



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)
 Company registration number: 197702861N

The announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms. Lee Khai Yinn (Tel: +65 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

UNAUDITED HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

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

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

	Group		Change
	Half year ended		
	30-Jun-20	30-Jun-19	
	US\$'000	US\$'000	
Revenue	66,168	63,786	4%
Cost of sales	(63,164)	(60,210)	5%
Gross profit	3,004	3,576	-16%
Distribution and marketing expenses	(1,894)	(2,140)	-11%
Administrative expenses	(1,995)	(2,160)	-8%
Impairment loss on financial assets	-	(98)	-100%
Other income, net	371	242	53%
Finance expense, net	(169)	(353)	-52%
Loss before tax	(683)	(933)	-27%
Tax expense	(139)	(55)	153%
Net loss for the period	(822)	(988)	-17%
Other comprehensive loss:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
- Foreign currency translation differences for foreign operations	(31)	(171)	-82%
Other comprehensive loss for the period, net of tax	(31)	(171)	-82%
Total comprehensive loss for the period	(853)	(1,159)	-26%
Loss per share (US cents)			
- Basic & Diluted	(0.23)	(0.28)	

Note: N.M. - Not meaningful



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1(a)(ii) Loss before tax is arrived at after charging/(crediting) the following:

	Group		
	Half year ended		
	30-Jun-20	30-Jun-19	Change
	US\$'000	US\$'000	
Depreciation of property, plant and equipment	319	227	41%
Write-down of inventories	189	191	-1%
Foreign exchange loss/(gain), net	93	(13)	N.M.

Note: N.M. - Not meaningful



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1(b)(i) A statement 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	
	As at 30-Jun-20 US\$'000	As at 31-Dec-19 US\$'000	As at 30-Jun-20 US\$'000	As at 31-Dec-19 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	4,891	5,103	4,437	4,691
Intangible assets	-	-	-	-
Subsidiaries	-	-	16,512	16,512
	4,891	5,103	20,949	21,203
Current assets				
Inventories	6,908	3,527	301	348
Trade and other receivables	27,640	24,629	5,104	3,665
Prepayments	634	332	69	38
Cash and bank balances	15,233	14,072	1,104	620
	50,415	42,560	6,578	4,671
Total assets	55,306	47,663	27,527	25,874
Current liabilities				
Trade and other payables	23,755	15,201	3,023	1,593
Lease liabilities	235	257	104	108
Income tax payable	230	101	-	-
	24,220	15,559	3,127	1,701
Non-current liabilities				
Lease liabilities	1,620	1,785	1,432	1,566
	1,620	1,785	1,432	1,566
Total liabilities	25,840	17,344	4,559	3,267
Net assets	29,466	30,319	22,968	22,607
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital	36,817	36,817	36,817	36,817
Reserves	1,102	1,133	748	748
Accumulated losses	(8,453)	(7,631)	(14,597)	(14,958)
Total equity	29,466	30,319	22,968	22,607



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

	As at 30-Jun-20		As at 31-Dec-19	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	-	-	-	-
Total	-	-	-	-

Details of any collateral

Not applicable.



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1(c) A 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-Jun-20	30-Jun-19
	US\$'000	US\$'000
Cash flows from operating activities		
Loss before tax	(683)	(933)
Adjustments:		
Depreciation of property, plant and equipment	319	227
Impairment on financial assets	-	98
Interest income	(17)	(22)
Interest expense	186	375
Write-down of inventories	189	191
Operating profit before working capital changes	(6)	(64)
Movement in working capital:		
Inventories	(3,652)	(2,842)
Trade and other receivables	(3,672)	10,363
Trade and other payables	8,798	(5,571)
Cash generated from operations	1,468	1,886
Income tax (paid)/refund, net	(10)	80
Net cash from operating activities	1,458	1,966
Cash flows from investing activities		
Acquisition of property, plant and equipment	(128)	(8)
Interest received	17	22
Net cash (used in)/from investing activities	(111)	14
Cash flows from financing activities		
Interest paid for trade financing	(186)	(334)
Payment of lease liabilities including interest	(174)	(85)
Net cash used in financing activities	(360)	(419)
Net increase in cash and cash equivalents	987	1,561
Effects of exchange rate changes on cash and cash equivalents	174	(137)
Cash and cash equivalents as at beginning of the period	11,972	12,911
Cash and cash equivalents as at end of the period	13,133	14,335



