



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)

Company registration number: 197702861N

The announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the 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.

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HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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.

Consolidated Statement of Comprehensive Income

	Group		Change %
	Half year ended		
	30-Jun-18 US\$'000	30-Jun-17 US\$'000	
Revenue	59,302	49,467	20%
Cost of sales	(55,732)	(45,782)	22%
Gross profit	3,570	3,685	-3%
Distribution and marketing expenses	(2,100)	(2,008)	5%
Administrative expenses	(2,092)	(2,068)	1%
Other income, net	11	138	-92%
Finance expense, net	(243)	(176)	38%
Loss before tax	(854)	(429)	99%
Tax (expense) / credit	(34)	8	N.M.
Net loss for the period	(888)	(421)	111%
Other comprehensive (loss) / income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
- Foreign currency translation differences for foreign operations	(580)	268	N.M.
Other comprehensive (loss) / income for the period, net of tax	(580)	268	N.M.
Total comprehensive loss for the period	(1,468)	(153)	N.M.
Loss per share (US cents)			
- Basic & Diluted	(0.25)	(0.12)	

Note: N.M. - Not meaningful



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)

Company registration number: 197702861N

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

	Group		
	Half year ended		
	30-Jun-18	30-Jun-17	Change
	US\$'000	US\$'000	%
Depreciation of property, plant and equipment	197	238	-17%
Gain on disposal of property, plant and equipment	(18)	(13)	38%
Impairment loss on trade receivables	130	5	N.M.
Write-down of inventories	34	109	-69%
Foreign exchange gain, net	(18)	(126)	-86%
Restructuring expenses	213	77	N.M.

Note: N.M. - Not meaningful



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Company registration number: 197702861N

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.

Statements of Financial Position

	Group		Company	
	As at 30-Jun-18 US\$'000	As at 31-Dec-17 US\$'000 Restated	As at 30-Jun-18 US\$'000	As at 31-Dec-17 US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	3,591	3,882	3,537	3,815
Intangible assets	-	-	-	-
Investments in subsidiaries	-	-	16,512	16,512
	3,591	3,882	20,049	20,327
Current assets				
Inventories	8,598	4,537	638	589
Trade and other receivables	31,360	45,955	5,432	2,148
Prepayments	696	654	171	488
Cash and bank balances	14,062	11,634	1,634	2,061
	54,716	62,780	7,875	5,286
Total assets	58,307	66,662	27,924	25,613
Current liabilities				
Trade and other payables	27,196	34,021	4,146	2,535
Income tax payable	82	144	-	-
	27,278	34,165	4,146	2,535
Non-current liabilities				
Deferred tax liabilities	210	210	210	210
	210	210	210	210
Total liabilities	27,488	34,375	4,356	2,745
Net assets	30,819	32,287	23,568	22,868
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital	36,817	36,817	36,817	36,817
Reserves	1,217	1,797	748	748
Retained earnings / (Accumulated losses)	(7,215)	(6,327)	(13,997)	(14,697)
Total equity	30,819	32,287	23,568	22,868



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)

Company registration number: 197702861N

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

	As at 30-Jun-18		As at 31-Dec-17	
	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.



NIPPECRAFT LIMITED

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

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.

Consolidated Statement of Cash Flows

	Group	
	Half year ended	
	30-Jun-18	30-Jun-17
	US\$'000	US\$'000
Cash flows from operating activities		
Loss before tax	(854)	(429)
Adjustments:		
Depreciation of property, plant and equipment	197	238
Gain on disposal of property, plant and equipment	(18)	(13)
Impairment loss on trade receivables	130	5
Interest income	(1)	(4)
Interest expense	244	180
Write-down of inventories	34	109
Operating (loss)/profit before working capital changes	(268)	86
Movement in working capital:		
Inventories	(4,208)	(4,984)
Trade and other receivables	14,011	1,950
Trade and other payables	(6,849)	403
Cash generated from/(used in) operations	2,686	(2,545)
Income tax paid, net of tax refund	(96)	(87)
Net cash from/(used in) operating activities	2,590	(2,632)



