

UNAUDITED HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

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		
	S\$'000		%
	Half year to 30/06/2016	Half year to 30/06/2015	Change
Revenue	80,694	116,058	(30)
Cost of sales	(75,906)	(109,383)	(31)
Gross profit	4,788	6,675	(28)
Other (expenses) / income	(1,604)	124	(1,394)
Distribution and marketing expenses	(3,374)	(3,401)	(1)
Administrative expenses	(2,842)	(2,917)	(3)
Results from operating activities	(3,032)	481	(730)
Finance income	16	34	(53)
Finance expenses	(269)	(449)	(40)
(Loss) / profit before income tax	(3,285)	66	(5,077)
Income tax expense	(24)	(293)	(92)
Loss for the period	(3,309)	(227)	1,358

	Group		
	S\$'000		%
	Half year to 30/06/2016	Half year to 30/06/2015	Change
Loss for the period	(3,309)	(227)	1,358
Other comprehensive loss, net of tax			
Foreign currency translation differences for foreign operations	(3,396)	(76)	4,368
Total comprehensive loss for the period	(6,705)	(303)	2,113

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

	Group		
	S\$'000		%
	Half year to 30/06/2016	Half year to 30/06/2015	Change
Depreciation of property, plant and equipment	371	375	(1)
Impairment loss on trade receivables	5	12	(58)
Provision for slow-moving inventories	200	175	14
Exchange loss	183	114	61
Redundancy payment	1,722	-	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	
	30/06/2016 S\$'000	31/12/2015 S\$'000	30/06/2016 S\$'000	31/12/2015 S\$'000
Property, Plant and Equipment	6,248	6,600	6,181	6,508
Investment in Subsidiaries	-	-	23,117	23,117
	6,248	6,600	29,298	29,625
Current Assets				
Inventories	9,455	7,576	932	1,557
Trade receivables	27,304	39,229	451	170
Amounts due from subsidiaries	-	-	5,900	4,386
Amounts due from related companies	2,818	6,734	-	-
Other receivables, deposits and prepayments	3,820	7,339	1,740	609
Cash and bank balances	18,902	24,746	3,950	5,102
	62,299	85,624	12,973	11,824
Current Liabilities				
Trade payables	10,801	24,626	1,620	1,134
Amounts due to subsidiaries	-	-	6,879	1,444
Amounts due to related companies	7,264	6,533	10	9
Other payables and accruals	6,908	10,622	1,646	2,390
Loans and borrowings	-	19	-	19
Provision for taxation	415	560	-	-
	25,388	42,360	10,155	4,996
Net Current Assets	36,911	43,264	2,818	6,828
Non-Current Liability				
Deferred taxation	300	300	300	300
	300	300	300	300
Net Assets	42,859	49,564	31,816	36,153
Capital and Reserves				
Share capital	51,547	51,547	51,547	51,547
Asset revaluation reserve	1,047	1,047	1,047	1,047
Foreign currency translation reserve	(10,807)	(7,411)	-	-
Accumulated profits/(losses)	1,072	4,381	(20,778)	(16,441)
	42,859	49,564	31,816	36,153

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

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

As at 30/06/2016		As at 31/12/2015	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	19

(b) the amount repayable after one year;

As at 30/06/2016		As at 31/12/2015	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

(c) whether the amounts are secured or unsecured; and

(d) 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	
	30/06/2016	30/06/2015
	S\$'000	S\$'000
Cashflow from operating activities		
(Loss) / profit before income tax	(3,285)	66
Adjustments for :		
Depreciation of property, plant and equipment	371	375
Interest expenses	269	449
Interest income	(16)	(34)
Impairment loss on trade receivables	5	12
Provision for slow-moving inventories	200	175
Operating (loss) / profit before changes in working capital	(2,456)	1,043
Changes in working capital:		
Trade and other receivables	14,482	8,145
Inventories	(2,080)	(7,144)
Trade and other payables	(18,243)	(9,317)
Amounts due from/to related companies	4,647	9,559
Cash (used in) / generated from operations	(3,650)	2,286
Income tax paid	(142)	(62)
Net cash (used in) / generated from operating activities	(3,792)	2,224
Cashflow from investing activities		
Interest received	16	34
Purchase of property, plant and equipment	(23)	(52)
Net cash used in investing activities	(7)	(18)
Cashflow from financing activities		
Deposits pledged	(116)	(2,290)
Interest paid	(269)	(449)
Repayment of bills payable	(19)	(151)
Proceeds from bills payable	-	198
Net cash used in financing activities	(404)	(2,692)
Net decrease in cash and cash equivalents	(4,203)	(486)
Effects of exchange rate changes on cash and cash equivalents	(1,757)	173
Cash and cash equivalents at beginning of the period	21,947	22,051
Cash and cash equivalents at end of the period	15,987	21,738
Cash and cash equivalents at end of the period comprises of:		
Cash and bank balances	18,096	25,236
Short term bank deposits	806	982
	18,902	26,218
Deposits pledged	(2,915)	(4,480)
Cash and cash equivalents in the statement of cash flows	15,987	21,738