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Consolidated Statement of Cash Flows (Cont'd)

Group

Half year ended
30-Jun-20 30-Jun-19

Note to Consolidated Statement of Cash Flows:

Cash and cash equivalents included in the Consolidated Statement of Cash Flows comprise the following amounts:

Cash at bank and in hand	13,094	14,316
Short-term bank deposits	2,139	2,119
Cash and bank balances	15,233	16,435
Bank balances and deposits pledged	(2,100)	(2,100)
Cash and cash equivalents per consolidated statement of cash flows	13,133	14,335



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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.

Statements of Changes in Equity

Group	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 01.01.2020	36,817	748	385	(7,631)	30,319
Loss for the period	-	-	-	(822)	(822)
Other comprehensive loss for the period, net of tax					
- Currency translation differences	-	-	(31)	-	(31)
Total comprehensive loss for the period	-	-	(31)	(822)	(853)
Balance as at 30.06.2020	36,817	748	354	(8,453)	29,466
Balance as at 01.01.2019	36,817	748	252	(6,767)	31,050
Loss for the period	-	-	-	(988)	(988)
Other comprehensive loss for the period, net of tax					
- Currency translation differences	-	-	(171)	-	(171)
Total comprehensive loss for the period	-	-	(171)	(988)	(1,159)
Balance as at 30.06.2019	36,817	748	81	(7,755)	29,891

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Statements in Changes in Equity (Continued)

Company	Share	Asset	Accumulated	Total
	capital	revaluation	losses	equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 01.01.2020	36,817	748	(14,958)	22,607
Profit for the period	-	-	361	361
Total comprehensive income for the period	-	-	361	361
Balance as at 30.06.2020	36,817	748	(14,597)	22,968
Balance as at 01.01.2019	36,817	748	(14,448)	23,117
Profit for the period	-	-	131	131
Total comprehensive income for the period	-	-	131	131
Balance as at 30.06.2019	36,817	748	(14,317)	23,248

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 and subsidiary holdings 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.



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There was no change in the Company's issued and paid-up share capital from 1 January 2020 to 30 June 2020. There were no outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

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 the immediately preceding year.

	30-Jun-20	31-Dec-19
Total number of issued shares ('000)	<u>351,398</u>	<u>351,398</u>

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.

There were no sales, transfers, cancellation and/or use of treasury shares during the current financial period reported on.

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.

There were no sales, transfers, cancellation and/or use of subsidiary holdings during the current financial period reported on.

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

The figures have not been audited nor reviewed by the Company's auditors.

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty to going concern.

Not applicable. The Group's latest audited financial statement for the financial year ended 31 December 2019 that was released on 15 April 2020 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion from the independent auditors.



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

Accounting policies and methods of computation used in the consolidated financial statements for the first half ended 30 June 2020 are consistent with those applied in the audited financial statements for the financial year ended 31 December 2019, except for the adoption of new Financial Reporting Standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2020 as disclosed in paragraph 5 below.

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.

During the financial period, the Group and the Company have adopted the following new Singapore Financial Reporting Standards (International) ("SFRS(I)s") and amendments which took effect from financial year beginning 1 January 2020:

- Amendments to SFRS(I) 3: Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
- Amendments to SFRS(I) 1-9, SFRS(I) 1-39 and SFRS(I) 1-107: Interest Rate Benchmark Reform

The adoption of the above new and amended financial reporting standards do not have any material effect on the financial statements of the Group.

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

Loss per share (LPS)

	Group	
	Half year ended	
	30-Jun-20	30-Jun-19
LPS based on average number of shares (US cents)	(0.23)	(0.28)
LPS based on a fully diluted basis (US cents)	(0.23)	(0.28)
Weighted average number of shares ('000)	351,398	351,398
Weighted average number of shares - diluted ('000)	351,398	351,398

The Company has no dilutive equity instruments as at 30 June 2020 and 30 June 2019.



