

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 2016 UNDER RULE 1313 (2) OF THE LISTING MANUAL

Nippecraft Limited (the “Company” together with its subsidiaries, the “Group”) was placed on the 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 second quarter ended 30 June 2016.

1. Update on Financial Position
Consolidated Income Statement

Revenue	Half year to 30 June 2016	Half year to 30 June 2015	Variance	Change
	\$'000	\$'000	\$'000	
Trading business	70,898	105,304	(34,406)	(32.7%)
Stationery business	9,796	10,754	(958)	(8.9%)
Total	80,694	116,058	(35,364)	(30.5%)

The Group recorded a revenue of \$80.69 million for the first half of 2016. This represents a decline in revenue of \$35.36 million or 30.5% against the corresponding first half of 2015.

Trading business continues to face headwinds, registering a revenue decline of \$34.41 million or 32.7%. The decline was due to slowdown in orders received from the Indonesia markets.

Stationery business declined by 8.9% or \$0.96 million due to timing of delivery to our customers.

Gross Profit	Half year to 30 June 2016	Gross Profit margin	Half year 30 to June 2015	Gross Profit margin	Variance	Change
	\$'000		\$'000		\$'000	
Trading business	2,023	2.9%	3,084	2.9%	(1,061)	(34.4%)
Stationery business	2,765	28.2%	3,591	33.4%	(826)	(23.0%)
Total	4,788	5.9%	6,675	5.8%	(1,887)	(28.3%)

Overall gross profit was in line with lower revenue.

Trading business' gross profit declined by \$1.06 million in line with the decline in trading business. Gross profit margin remains at 2.9%.

The gross profit for the stationery business declined by \$0.83 million or 23%. Gross profit margin also declined from 33.4% to 28.2% for the corresponding period. The decline was mainly due to higher production costs as a result of lower production volume at the Singapore production site. In the first half of 2016, we had allocated the majority of production to our outsourcing vendors as these vendors can produce at lower costs as compared to producing the products ourselves. Hence, the overall utilization rate, production volume and productivity in Singapore production site declined resulting in higher costs of production.

In view of the finite resources the Group can allocate and the high costs of production in Singapore, the Group decided to restructure and scale down the production activities in June 2016. With the completion of this restructuring, the Singapore production site will focus on high value design production activities.

EBITDA and NPBT

Group	Half year to 30 June 2016	Half year to 30 June 2015	Variance	Change
	\$'000	\$'000	\$'000	%
Net (loss)/ profit	(3,285)	66	(3,351)	N/M
Add redundancy payout (one off expense)	1,722	-	1,722	N/M
Adjusted net (loss) / profit	(1,563)	66	(1,629)	N/M
Add depreciation	371	375	(4)	(1.1%)
Add interest expense	269	449	(180)	(40.0%)
Adjusted EBITDA (loss)/ profit	(923)	890	(1,813)	(203.7%)

EBITDA: earnings before interest, tax, depreciation and amortization

N/M : not meaningful

The Group incurred an adjusted net loss of \$1.56 million in 1H2016 as compared to a small profit of \$0.07 million for the corresponding period. The losses were due to lower revenue from the trading business and higher costs of production due to lower production volume as we increase our outsourcing activities.

For full details of the results of the Group, please refer to the unaudited first half announcement for the half year ended 30 June 2016 released on the 10 August 2016.

2. Update on Future Direction

The result of the Brexit referendum held on 23 June 2016 added uncertainty to the global economic outlook. With Brexit, the Sterling Pound has depreciated sharply against major currencies including the Singapore Dollars. This has an impact on the performance on the UK operations. We have taken steps to address this impact such as increasing average selling price of our products and costs reduction.

Our stationery business continues to face cost pressures 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 and practice disciplined cost management. Dormant companies which we have no plans to activate will be struck off or liquidated. We will also explore investment opportunities when they arise.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
10 August 2016