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
(S\$'000)

	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated profits/(losses)	Total
As at 1 January 2015	51,547	1,047	(7,812)	3,537	48,319
Total comprehensive loss for the period	-	-	-	(227)	(227)
Net loss for the period	-	-	-	(227)	(227)
Other comprehensive loss, net of tax	-	-	(76)	-	(76)
Foreign currency translation differences	-	-	(76)	-	(76)
Total comprehensive loss for the period	-	-	(76)	(227)	(303)
Balance as at 30 June 2015	51,547	1,047	(7,888)	3,310	48,016
As at 1 January 2016	51,547	1,047	(7,411)	4,381	49,564
Total comprehensive loss for the period	-	-	-	(3,309)	(3,309)
Net loss for the period	-	-	-	(3,309)	(3,309)
Other comprehensive loss, net of tax	-	-	(3,396)	-	(3,396)
Foreign currency translation differences	-	-	(3,396)	-	(3,396)
Total comprehensive loss for the period	-	-	(3,396)	(3,309)	(6,705)
Balance as at 30 June 2016	51,547	1,047	(10,807)	1,072	42,859

The Company
(S\$'000)

	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total
As at 1 January 2015	51,547	1,047	-	(12,637)	39,957
Total comprehensive loss for the period	-	-	-	(131)	(131)
Net loss for the period	-	-	-	(131)	(131)
Balance as at 30 June 2015	51,547	1,047	-	(12,768)	39,826
As at 1 January 2016	51,547	1,047	-	(16,441)	36,153
Total comprehensive loss for the period	-	-	-	(4,337)	(4,337)
Net loss for the period	-	-	-	(4,337)	(4,337)
Balance as at 30 June 2016	51,547	1,047	-	(20,778)	31,816

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, 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.

Nil.

- 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.

Total number of issued shares

The Group	
30/06/2016	31/12/2015
351,398,000	351,398,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares 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 auditors' report (including any qualifications or emphasis of 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 has applied the same accounting policies and methods of computation in preparing the financial statements for the current accounting period compared with the most recently audited financial statements for the year ended 31 December 2015.

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:

Loss per ordinary share for the period based on net profit attributable to shareholders:

(i) Based on the weighted average number of ordinary shares on issue; and

(ii) On a fully diluted basis (detailing any adjustments made to the earnings).

The Group	
30/06/2016	30/06/2015
(0.942) cts	(0.065) cts
(0.942) cts	(0.065) cts

Notes:

Loss per share for periods ended 30/06/2016 and 30/06/2015 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.

Net assets value per ordinary share based on issued share capital at the end of the period - The Group

Net assets value per ordinary share based on issued share capital at the end of the period - The Company

30/06/2016	31/12/2015
S\$ 0.122	S\$ 0.141
S\$ 0.091	S\$ 0.103

Note:

Net assets value per share for periods ended 30/06/2016 and 31/12/2015 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. It must include a discussion of the following:- (a) 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; and (b) any material factors that affected the cashflow, working capital, assets or liabilities of the group during the current financial period reported on.

Consolidated Income Statement

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

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.

	Half year to 30 June 2016	Gross Profit Margin	Half year to 30 June 2015	Gross Profit Margin	Variance	Change
	S\$'000		S\$'000		S\$'000	
<u>Gross Profit</u>						
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%
	<u>4,788</u>	<u>5.9%</u>	<u>6,675</u>	<u>5.8%</u>	<u>(1,887)</u>	<u>-28.3%</u>

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 23.0%. 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.

Other Income / Expenses

We had completed a restructuring exercise by downsizing our production activities. A one-off redundancy expense of \$1.72 million was paid to affected employees as a result of this restructuring.

Distribution and Marketing Expenses

Selling and distribution costs decreased marginally by \$0.03 million or 0.8% in 1H2016.

Administrative Expenses

General administration costs decreased by \$0.08 million or 2.6% in 1H2016. This is due to our effort to control costs.

Finance Expenses

Finance expenses declined by \$0.18 million in line with lower trading activities.

EBITDA and NPBT

Group

	Half year to 30 June 2016	Half year to 30 June 2015	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Net (loss) / profit	(3,285)	66	(3,351)	N/M
Add redundancy pay-out (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.