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- 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 asset value (NAV)

	Group		Company	
	As at		As at	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Net asset value per share (US cents)	<u>8.39</u>	<u>8.63</u>	<u>6.54</u>	<u>6.43</u>
Number of issued shares less treasury shares ('000)	<u>351,398</u>	<u>351,398</u>	<u>351,398</u>	<u>351,398</u>



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- 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 cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

A) Consolidated Statement of Comprehensive Income

Revenue

	Half year ended					
	30-Jun-20		30-Jun-19		Variance	
	US\$'000		US\$'000		US\$'000	%
Stationery business	3,593		4,349		(756)	-17%
Trading business	62,575		59,437		3,138	5%
	66,168		63,786		2,382	4%

The Group recorded revenue of US\$66.2 million for the half year ended 30 June 2020 ("**1H2020**") as compared to US\$63.8 million in the previous corresponding half year ended 30 June 2019 ("**1H2019**"). The increase in revenue of US\$2.4 million or 4% was mainly attributed to growth in the trading business that was partially offset by a decline in the stationery business.

Stationery business revenue decreased by US\$0.8 million or 17%, of which US\$0.1 million was attributed to foreign exchange translation losses. Excluding the effect of foreign exchange translation losses, stationery revenue decreased by US\$0.7 million, or 16%. Sales were lower mainly due to decline in the traditional stationery business, exacerbated by COVID-19 which significantly affected our wholesale and retail channel customers. Through proactive supply chain management, the Group was able to avoid any material supply disruptions due to the pandemic. While there has been growth in the lifestyle stationery and online businesses, these were not sufficient to offset the headwinds in 1H2020.

Trading business revenue increased by US\$3.1 million or 5% to US\$62.6 million mainly due to increase in sales to a mandated interested person (Please refer to paragraph 13).

Gross profit

	Half year ended		Half year ended		Variance	
	30-Jun-20		30-Jun-19			
	US\$'000	Margin	US\$'000	Margin	US\$'000	
Stationery business	1,286	35.8%	1,975	45.4%	(689)	
Trading business	1,718	2.7%	1,601	2.7%	117	
	3,004	4.5%	3,576	5.6%	(572)	

Gross profit for 1H2020 remained flat as compared to 1H2019.

Overall gross profit margin for 1H2020 decreased by 1.1 percentage point mainly due to lower stationery business margin. Gross profit margin for stationery business decreased by 9.6 percentage point to 35.8% mainly driven by sales mix and higher discounts provided to customers due to the poor consumer sentiments. Gross profit margin for trading business was flat.



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Distribution and marketing and Administrative expenses

	6 months ended			
	30-Jun-20	30-Jun-19	Variance	
	US\$'000	US\$'000	US\$'000	%
Distribution and marketing expenses	1,894	2,140	(246)	-11%
Administrative expenses	1,995	2,160	(165)	-8%
Total operating expenses	3,889	4,300	(411)	-10%

Distribution and marketing expenses incurred in 1H2020 decreased by US\$0.2 million or 11% as compared to 1H2019. This was mainly attributable to lower marketing expenses incurred as certain advertising and promotional activities were held back or postponed due to the COVID-19 pandemic.

Administrative expenses incurred in 1H2020 decreased by US\$0.2 million or 8% as compared to 1H2019. This was mainly due to decrease in office rental in both UK and Australia, lower professional fee incurred by Australia and cost savings measurements taken to mitigate the poor economic environment.

Other income, net

The increase in other income of US\$0.1 million in 1H2020 was mainly due to receipt of government grant for sustaining employment amid the COVID-19 pandemic.

Finance expense, net

Finance expense was lower by US\$0.2 million in 1H2020 compared to 1H2019 mainly due to lower interest expense incurred in financing the trading business.

Tax expense

Although the Group was in a net loss position in 1H2019, losses suffered by certain overseas subsidiaries cannot be transferred to offset against profits of profitable entities. As a result, a tax expense of approximately US\$139,000 was provided.