NIPPECRAFT LIMITED

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

Consolidated Statement of Cash Flows (Cont'd)

	Group	
	Half year ended	
	30-Jun-18	30-Jun-17
	US\$'000	US\$'000
Cash flows from investing activities		
Interest received	1	4
Acquisition of property, plant and equipment	(91)	(23)
Proceeds from disposal of property, plant and equipment	202	76
Net cash flows from investing activities	112	57
Cash flows from financing activities		
Deposits pledged	-	(77)
Interest paid	(244)	(180)
Repayment of bills payable	-	(43)
Net cash flows used in financing activities	(244)	(300)
Net increase/(decrease) in cash and cash equivalents		
	2,458	(2,875)
Effects of exchange rates changes on cash and cash equivalents	(30)	149
Cash and cash equivalents as at beginning of the period	9,534	14,378
Cash and cash equivalents as at end of the period	11,962	11,652

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	11,898	11,100
Short-term bank deposits	2,164	2,652
Cash and bank balances	14,062	13,752
Bank balances and deposits pledged	(2,100)	(2,100)
Cash and cash equivalents per consolidated statement of cash flows	11,962	11,652



NIPPECRAFT LIMITED

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

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	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 01.01.2018, as previously reported	36,817	748	(6,394)	1,116	32,287
Effects on adoption of SFRS(I)	-	-	7,443	(7,443)	-
Loss for the period	-	-	-	(888)	(888)
Other comprehensive loss for the period, net of tax					
- Currency translation differences	-	-	(580)	-	(580)
Total comprehensive loss for the period	-	-	(580)	(888)	(1,468)
Balance as at 30.06.2018	36,817	748	469	(7,215)	30,819
Balance as at 01.01.2017, as previously reported	36,817	748	(7,443)	1,100	31,222
Effects on adoption of SFRS(I)	-	-	7,443	(7,443)	-
Loss for the period	-	-	-	(421)	(421)
Other comprehensive loss for the period, net of tax					
- Currency translation differences	-	-	268	-	268
Total comprehensive loss for the period	-	-	268	(421)	(153)
Balance as at 30.06.2017 (restated)	36,817	748	268	(6,764)	31,069



NIPPECRAFT LIMITED

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

Statements of Changes in Equity

Company	Share capital US\$'000	Asset revaluation reserve US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance as at 01.01.2018	36,817	748	-	(14,697)	22,868
Profit for the period	-	-	-	700	700
Total comprehensive income for the period	-	-	-	700	700
Balance as at 30.06.2018	36,817	748	-	(13,997)	23,568
Balance as at 01.01.2017	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 30.06.2017	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 also 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.

There was no change in the Company's issued and paid-up share capital from 1 January 2018 to 30 June 2018. There were no outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2018 and 30 June 2017.



NIPPECRAFT LIMITED

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

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-18	31-Dec-17
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.

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 method of computation in the current period financial statements as those of the previous audited financial statements except as stated 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.

On 1 January 2018, the Group adopted the Singapore Financial Reporting Framework (International) ("**SFRS(I)**"), a new financial reporting framework identical to the International Financial Reporting Standards. As a first-time adopter of SFRS(I), the Group has elected the option to deem cumulative translation differences for foreign operations to be nil on 1 January 2017 (date of transition), and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. As a result, the foreign currency translation reserve of US\$(7.4 million) was reclassified to opening retained earnings as at 1 January 2017.



NIPPECRAFT LIMITED

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

Other than as disclosed above, the adoption of the new standards that are effective on 1 January 2018 did not result in significant change to the Group's accounting policies and did not have material impact on the financial position and financial performance of the Group for the current financial period reported on.

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.