Other Comprehensive Income: Foreign Currency Translation Difference for Foreign Operations

The Group suffered a translation loss of \$3.40 million due to depreciation of Sterling Pound and US Dollars against the Singapore Dollars.

Company Profit and Loss

Company

	Half year to 30 June 2016	Half year to 30 June 2015	Variance	Change
	S\$'000	S\$'000	S\$'000	%
Sales	6,700	11,399	(4,699)	N/M
Gross (loss) / profit	(892)	555	(1,447)	-260.7%
Net loss	(4,337)	(131)	(4,205)	N/M
Add redundancy pay-out	1,722	-	1,722	N/M
Adjusted net loss	(2,615)	(131)	(2,483)	N/M
Add depreciation	335	353	(18)	-5.1%
Add interest expense	-	-	-	0.0%
Adjusted EBITDA (loss) / profit	(2,280)	222	(2,501)	N/M

EBITDA : earnings before interest, tax, depreciation and amortization

N/M : not meaningful

The higher adjusted EBITDA loss of \$2.28 million were due to:

- Higher costs of production was due to low production volume as we increased outsourcing activities,
- Higher selling and distribution costs incurred as we entered new markets and re-enter into US markets,
- Higher management costs incurred in 2016, and
- Unrealized exchange loss due to depreciation of Sterling Pound and US Dollars against the Singapore Dollars.

Consolidated Balance Sheet

(1) Property, plant and equipment declined mainly due to depreciation charges incurred.

(2) Current assets decreased by \$23.33 million

- Built up of dated stationery products in inventory of \$1.88 million to be sold in second half of the year.
- Lower trade receivables of \$11.93 million. Lower trade receivables for trading business of \$4.50 million due to lower trading sales incurred. Lower trade debtors of \$7.50 million for stationery business due to collections received from receivables.
- Decline in amount due from related companies of \$3.92 million were due to lower trading sales incurred.
- Decline in other receivables, deposits and prepayments of \$3.52 million were due to lesser deposits placed with vendors for trading business. This was offset by the increase in deposits placed with outsourcing vendors for stationery business.
- Bank and cash declined by \$5.80 million due to translation loss arising from our foreign currencies of \$1.75m, redundancy payments and cash used in operations

(3) Current liabilities declined by \$17.0 million.

Decrease in trade payables for trading business \$14.10 million due to lower trading activities. Lower payables and accruals due to lesser deposits received from trading customers of \$1.70 million and lower accruals for first half of 2016.

Company Balance Sheet

(1) Property, plant and equipment declined mainly due to depreciation charges incurred.

(2) Current assets increased by \$1.10 million.

(a) Lower inventory of \$0.60 million as a result of lower production activities

(b) Increase in trade receivables to timing of billing to Australia and United Kingdom subsidiaries of \$1.50 million.

(c) Increase in other receivables, deposits and prepayments of \$1.20 million due to deposits placed with outsourcing vendors.

(d) Cash and bank balances reduced by \$1.20 million due to cash used in operations and redundancy payments.

(3) Current liabilities increased by \$5.20 million due to advances from subsidiaries \$5.44 million to finance outsourcing activities. This is set off against the decreased in other payables of \$0.74 million.

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.

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.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

Nil.

(b) (i) Amounts per share

(ii) Previous corresponding period

Nil.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been declared or recommended.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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	
	Six-month period ended 30/06/2016 S\$'000	Six-month period ended 30/06/2015 S\$'000	Six-month period ended 30/06/2016 S\$'000	Six-month period ended 30/06/2015 S\$'000
<u>Purchases</u>				
PT Pabrik Kertas Tjiwi Kimia Tbk	-	-	3,688	3,359
Toprint Computer Supplies Pte Ltd	-	-	10	141
PT Indah Kiat Pulp & Paper Tbk	-	-	-	53
<u>Sales</u>				
PT Paramitra Gunakarya Cemerlang			38,380	-
PT Pabrik Kertas Tjiwi Kimia Tbk	-	-	367	13,899
PT Pindo Deli Pulp and Paper Mills	-	-	-	35,919
PT Indah Kiat Pulp & Paper Tbk	-	-	-	21,593
PT Lontar Papyrus Pulp & Paper Industry	-	-	-	6,582
PT Ekamas Fortuna	-	-	-	344
PT The Univenus	-	-	-	89
Total Interested Person Transactions	-	-	42,445	81,979

14. 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.

15. Confirmation of negative assurance on interim results by the Board of Directors (the "Board") to update of Nippecraft Limited (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 of Directors which may render the unaudited half year financial results for the period ended 30 June 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director

Date: 10 August 2016