Net loss for the period

As a result of the above, the Group reduced net loss after tax by US\$0.2 million or 17% to US\$0.8 million in 1H2020 as compared to a net loss of US\$1.0 million incurred in 1H2019.

B) Statements of Financial Position

i) Group

Current assets

Inventories increased by US\$3.4 million were mainly due to the arrival of new inventories in both UK and Australia in anticipation of sales in the coming months offset by provision for stock obsolescence.

Trade and other receivables increased by US\$3.0 million mainly due to current month's receivable from the trading business customers.



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Cash and bank balances increased by US\$1.2 million to US\$15.2 million as at 30 June 2020.

Current liabilities

Trade and other payables increased by US\$8.6 million mainly due to purchases made in June 2020 from the trading business suppliers.

Short-term lease liabilities slight decrease due to amortization during 1H2020.

The Group was in an income tax payable position as at 30 June 2020.

Non-current liabilities

Long-term lease liabilities decreased by US\$0.2 million to US\$1.6 million as at 30 June 2020 mainly due to contractual payment made in 1H2020.

C) Consolidated Statement of Cash Flows

Net cash from operating activities in 1H2020 amounted to US\$1.5 million. The operating activities' net cash inflows during 1H2020 were due to increase in trade and other payables of US\$8.8 million which were partially offset by both increase in inventories of US\$3.7 million and increase in trade and other receivables of US\$3.7 million.

Net cash used in investing activities of approximately US\$0.1 million was mainly due to capital expenditure on acquisition of property, plant and equipment which was partially offset by interest income.

Net cash used in financing activities of US\$0.4 million was due to interest expense incurred on financing the trading business and payment of lease liabilities including interest.

As a result of the above, cash and cash equivalents increased by US\$1.0 million in 1H2020. Coupled with the positive effect of exchange rate changes, the cash and cash equivalents stood at US\$13.1 million as at 30 June 2020.



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

Not applicable. No forecast or prospect statement had been previously disclosed to the shareholders for 1H2020.

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

Amidst the evolving COVID-19 situation, the retail sector in UK and Australia are expected to continue operating under difficult conditions. Traditional stationery business is expected to further decline into the next reporting period. In addition, it may also have an adverse impact on the product mix and gross profit margin.

Despite the strong headwinds against our traditional stationery business, the Group will focus on strengthening our brand equity and at the same time, accelerating the growth in lifestyle stationery products, new markets and the online channels.

The COVID-19 pandemic situation has created huge uncertainty and volatility in the global economy. Although the 1H2020 performance of our trading business was above our expectation, we expect the performance to be challenging into the next reporting period and the next twelve months.

The Group will continue to take proactive measures to strengthen our financial position, including preserving cash, optimising cash flows, improve liquidity and reduce operational costs.

11 Dividend

**(a) Current Financial Period Reported On
Any dividend declared for the current financial period report on?**

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 1H2020 in view of the negative earnings.

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- 13 If the group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect.**

The Group has renewed its general mandate for IPT at the recent annual general meeting held on 24 June 2020. The IPTs for 1H2020 were as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)		Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000)	
		Half year ended 30-Jun-20 US\$'000	Half year ended 30-Jun-19 US\$'000	Half year ended 30-Jun-20 US\$'000	Half year ended 30-Jun-19 US\$'000
Sales PT Paramitra Gunakarya Cemerlang*	Common controlling shareholders	-	-	33,356	30,688
Total IPTs		-	-	33,356	30,688

* PT Paramitra Gunakarya Cemerlang is an entity under the APP group, ultimately owned by the common Controlling shareholder of the Company, Asia Pulp and Paper Company Ltd.

- 14 Confirmation pursuant to Rule 705(5) of the Catalist Rules.**

To the best of their knowledge, nothing has come to the attention of the Directors of the Company which may render the unaudited half year results for the period ended 30 June 2020 to be false or misleading in any material aspects.

- 15 Confirmation that the issuer has procured the undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.**

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format set out in Appendix 7H pursuant to Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Executive Chairlady and Chief Executive Officer
7 August 2020