

UNAUDITED HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) (i) **A consolidated income statement and consolidated statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		
	US\$'000		%
	Half year to 30/06/2017	Half year to 30/06/2016	Change
Revenue	49,467	58,564	-16%
Cost of sales	(45,782)	(55,205)	17%
Gross profit	3,685	3,359	10%
Distribution and marketing expenses	(2,008)	(2,418)	17%
Administrative expenses	(2,068)	(1,959)	-6%
Other income / (expenses)	138	(995)	114%
Results from operating activities	(253)	(2,013)	87%
Finance income	4	11	-64%
Finance expenses	(180)	(196)	8%
Loss before tax	(429)	(2,198)	80%
Tax credit / (expense)	8	(16)	150%
Loss for the period	(421)	(2,214)	81%

	Group		
	US\$'000		%
	Half year to 30/06/2017	Half year to 30/06/2016	Change
Loss for the period	(421)	(2,214)	81%
Other comprehensive income - Foreign currency translation differences for foreign operations	268	173	55%
Total comprehensive loss for the period	(153)	(2,041)	93%

- (ii) **The income statement includes the followings items:**

	Group		
	US\$'000		%
	Half year to 30/06/2017	Half year to 30/06/2016	Change
Depreciation of property, plant and equipment	238	266	-11%
Redundancy payout	77	1,272	-94%
Impairment loss on trade receivables	5	4	25%
Provision for slow-moving inventories	109	142	-23%
Exchange gain	(126)	(95)	-33%
Gain on sale of property, plant and equipment	(13)	-	N/M

N/M denotes Not Meaningful

1(b)(i) A statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets				
Property, plant and equipment	3,957	4,232	3,900	4,184
Investment in subsidiaries	-	-	16,512	16,512
	<u>3,957</u>	<u>4,232</u>	<u>20,412</u>	<u>20,696</u>
Current Assets				
Inventories	9,049	4,174	588	677
Trade receivables	12,750	20,591	361	534
Amounts due from subsidiaries	-	-	5,319	2,759
Amounts due from related companies	10,585	5,228	-	-
Other receivables, deposits and prepayments	2,303	1,658	260	151
Cash and bank balances	13,752	16,401	1,599	736
	<u>48,439</u>	<u>48,052</u>	<u>8,127</u>	<u>4,857</u>
Current Liabilities				
Trade payables	18,260	16,014	1,474	583
Amounts due to subsidiaries	-	-	2,035	2,012
Amounts due to related companies	191	682	37	11
Other payables and accruals	2,574	3,928	494	525
Loans and borrowings	-	43	-	43
Provision for taxation	92	185	-	-
	<u>21,117</u>	<u>20,852</u>	<u>4,040</u>	<u>3,174</u>
Net Current Assets	<u>27,322</u>	<u>27,200</u>	<u>4,087</u>	<u>1,683</u>
Non-Current Liabilities				
Deferred taxation	210	210	210	210
	<u>210</u>	<u>210</u>	<u>210</u>	<u>210</u>
Net Assets	<u>31,069</u>	<u>31,222</u>	<u>24,289</u>	<u>22,169</u>
Capital and Reserves				
Share Capital	36,817	36,817	36,817	36,817
Asset revaluation reserve	748	748	748	748
Foreign currency translation reserve	(7,175)	(7,443)	-	-
Accumulated profit / (losses)	679	1,100	(13,276)	(15,396)
	<u>31,069</u>	<u>31,222</u>	<u>24,289</u>	<u>22,169</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

(a) Amount repayable in one year or less, or on demand;

As at 30/06/2017		As at 31/12/2016	
US\$'000	US\$'000	US\$'000	US\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	43

(b) Amount repayable after one year;

As at 30/06/2017		As at 31/12/2016	
US\$'000	US\$'000	US\$'000	US\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

(c) Whether the amounts are secured or unsecured

Details of any collaterals

Not applicable.

