

NIPPECRAFT LIMITED

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

UPDATE ON FINANCIAL POSITION AND FUTURE DIRECTION FOR THE FIRST QUARTER ENDED 31 MARCH 2016 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. On 1 April 2016, SGX-ST granted an extension of time to 1 March 2017 for the Company to exit financial watch list.

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 2016.

1. Update on Financial Position

For the first quarter ended 31 March 2016 (“1Q2016”), the Group achieved a revenue of \$24.5 million as compared with \$37.5 million for the corresponding period in 2015. The overall revenue decline was due to a subdued business environment.

Revenue	1Q2016A	1Q2015A	Variance	
	S\$'000	S\$'000	S\$'000	%
Stationery Business	4,771	6,119	(1,348)	(22.0)
Trading Business	19,679	31,341	(11,662)	(37.2)
Total Revenue	24,450	37,460	(13,010)	(34.7)

The trading revenue registered a decline of 37% or \$11.7 million in the first quarter of 2016 due to lower orders received. The lower sales in the Stationery business was driven by the timing of delivery to our customers, and the reduced business focus on commoditized products.

Gross Profit	1Q2016A		1Q2015A		Variance	
	S\$'000		S\$'000		S\$'000	%
Stationery Business	1,272	26.7%	1,709	27.9%	(437)	(25.6)
Trading Business	562	2.9%	886	2.8%	(324)	(36.6)
Total Gross Profit	1,834	7.5%	2,595	6.9%	(761)	(29.3)

Overall gross profit was lower due primarily to lower revenue. A slight decline in gross profit margin for the stationery business was driven by the reduction in economy of scale given the lower volume in the quarter.

Selling and Distribution costs and General Administration costs increased marginally by \$9,000 in 1Q2016.

Finance costs decreased by \$125,000 due to lower trading activities (lesser discounting of trade bills).

Other expenses declined by \$131,000 due to lower exchange losses incurred and timing of receipt of wage credit scheme.

The Group incurred a net loss before tax of \$1,148,000 compared with a net loss before tax of \$635,000 for the corresponding period.

2. Update on Future Direction

- (a) The macroeconomic environment remains challenging. The trading business is expected to face headwinds for the remaining of 2016. Our stationery business continues to face cost pressures from our competitors despite outsourcing certain production activities, while the growth initiatives will take time to come to fruition. We will review and adjust our current operational model by restructuring the existing production operations in Singapore. The intention is to improve the financial conditions of the Group.
- (b) The Company has up to 3 years to meet the MTP requirement whilst being placed on the MTP watch list. The Company is considering various options to meet the MTP requirement and will update shareholders if there is any significant development.

3. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format) set out in appendix 7.7) under rule 720(1).

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
12 May 2016