

**UNAUDITED HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014**

**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 30/06/2014	Half year to 30/06/2013	Change
Revenue	58,476	32,303	81.0
Cost of sales	(54,931)	(26,811)	104.9
Gross profit	3,545	5,492	(35.5)
Other income	829	179	363.1
Distribution and marketing expenses	(3,718)	(4,597)	(19.1)
Administrative expenses	(3,106)	(3,324)	(6.6)
Results from operating activities	(2,450)	(2,250)	8.9
Finance income	52	79	(34.2)
Finance expenses	-	(10)	N/M
Net loss before income tax	(2,398)	(2,181)	9.9
Income tax expense	(34)	(87)	(60.9)
Loss for the period	(2,432)	(2,268)	7.2

	Group		
	S\$'000		%
	Half year to 30/06/2014	Half year to 30/06/2013	Change
Loss for the period	(2,432)	(2,268)	7.2
Other comprehensive income			
Foreign currency translation differences for foreign operations	1,006	(1,010)	N/M
Total comprehensive income for the period	(1,426)	(3,278)	(56.5)

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

	Group		
	S\$'000		%
	Half year to 30/06/2014	Half year to 30/06/2013	Change
Depreciation of property, plant and equipment	903	970	(6.9)
Amortisation of intangible assets	298	352	(15.3)
Impairment loss on trade receivables	39	43	(9.3)
Provision for slow-moving stocks	295	314	(6.1)
Exchange (gain) / loss	(606)	60	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	
	30/6/2014 S\$'000	31/12/2013 S\$'000	30/6/2014 S\$'000	31/12/2013 S\$'000
Property, Plant and Equipment	12,115	12,999	11,198	11,991
Investment in Subsidiaries	-	-	21,925	21,925
Intangible Assets	3,614	3,850	-	-
Deferred Tax Assets	-	-	-	-
<b>Current Assets</b>				
Inventory	17,383	16,323	3,497	4,395
Trade receivables	18,203	17,116	325	300
Amounts due from subsidiaries	-	-	10,494	11,886
Amounts due from related companies	3,326	6,351	9	9
Other receivables, deposits and prepayments	38,088	13,289	586	392
Tax recoverable	-	206	-	-
Cash and bank balances	20,012	30,403	5,760	6,503
	97,012	83,688	20,671	23,485
<b>Current Liabilities</b>				
Trade payables	7,260	11,446	1,382	2,221
Amounts due to subsidiaries	-	-	2,988	2,351
Amounts due to related companies	7,366	9,455	69	95
Other payables and accruals	42,210	22,144	1,405	2,738
Loans and borrowings	-	173	-	173
Provision for taxation	137	125	15	-
	56,973	43,343	5,859	7,578
<b>Net Current Assets</b>	40,039	40,345	14,812	15,907
<b>Non-Current Liabilities</b>				
Finance lease creditors	-	-	-	-
Deferred taxation	996	996	996	996
	996	996	996	996
<b>Net Assets</b>	54,772	56,198	46,939	48,827
<b>Capital and Reserves</b>				
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	(6,707)	(7,713)	-	-
Accumulated profits/(losses)	8,885	11,317	(5,655)	(3,767)
	54,772	56,198	46,939	48,827

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 30/06/2014		As at 31/12/2013	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	173

(b) the amount repayable after one year;