- 1(c) **A consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	Half year ended	
	30/06/2017	30/06/2016
	US\$'000	US\$'000
Cash flow from operating activities		
Loss before tax	(429)	(2,198)
Adjustments for :		
Depreciation of property, plant and equipment	238	266
Gain on sale of property, plant and equipment	(13)	-
Interest expenses	180	196
Interest income	(4)	(11)
Impairment loss on trade receivables	5	4
Provision for slow-moving inventories	109	142
Operating losses before changes in working capital	86	(1,601)
Changes in working capital:		
Trade and other receivables	1,950	12,796
Inventories	(4,984)	(2,520)
Trade and other payables	403	(11,060)
Cash used in operations	(2,545)	(2,385)
Income tax paid (net of tax refund)	(87)	(99)
Net cash used in operating activities	(2,632)	(2,484)
Cash flow from investing activities		
Interest received	4	11
Purchase of property, plant and equipment	(23)	(17)
Proceeds from sale of property, plant and equipment	76	-
Net cash generated from / (used in) investing activities	57	(6)
Cash flow from financing activities		
Deposits pledged	(77)	(182)
Interest paid	(180)	(196)
Repayment of bills payable	(43)	(13)
Net cash used in financing activities	(300)	(391)
Net decrease in cash and cash equivalents	(2,875)	(2,881)
Effects of exchange rate changes on cash and cash equivalents	149	(782)
Cash and cash equivalents at beginning of the period	14,378	15,515
Cash and cash equivalents at end of the period	11,652	11,852
Cash and cash equivalents at end of the period comprises of:		
Cash and bank balances	13,200	13,415
Short term bank deposits	552	598
	13,752	14,013
Deposits pledged	(2,100)	(2,161)
Cash and cash equivalents in the statement of cash flows	11,652	11,852

- 1(d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Group

(US\$'000)	Attributable to equity holders of the Company				
	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated profit / (losses)	Total
As at 1 January 2016	31,688	644	78	2,065	34,475
Loss for the period	-	-	-	(2,214)	(2,214)
Other comprehensive income					
- Currency translation differences	-	-	173	-	173
Total comprehensive loss for the period	-	-	173	(2,214)	(2,041)
Effect of changes in functional currency	5,129	104	(6,232)	999	-
Balance as at 30 June 2016	36,817	748	(5,981)	850	32,434
As at 1 January 2017	36,817	748	(7,443)	1,100	31,222
Loss for the period	-	-	-	(421)	(421)
Other comprehensive income					
- Currency translation differences	-	-	268	-	268
Total comprehensive loss for the period	-	-	268	(421)	(153)
Balance as at 30 June 2017	36,817	748	(7,175)	679	31,069

The Company

(US\$'000)	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Attributable to equity holders of the Company	
				Accumulated (losses) / profit	Total
As at 1 January 2016	31,688	644	5,972	(12,749)	25,555
Loss for the period	-	-	-	(2,994)	(2,994)
Other comprehensive loss					
- Currency translation differences	-	-	260	-	260
Total comprehensive loss for the period	-	-	260	(2,994)	(2,734)
Effect of changes in functional currency	5,129	104	(6,232)	999	-
Balance as at 30 June 2016	36,817	748	-	(14,744)	22,821
As at 1 January 2017	36,817	748	-	(15,396)	22,169
Profit for the period	-	-	-	210	210
Dividend income from subsidiary	-	-	-	1,910	1,910
Total comprehensive income for the period	-	-	-	2,120	2,120
Balance as at 30 June 2017	36,817	748	-	(13,276)	24,289

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company has no treasury shares as at 30 June 2017 and 31 December 2016. The Company does not have any subsidiary that holds shares issued by the Company.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of immediately preceding year.**

	The Group	
	30/06/2017	31/12/2016
Total number of issued shares	351,398,000	351,398,000

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group and Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as the most recent audited financial statements as at 31 December 2016.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect, of the change.**

Not applicable.

