

NIPPECRAFT LIMITED

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

UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE FIRST QUARTER ENDED 31 MARCH 2017 UNDER RULE 1313 (2) OF THE LISTING MANUAL

Nippecraft Limited (the “Company” together with its subsidiaries, the “Group”) was placed on the financial watch-list pursuant to Rule 1311 of the Singapore Exchange Securities Trading Limited’s (“SGX-ST”) Listing Manual on 5 March 2014.

The Company has been placed on the Minimum Trading Price (“MTP”) Entry Criterion Watch List since 3 March 2016.

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 first quarter ended 31 March 2017.

1. Update on Financial Position
Consolidated Income Statement

Revenue	1Q 2017	1Q 2016	Variance	Change
	US\$’000	US\$’000	US\$’000	%
Trading	19,335	13,894	5,441	39%
Stationery	3,260	3,335	(75)	(2%)
Total	22,595	17,229	5,366	31%

For the first quarter ended 31 March 2017 (“1Q 2017”), the Group recorded revenue of US\$22.6 million as compared to US\$17.2 million for the corresponding period in 2016 (“1Q 2016”).

Trading business revenue increased by 39% or US\$5.4 million to US\$19.3 million. Higher revenue was due to increase in orders received from customers.

The UK operations in local currency, registered an increase in revenue of GBP104,000 or 9.7% over the corresponding period. This was due to increase in overall selling price following the depreciation in British Pounds. The Australia market, in local currency terms, registered an increase of sales of 2.8% or A\$55,000 over the same period. This was offset by a decline in overseas sales by Nippecraft (Singapore entity) of US\$191,000 in first 3 months of the year. Overall, Stationery business revenue declined marginally by 2% or US\$75,000.

Gross Profit	1Q 2017		1Q 2016		Variance	
	US\$’000	Margin	US\$’000	Margin	US\$’000	%
Trading	513	2.7%	398	2.9%	115	29%
Stationery	1,355	41.5%	898	26.9%	457	51%
Total Gross Profit	1,868	8.3%	1,296	7.5%	572	44%

Higher gross profit from trading business due to higher trading revenue. A slight drop in gross profit margin due to different product mix traded.

Stationery business gross profit and gross profit margin increased even though there was a slight drop in stationery revenue. This was due to:

- i. Savings in production wage costs due to scaling down of production activities of the Singapore plant in 2016.
- ii. Improvement in product mix traded e.g. compendium and accounts books.
- iii. Increase in selling price at the UK operations.
- iv. Savings derived from outsourcing program.

Selling, distribution and general administration costs reduced by US\$134,000 or 7% in 1Q 2017 as compared to 1Q 2016 due to the Group's continuing efforts to reduce costs.

Finance costs increased by US\$113,000 due to increase in interest rates and higher trading activities arising from discounting of trade bills.

Other income increased by US\$61,000 mainly due to net foreign exchange gain.

The Group incurred a net loss before tax of US\$14,000 in 1Q 2017 as compared to a net loss before tax of US\$683,000 in 1Q 2016.

For the first three months of the year, the Group generated a positive Earnings before interest, tax, depreciation and amortisation ("EBITDA") of US\$252,000 as compared to a negative EBITDA of US\$499,000 for the corresponding period.

2. Update on Future Direction

Going forward, the Company remains cautious on its business outlook given the uncertainties in the global economic conditions. The focus of the Group will be to support the growth of its existing customers and seek to develop new markets and customers. The Company will continue to outsource its production, streamline costs, and improve operational efficiencies and profitability. The Company is currently performing a business review on the existing land and building at the Singapore site.

During the recent Annual General Meeting held on 27 April 2017, the resolution to renew the Shareholders' Mandate for Interested Person Transactions was not approved. The trading revenue may be affected as a result of this.

At the date of this announcement, the Company is still in discussion with SGX-ST with the aim of obtaining the extension. Please refer to announcement dated 18 April 2017. The Company will continue to update shareholder on any further developments.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
3 May 2017