As at 30/06/2014		As at 31/12/2013	
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	
	30/6/2014 S\$'000	30/6/2013 S\$'000
<b>Cashflow from operating activities</b>		
Loss for the period	(2,432)	(2,268)
Adjustments for :		
Depreciation of property, plant and equipment	903	970
Amortisation of intangible assets	298	352
Interest expense	-	10
Interest income	(52)	(79)
Impairment loss on trade receivables	39	43
Provision for slow-moving stocks	295	314
Income tax expense	34	87
Operating profit before changes in working capital	<u>(915)</u>	<u>(571)</u>
Changes in working capital:		
Trade and other receivables	(26,104)	3,977
Inventories	(897)	(6,555)
Trade and other payables	16,457	(373)
Amounts due from/to related companies	904	2,074
Cash used in operations	<u>(10,555)</u>	<u>(1,448)</u>
Income tax paid	<u>(23)</u>	<u>(145)</u>
Net cash used in operating activities	<u>(10,578)</u>	<u>(1,593)</u>
<b>Cashflow from investing activities</b>		
Interest received	52	79
Purchase of property, plant and equipment	(8)	(25)
Net cash generated from/(used in) investing activities	<u>44</u>	<u>54</u>
<b>Cashflow from financing activities</b>		
Deposits pledged	662	(1,119)
Interest paid	-	(10)
Repayment of bills payable	(268)	(800)
Proceeds from bills payable	94	682
Net cash (used in)/generated from financing activities	<u>488</u>	<u>(1,247)</u>
Net decrease in cash and cash equivalents	(10,046)	(2,786)
Effects of exchange rate changes on cash and cash equivalents	317	22
Cash and cash equivalents at beginning of the period	28,558	27,308
Cash and cash equivalents at end of the period	<u>18,829</u>	<u>24,544</u>
<b>Cash and cash equivalents at end of the period comprises of:</b>		
Cash and bank balances	18,739	24,641
Short term bank deposits	1,273	3,012
	<u>20,012</u>	<u>27,653</u>
Deposits pledged	(1,183)	(3,109)
Cash and cash equivalents in the statement of cash flows	<u>18,829</u>	<u>24,544</u>

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 2013	51,547	1,047	(7,436)	13,439	58,597
Total comprehensive income for the period	-	-	-	(2,268)	(2,268)
Net loss for the period	-	-	-	(2,268)	(2,268)
Other comprehensive income	-	-	(1,010)	-	(1,010)
Foreign currency translation differences	-	-	(1,010)	-	(1,010)
Total comprehensive income for the period	-	-	(1,010)	(2,268)	(3,278)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners	-	-	-	-	-
Dividend paid	-	-	-	-	-
Balance as at 30 June 2013	51,547	1,047	(8,446)	11,171	55,319
As at 1 January 2014	51,547	1,047	(7,713)	11,317	56,198
Total comprehensive income for the period	-	-	-	(2,432)	(2,432)
Net loss for the period	-	-	-	(2,432)	(2,432)
Other comprehensive income	-	-	1,006	-	1,006
Foreign currency translation differences	-	-	1,006	-	1,006
Total comprehensive income for the period	-	-	1,006	(2,432)	(1,426)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners	-	-	-	-	-
Dividend paid	-	-	-	-	-
Balance as at 30 June 2014	51,547	1,047	(6,707)	8,885	54,772

**The Company**  
(S\$'000)

	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated profits/(losses)	Total
As at 1 January 2013	51,547	1,047	-	(2,868)	49,726
Total comprehensive income for the period	-	-	-	75	75
Net loss for the period	-	-	-	75	75
Balance as at 30 June 2013	51,547	1,047	-	(2,793)	49,801
As at 1 January 2014	51,547	1,047	-	(3,767)	48,827
Total comprehensive income for the period	-	-	-	(1,888)	(1,888)
Net loss for the period	-	-	-	(1,888)	(1,888)
Balance as at 30 June 2014	51,547	1,047	-	(5,655)	46,939

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.

	The Group	
	30/6/2014	31/12/2013
Total number of issued shares	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 2013.

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	
	30/6/2014	30/6/2013
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	(0.692) cts	(0.645) cts
(ii) On a fully diluted basis (detailing any adjustments made to the earnings).	(0.692) cts	(0.645) cts

Notes:

Loss per share for periods ending 30/06/2014 and 30/06/2013 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.

