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 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. On 1 June 2017, SGX-ST granted a further extension of time up to 12 months to 1 March 2018 for the Company to exit from the financial watch list.

The Company has been placed on the Minimum Trading Price ("MTP") Entry Criterion Watch List since 3 March 2016 and will continue to be in the MTP watch list with effect from 5 June 2017. The Company must take active steps to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2017 to exit the MTP watch list.

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 2017.

1. **Update on Financial Position**

Consolidated Income Statement

Revenue	Half year to 30 June 2017	Half year to 30 June 2016	Variance	Change
	US$'000	US$'000	US$'000	%
Stationery	6,633	6,868	(235)	-3%
Trading	42,834	51,696	(8,862)	-17%
Total	49,467	58,564	(9,097)	-16%

The Group recorded revenue of US$49.5 million for the first half of 2017; a decline of US$9.1 million or 15.5% against the corresponding first half of 2016 attributable mainly to the trading business.

Stationery business revenue declined by US$0.2 million or 3.4%. In terms of local currency, the Australia market registered an increase in revenue of 13.4% offset by a decline in UK market (down by 1.8%) and International markets (down by 52.9%). In 1H2016, as part of restructuring, the Group sold slow moving goods and raw materials to some of its international customers. Due to the nature of the stationery business which are primarily dated product, sales tend to be stronger in the second half of the year.

Trading business revenue declined by US$8.9 million or 17.1% to US$42.8 million mainly due to slow down in sales to related parties. At the recent Annual General Meeting ("AGM") held on 27 April 2017, the resolution to renew the Shareholders' Mandate for Interested Person Transactions ("IPT") was not approved by the independent shareholders. Trading business has since ceased to take on any new orders. The subsidiary is currently fulfilling the sales orders received prior to the date of the AGM.

Gross Profit	Half year to 30 June 2017		Half year to 30 June 2016		Variance	
	US$'000	Margin	US$'000	Margin	US$'000	%
Stationery	2,532	38.2%	1,883	27.4%	649	34.5%
Trading	1,153	2.7%	1,476	2.9%	(323)	-21.9%
Total Gross Profit	3,685	7.4%	3,359	5.7%	326	9.7%

The Group recorded a higher gross profit of US$3.7 million for the first half of 2017; an improvement of US$0.3 million or 9.7% as compared to the corresponding first half of 2016.

In the stationery business, there was an improvement in gross profit by US$0.7 million and gross profit margin increased from 27.4% for the first half of 2016 to 38.2% in the first half of 2017 despite the drop in revenue. This is due to savings in production wage costs due to restructuring and scaling down of production activities at the Singapore plant in 1H2016 and reclassification of certain expenses from cost of sales to administrative expenses.

Included in cost of sales were depreciation costs and property tax of total US$0.4 million incurred at the Singapore site. As the production volume is low due to current outsourcing programme, the Company is in the process of performing a business review on the existing land and building at Singapore site.

The Group incurred a loss before tax of US$0.4 million for the first half of 2017 as compared to a loss before tax of US$2.2 million in the corresponding period in 2016.

For the first half of the year, the Group generated positive earnings before interest, tax, depreciation and amortization, interest costs and exceptional items ("EBITDA") of US$0.1 million as compared to a negative EBITDA of US$0.5 million for the corresponding period in 2016.

For full details of the results of the Group, please refer to the unaudited first half announcement for the half year ended 30 June 2017 released on the 4 August 2017.

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.

Subject to the IPT mandate being renewed by the independent shareholders and the actual volume of IPT in the event that the IPT mandate is renewed, the trading business of the Group is expected to be lower compared to prior years.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
4 August 2017