

NIPPECRAFT LIMITED

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

UPDATE OF FINANCIAL POSITION AND FUTURE DIRECTION FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2016.

1. Update on Financial Position**Consolidated Income Statement**

Revenue	Period ended 30 September 2016	Period ended 30 September 2015	Variance	Change
	\$'000	\$'000	\$'000	
Trading	79,953	224,738	(144,785)	(64.4%)
Stationery	20,629	25,331	(4,702)	(18.6%)
Total	100,582	250,069	(149,487)	(59.8%)

The Group recorded a revenue of \$100.6 million for the nine months ended 2016. This represents a decline in revenue of \$149.5 million or 59.8% against the corresponding nine months ended 2015.

Trading revenue continues to face headwinds, registering a revenue decline of \$145 million or 64%. The decline was due to slowdown in orders received from the Indonesia markets.

Stationery business declined by 18.6% or \$4.7million due primarily to (i) timing of delivery of products to our customers arising from the delay by our outsourcing vendors and (ii) translation loss on UK sales resulting from the sharp depreciation of GBP against major currencies including Singapore dollars.

The UK market constitutes 46% of the total stationery sales. As our pricing to our UK customers for FY2016 have been pre-agreed upon, any increase in selling price to offset the sharp depreciation of GBP can only materialise in FY2017.

Gross Profit	Period ended 30 September 2016		Period ended 30 September 2015		Variance	Change
	\$'000		\$'000		\$'000	
Trading	2,250	2.8%	6,549	2.9%	(4,299)	(65.6%)
Stationery	6,216	30.1%	6,286	24.8%	(70)	(1.1%)
Total	8,466	8.4%	12,835	5.1%	(4,369)	(34.0%)

Overall gross profit was lower due primarily to lower revenue.

Trading business' gross profit declined by \$4.3 million in line with the decline in trading revenue. Gross margin remains relatively unchanged.

Although the stationery revenue declined by 18.6%, the gross profit for the stationery business declined by \$70,000 or 1.1%. The gross profit margin for the stationery business also improved from 24.8% to 30.1% for the corresponding period. The improvements in gross profit and margin were due to:

- (1) Increase in average selling price;
- (2) Restructuring and scale down production activities in Singapore. Singapore site will focus on high value production activities. Please refer to results announcement dated 10 August 2016.; and
- (3) Continuous effort to outsource our production to overseas vendors at lower costs.

EBITDA and NPBT

Group	Period ended 30 September 2016	Period ended 30 September 2015	Variance	Change
	\$'000	\$'000	\$'000	%
Net (loss)/ profit before tax	(3,240)	1,572	(4,812)	(306%)
Add redundancy payout (one off expenses)	1,722	-	1,722	N/M
Loss arising from striking off/liquidation of subsidiaries (one off expenses). Please refer to announcement dated 11 August 2016.	132	-	132	N/M
Adjusted net (loss)/ profit before taxation	(1,386)	1,572	(2,958)	(188%)
Add depreciation	554	562	(8)	(1.4%)
Add interest expense	315	906	(591)	(65.2%)
Adjusted EBITDA (loss)/ profit	(517)	3,040	(3,557)	(117.0%)

EBITDA: earnings before interest, tax, depreciation and amortization

NPBT: Net profit before tax

N/M : not meaningful

The Group incurred an adjusted net loss of \$1.4 million in nine months ended 2016 as compared to a profit of \$1.5 million for the corresponding period. The net loss was due to lower revenue from both the trading business and stationery business.

2. Update on Future Direction

The global economic outlook continues to remain uncertain. With Brexit, the Sterling Pound has depreciated sharply against major currencies including the Singapore dollar. This has an impact on the performance of the UK operations. Although we have taken steps to address this impact such as increasing average selling price of our products and implementing costs reduction, the financial impact can only materialize in FY2017. The Group will also accelerate its new market development efforts to diversify source of revenue.

The trading business continues to face headwinds. Our stationery business continues to face cost pressure from our competitors while the growth initiatives will take time to come to fruition. We will continue to expand our current pool of outsourcing vendors, practice disciplined cost management and improve operational efficiency via streaming of work processes and technology. We will also explore investment opportunities when they arise.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
11 November 2016