- 6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

	The Group	
	30/06/2017	30/06/2016
	US\$	US\$
Loss per ordinary share for the period based on net profit attributable to shareholders:		
(i) Based on the weighted average number of ordinary shares in issue; and	(0.12) cts	(0.63) cts
(ii) On a fully diluted basis (detailing any adjustments made to the earnings).	(0.12) cts	(0.63) cts

Notes:

Loss per share for period ended 30 June 2017 and 30 June 2016 were based on 351,398,000 shares.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year.**

	30/06/2017	31/12/2016
Net assets value per ordinary share based on issued share capital at the end of the period - The Group	US\$ 0.09	US\$ 0.09
Net assets value per ordinary share based on issued share capital at the end of the period - The Company	US\$ 0.07	US\$ 0.06

Note:

Net assets value per share for period ended 30 June 2017 and year ended 31 December 2016 were based on 351,398,000 shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Consolidated Income Statement

A Group Revenue

	Half year to 30/06/2017	Half year to 30/06/2016	Variance	
	US\$'000	US\$'000	US\$'000	%
Stationery business	6,633	6,868	(235)	-3.4%
Trading business	42,834	51,696	(8,862)	-17.1%
	49,467	58,564	(9,097)	-15.5%

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.

B Group Gross Profit

	Half year to 30/06/2017		Half year to 30/06/2016		Variance
	US\$'000	Margin	US\$'000	Margin	US\$'000
Stationery business	2,532	38.2%	1,883	27.4%	649
Trading business	1,153	2.7%	1,476	2.9%	(323)
	3,685	7.4%	3,359	5.7%	326

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 (see note 8(c)).

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.

C Group Selling & Distribution and General Administration

	Half year to 30/06/2017	Half year to 30/06/2016	Variance	
	US\$'000	US\$'000	US\$'000	%
Distribution and marketing expenses	2,008	2,418	(410)	-17.0%
Administrative expenses	2,068	1,959	109	5.6%
	4,076	4,377	(301)	-6.9%

In preparation for the second half sales, the Group is on track to deliver the dated products to the respective markets. No significant air freight costs were incurred in the first half of 2017. The Group also negotiated for a lower warehouse storage rates as part of continuing effort to reduce costs. Distribution and marketing expenses reduced by US\$0.4 million or 17.0% in first half of 2017 as compared to the corresponding period in 2016.

Administrative expenses increased by US\$0.1 million or 5.6% in first half of 2017 as compared to first half of 2016. In view of the post restructuring and the Group's focus on outsourcing model, the Company reclassified certain functions' cost centres from cost of sales to administrative expenses. Had these costs not been reclassified, administrative expenses would be declined by US\$0.2 million or 8.1% as compared to the corresponding period in 2016.

D Group Other Income / (Expenses)

Redundancy payout
Exchange gain
Others

Half year to 30/06/2017	Half year to 30/06/2016	Variance	
US\$'000	US\$'000	US\$'000	%
(77)	(1,272)	1,195	93.9%
126	95	31	32.6%
89	182	(93)	-51.1%
138	(995)	1,133	113.9%

- (i) Redundancy payout relates mostly to downsizing of Singapore production site as result of the restructuring exercise in June 2016. The Group is currently streamlining the operations in both Australia and Singapore, US\$0.08 million of redundancy payout was incurred in first half of 2017.
- (iii) Others consist of subletting income and wage credit scheme. Lower wage credit scheme for first half of 2017 due to lower headcount as a result of post restructuring in Singapore.

E Group Net Loss and EBITDA

Group	Half year to 30/06/2017	Half year to 30/06/2016	Variance	
	US\$'000	US\$'000	US\$'000	%
Net loss before tax	(429)	(2,198)	1,769	80.5%
Add Redundancy payout	77	1,272	(1,195)	-93.9%
Adjusted net loss before tax	(352)	(926)	574	62.0%
Add depreciation	238	266	(28)	-10.5%
Add finance costs	180	196	(16)	-8.2%
Adjusted EBITDA (Earnings before income tax, depreciation, amortisation, interest costs and exceptional items)	66	(464)	530	114.2%

N/M denotes Not Meaningful

Adjusted EBITDA improved by US\$0.5 million mainly due to the improvement in gross profit margin as well as the savings derived from post restructuring exercise in 2016.