	30/6/2014	31/12/2013
Net assets value per ordinary share based on issued share capital at the end of the period - The Group	S\$ 0.156	S\$ 0.160
Net assets value per ordinary share based on issued share capital at the end of the period - The Company	S\$ 0.134	S\$ 0.139

Note:

Net assets value per share for periods ending 30/06/2014 and 31/12/2013 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

Group revenue for 1H2014 was S\$58.5 million, 81% higher than the revenue of S\$32.3 million for the corresponding period in 2013. The increase in revenue of S\$26.2 million was primarily due to the increase in trading sales (pulp and waste paper) of S\$27.4 million to the Indonesia market offset by a decline in sales of S\$0.6 million from the stationery business as a result of weak demand from the North America market & translation differences and a decrease of sales of S\$0.6 million from household tissue business.

We have renamed vertical integrated sales to stationery business which is more reflective of our current business. Traditionally, stationery business sales are stronger in the second half of each year as sales are mostly from diaries and dated products. Diaries and dated products accounted for 66% or S\$31 million of our stationery business sales of S\$46.9 million in FY2013.

Despite the increase in revenue, we achieved a lower gross profit of S\$3.5 million for 1H2014, a decline of S\$1.9 million as compared to 1H2013. The decline in gross profit was mainly due to lower production output, mainly from weak demand from North America in the first half, which resulted in higher unit costs of production. As part of our product rationalisation, we have also ceased to produce our own product brands like Top Grade, Fountain of Knowledge and H+O as the Group concentrate on Collins Debden brand. The production arm of Nippecraft has commenced a cost rationalisation exercise in an effort to bring costs down.

The overall gross profit margin declined from 17.0% in 1H2013 to 6.1% in 1H2014. The lower gross profit margin was due to (i) lower gross margin from our trading business (ii) high volumes of rebates given to certain customers (iii) higher costs of production due to lower production output.

Our effort to control costs have shown results with the biggest decline from the selling and distribution costs, registering a decline of 19.1% or S\$0.9 million. We will continue with our effort to reduce general administration costs.

The Group incurred a net loss of S\$2.4 million for 1H2014.

#### Statements of Financial Position

Our net assets value has declined by S\$1.4 million or 2.5% to S\$54.8 million as at 30 June 2014.

Total current assets increased by S\$13.3 million to S\$97.0 million. An increase of S\$23.5 million from advance payment to our suppliers upon confirmation of orders from our trading customers offset by a decline in our cash and bank of S\$10.4 million as we pay suppliers.

Total current liabilities increased by S\$13.6 million to S\$57.0 million. An increase of S\$22.2 million from advance payments received from our trading customers offset by payments to our suppliers.

#### Cash Flow

The group reported a net decrease in cash of S\$10.4 million from S\$30.4 million as at 31 December 2013 to S\$20.0 million as at 30 June 2014. The net decrease in cash for 1H2014 was due to net cash used in operating activities of S\$10.6 million mainly from increase in trade and other receivables and settlement of trade and other payables.

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 current market remain challenging. The trading business will continue to grow in the 2H2014. The Group will expand its stationery business into new markets and launch new undated products under the Collins Debden brand. We are currently reviewing our production processes and costs and may outsource certain processes in an effort to bring productions costs down. We will consider divesting loss making subsidiaries when opportunities arise. The Group will also continue to look for new business 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.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

**15. A breakdown of sales.**

Not applicable.

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

17. 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 30/6/2014 S\$'000	30/6/2013 S\$'000	six-month period ended 30/6/2014 S\$'000	30/6/2013 S\$'000
<b>Purchases</b>				
PT Pindo Deli Pulp and Paper Mills	-	-	1,186	1,478
PT Pabrik Kertas Tjiwi Kimia Tbk	-	-	4,166	2,721
<b>Sales</b>				
Solaris Paper, Inc	-	-	-	170
PT Indah Kiat Pulp & Paper Tbk	-	-	13,851	9,392
PT Pindo Deli Pulp and Paper Mills	-	-	11,302	1,175
PT Pabrik Kertas Tjiwi Kimia Tbk	-	-	11,933	566
PT Lontar Papyrus Pulp & Paper Industry	-	-	535	711
PT The Univenus	-	-	178	-
<b>Total Interested Person Transactions</b>	-	-	43,151	16,213

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

The Director 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 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wiria Hartanto Muljono  
Chief Executive Officer and Executive Director

Date: 14 August 2014