

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 2018 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. On 27 February 2018, the Company submitted an application for extension of time to meet the requirements to exit the financial watch-list pending the proposed transfer of the Company’s listing to the Catalyst sponsored regime.

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 first quarter ended 31 March 2018.

1. Update on Financial Results
Consolidated Income Statement

Revenue	1Q2018	1Q2017	Variance	Change
	US\$’000	US\$’000	US\$’000	%
Stationery	3,236	3,260	(24)	(0.7%)
Trading	34,936	19,335	15,601	81%
Total	38,172	22,595	15,577	69%

For the first quarter ended 31 March 2018 (“1Q2018”), the Group recorded revenue of US\$38.2 million as compared to US\$22.6 million for the corresponding period in 2017 (“1Q2017”). The increase in revenue was due to increase in sales orders from third party customers. Stationery revenue registered a slight decline for the corresponding period.

Gross Profit	1Q2018		1Q2017		Variance	
	US\$’000	Margin	US\$’000	Margin	US\$’000	%
Stationery	1,376	42.5%	1,355	41.5%	21	1.6%
Trading	864	2.5%	513	2.7%	351	68%
Total Gross Profit	2,240	5.9%	1,868	8.3%	372	20%

The Group recorded a higher gross profit of US\$2.2 million, an increase of US\$372,000 or 20% against 1Q2017.

Stationery business registered a slight improvement in gross profit and gross profit margin. The slight improvements were due to (i) Group shifting away from low margin customers and (ii) improvement in product mix sold and (iii) increase in average selling prices.

Trading business' gross profit increased by US\$351,000 due to higher sales achieved in 1Q2018. The Gross profit margin saw a decline from 2.7% in 1Q2017 to 2.5% in 1Q2018. This is mainly due to different product mix traded.

Selling and Distribution costs increased by US\$295,000 or 33% due to (i) higher accruals made for advertising and promotion costs (ii) higher salaries costs from the stationery business and (ii) provision for claims for pulp trading customers due to claims and delays in shipping documents .

General and Administration costs decreased by US\$14,000 as the Group continued with its cost management.

Finance costs which relates to discounting of trade bills increased marginally by US\$21,000 as a result of increased in trading business.

Other income decreased by US\$150,000 due to redundancy payout of US\$193,000 offset by exchange gain and increase in subletting income. The subletting income arose as the Group sublet its Singapore premises to a third party tenant. The redundancy payout was made as the Group continued to streamline its costs and improve operational efficiency.

The Group incurred a net loss before tax of US\$94,000 in 1Q2018 as compared to a net loss before tax of US\$14,000 in 1Q2017. Excluding the redundancy payment (exceptional item) of US\$193,000, the Group made an adjusted net profit before tax of US\$99,000 for 1Q2018.

	1Q2018	1Q2017	Variance	
	US\$'000	US\$'000	US\$'000	%
Net loss before tax	(94)	(13)	(81)	623%
Add redundancy	193	-	193	NA
Adjusted net profit / (loss) before tax	99	(13)	112	861%
Add depreciation	104	119	(15)	13%
Add finance costs	169	147	22	15%
Adjusted Earnings before interests, tax, depreciation and amortisation and exceptional items ("EBITDA")	372	253	119	47%

NA: not applicable

For the first three months of the year, the Group generated a positive adjusted EBITDA of US\$372,000, an improvement of US\$119,000 for the corresponding period.

2. Update on Future Direction

In the medium term, the Group's focus will be to transition the business to more profitable products and segments. In addition to new markets, the Group will be launching new products that are more design and lifestyle oriented. For 2018, the Group has entered or will be entering into inter alia the Japan, Malaysia and Middle East markets for the stationery business. The Group has also commenced a portfolio review to streamline the product ranges. The strength of the Collins and Debden brands remains one of the Group's strongest assets.

On 2 May 2018, the Forest Stewardship Council ("FSC") informed the Company that, with effect from 7 August 2018, the Company's FSC licence will cease due to the Company's association with the Asia Pulp and Paper ("APP") Group. Other than this reason provided, the Company has been in compliance with FSC requirements. The Company is currently in discussion with FSC to reconsider their decision. Based on current assessment, this is not expected to have a material impact on the Company's operations for the current financial year ending 31 December 2018.

The Company will continue to outsource its production, streamline costs, and improve operational efficiencies and profitability.

The Company will continue to work with current vendors to improve their efficiency and achieve more outsourcing savings. The Company is also developing new vendors to reduce over-reliance risks on certain vendors.

The Company had on 2 May 2018 been notified by the SGX-ST that the SGX-ST has approved in-principle the proposed transfer of the listing of the Company from the Mainboard to the Catalist Board ("Proposed Transfer"). For further details, Shareholders may wish to refer to the announcement in relation to the Proposed Transfer dated 3 May 2018.

The Company would like to remind all Shareholders that there is no assurance of the Proposed Transfer taking place. As such, Shareholders are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action in relation to their shares which may be prejudicial to their interests. Persons who are in doubt, as to the action they should take, should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer
11 May 2018