FY2014. Gross profit margin was higher for both the stationery and trading business; achieving an overall gross profit margin of 5.0% in FY2015 as compared to 4.4% in FY2014.

- (i) In the stationery business, the reduction in gross profit from \$8.7 million to \$8.0 million in FY2015 was driven by adverse foreign exchange rates in the Australia markets which sourced most of their products in US dollars. This was partially offset by efficiencies gained from increased outsourcing production activities and a reduction in depreciation costs as a result of impairment of plant and equipment in FY2014. The disposal of household tissue business in FY2014 also contributed to lower production overheads in FY2015.

During the year, the Group expanded its stationery business into new markets including Taiwan and Indonesia and is working to re-enter the US market.

- (ii) The higher gross profit margin in the trading business was due to different product mix traded.

General administration expenses declined due to absence of amortization costs in FY2015.

Finance costs increased by \$1.2 million due to more discounting of trade bills for the trading business.

Others consist of subletting income and wage credit scheme. The increase is primarily due to subletting income which commenced in FY2015 and write back of accruals and deposits of \$120,000 in FY2015.

Group	FY2015	FY2014	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Net profit / (loss) before tax for the year	1,229	(8,211)	9,440	115.0%
Loss on disposal of Jinmei	-	927	(927)	N/M
Add Impairment of plant and equipment at Nippcraft	-	3,434	(3,434)	N/M
Add impairment loss on intangible assets	-	3,016	(3,016)	N/M
Adjusted net profit /(loss) before tax	1,229	(834)	2,063	247.4%
Add depreciation	734	1,726	(992)	(57.5%)
Add finance costs	1,456	233	1,223	524.9%
Add amortization of intangible	-	769	(769)	N/M
Adjusted EBITDA (Earnings before income tax, depreciation, amortization and interest costs)	3,419	1,894	1,525	80.5%

N/M denotes not meaningful

In FY2015, the Group made a profit before tax of \$1.2 million as compared to an adjusted loss of \$834,000.

Adjusted EBITDA has also improved by 80.5% from \$1.9 million to \$3.4 million in FY2015.

For full details of the results of the Group, please refer to the unaudited full year announcements for the year ended 31 December 2015 released on 19 February 2016.

2. Update on Future Direction

The global economic outlook remains uncertain in 2016. The Group expects its pulp trading business in particular to face headwinds. Although the stationery business may also face challenges, the Group has actively reduced its costs base in the last few years, which will help it to remain competitive. In 2016, the Group will continue to practice disciplined costs management, while increasing the focus to grow the stationery business under the Collins and Debden brands. We will also explore investment opportunities when they arise.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
19 February 2016