Nippecraft (Company)

Company - Profit and Loss (Extract)	Half year to 30/06/2017	Half year to 30/06/2016	Variance	
	US\$'000	US\$'000	US\$'000	%
Sales	8,153	4,830	3,323	68.8%
Gross Profit / (Loss)	1,161	(719)	1,880	261.5%
Net Profit / (Loss) before tax	2,120	(2,994)	5,114	170.8%
Less Dividend income	(1,910)	-		
Add Redundancy payout	33	1,262	(1,229)	-97.4%
Adjusted net profit / (loss) before tax	243	(1,732)	1,975	114.0%
Add depreciation	225	240	(15)	-6.3%
Adjusted EBITDA	468	(1,492)	1,960	131.4%

Nippecraft, the Company, is the outsourcing arm for the Nippecraft Group. The Company designs, outsource and distribute stationery products to Australia and UK markets.

Increase in sales was mainly attributed to delivery of dated products to subsidiaries ahead of schedule as compared to corresponding period in 2016 as evident in the increase in inventories balance in the Group balance sheet.

Gross profit increased from US\$0.7 million gross loss in first half of 2016 to US\$1.2 million gross profit in first half of 2017. Gross margin improvement was mainly due to efficiencies gained from increased outsource production activities and absence of production wages costs (post restructuring).

As a result, adjusted EBITDA improved by US\$2.0 million to a positive EBITDA of US\$0.5 million in first half of 2017.

Review of Statement of Financial Position

Group

Fixed assets declined due to depreciation charges incurred.

Current assets increased by US\$0.4 million due to (i) increase in inventories by US\$4.9 million as a result of outsourcing delivery on schedule in preparation of sales for second half of 2017; (ii) increase in receivables from related party by US\$5.4 million due to timing of collection from trading customers; offset by (iii) decrease in cash balances by US\$2.6 million and (iv) decrease in receivables from third parties by US\$7.8 million due to timing in collections.

Current liabilities increased by US\$0.3 million primarily due to timing of payments to suppliers.

Company

Decline in fixed assets due to depreciation charges incurred.

Increase in current assets by US\$3.3 million due to (i) increase in cash and bank balances by US\$0.9 million as a result of dividend income from a subsidiary and (ii) increase in receivables due from subsidiaries by US\$2.6 million as a result of higher sales (delivery of products on schedule) in the first half of 2017.

Increase in current liabilities by US\$0.9 million due to timing of payments to outsourcing vendors.

Group Cash Flow

The Group reported a net decrease in cash of US\$2.6 million from US\$16.4 million as at 31 December 2016 to US\$13.8 million as at 30 June 2017 mainly due to cash outflow for purchase of inventories as evident in the increase in inventories balance (delivery on schedule) by US\$4.9 million in anticipation for the sales for second half of 2017.

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variances between it and the actual results.**

No forecast or prospect statement was disclosed to shareholders previously.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

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.

- 11. Dividend**

(a) Any dividend declared for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediate preceding financial year?

None

(c) Whether the dividend is before tax, net of tax or tax exempt.

Not applicable

(d) Date payable

Not applicable

(e) Books closing date

Not applicable

- 12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared.

13. Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920	
	Half year ended 30/06/2017 US\$'000	Half year ended 30/06/2016 US\$'000	Half year ended 30/06/2017 US\$'000	Half year ended 30/06/2016 US\$'000
<u>Purchases</u>				
PT Pabrik Kertas Tjiwi Kimia Tbk	-	-	18	2,660
Toprint Computer Supplies Pte Ltd	-	-	-	8
<u>Sales</u>				
PT Pabrik Kertas Tjiwi Kimia Tbk	-	-	-	258
PT Paramitra Gunakarya Cemerlang	-	-	22,374	28,230
Total Interested Person Transactions	-	-	22,392	31,155

At the recent AGM held on 27 April 2017, the resolution to renew the Shareholders' Mandate for IPTs was not approved by the independent shareholders. The Group will continue to fulfil the sales orders received prior to 27 April 2017 (refer Note 8).

14. Confirmation of negative assurance on interim results by the Board of Directors ("the Board") to update of Nippecraft Ltd ("the Company") pursuant to Rule 705(5) of the listing manual of the Singapore Exchange Securities Trading Limited.

The Directors of the Company, do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited half year results for the period ended 30 June 2017 to be false or misleading in any material aspects.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format) set out in Appendix 7.7 pursuant to 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

Date: 4 August 2017