<u>Earnings per share (EPS)</u>	Group	
	Half year ended	
	30-Jun-18	30-Jun-17
EPS based on average number of shares (US cents)	(0.25)	(0.12)
EPS based on a fully diluted basis (US cents)	(0.25)	(0.12)
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 2018 and 30 June 2017.

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.

<u>Net asset value (NAV)</u>	Group		Company	
	As at	As at	As at	As at
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Net asset value per share (US cents)	<u>8.77</u>	<u>9.19</u>	<u>6.71</u>	<u>6.51</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>



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)

Company registration number: 197702861N

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

	1H2018	1H2017	Variance	
	US\$'000	US\$'000	US\$'000	%
Stationery business	5,732	6,633	(901)	-14%
Trading business	53,570	42,834	10,736	25%
	59,302	49,467	9,835	20%

The Group recorded revenue of US\$59.3 million for the first half ended 30 June 2018 ("1H2018") as compared to US\$49.5 million in the previous corresponding half ended 30 June 2017 ("1H2017"). The increase of US\$9.8 million or 20% was mainly attributable to growth in the trading business.

Stationery business revenue decreased by US\$0.9 million or 14%. Sales were lower mainly due to customers launching the 2019 diary season later, as well as shipment delay to the UK due to port congestion in June 2018.

Trading business revenue increased by US\$10.7 million or 25% to US\$53.6 million mainly due to increase in trading volume from third party customers in 1H2018 as compared to 1H2017. Excluding revenue from mandated interested party, revenue would have increased by US\$15.2 million or 74% from US\$20.5 million to US\$35.7 million.

Gross profit

	1H2018		1H2017		Variance
	US\$'000	Margin	US\$'000	Margin	US\$'000
Stationery business	2,260	39.4%	2,532	38.2%	(272)
Trading business	1,310	2.4%	1,153	2.7%	157
	3,570	6.0%	3,685	7.4%	(115)

Gross profit for 1H2018 decreased by US\$0.1 million or 3% to US\$3.6 million as compared to 1H2017 mainly due to the decrease of US\$0.3 million in Stationery business in line with the decrease in sales in this business, partially offset by the increase of US\$0.2 million in Trading business.

Overall gross profit margin for 1H2018 decreased slightly by 1.4 percentage point. Gross profit margin for Stationery business improved by 1.2 percentage point mainly due to realignment of sales strategy to improve the average selling prices in 1H2018. Gross profit margin for Trading business decreased marginally by 0.3 percentage point mainly due to differences in product mix being traded.



NIPPECRAFT LIMITED

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

Distribution and marketing and Administrative expenses

	1H2018	1H2017	Variance	
	US\$'000	US\$'000	US\$'000	%
Distribution and marketing expenses	2,100	2,008	92	5%
Administrative expenses	2,092	2,068	24	1%
Total operating expenses	4,192	4,076	116	3%

Distribution and marketing expenses were higher in 1H2018 due to non-recurring insurance premium refund of approximately US\$77,000 received in 1H2017.

Administrative expenses incurred in 1H2018 remained flat as compared to 1H2017.

Other income, net

Other income decreased because of higher restructuring expenses of US\$0.2 million incurred in 1H2018 as compared to approximately US\$77,000 in 1H2017 and lower foreign exchange gain of approximately US\$18,000 in 1H2018 as compared to approximately US\$126,000 in 1H2017. This was offset by an increase in rental income from approximately US\$32,000 in 1H2017 to approximately US\$178,000 in 1H2018 due to rental of warehousing space to a new tenant.

Finance expense, net

Higher finance expense was incurred in 1H2018 mainly due to higher discount rate which was pegged to London Inter-Bank Offer Rate (“LIBOR”) for discounting letter of credit received from trading customers.

Tax (expense) / credit

Tax losses suffered by certain subsidiaries could not be transferred to be offset against taxable profit of a subsidiary, resulting in a tax expense being recognised in 1H2018.

Net loss for the period

As a result of the above, the Group recorded a net loss of US\$0.9 million in 1H2018 as compared to US\$0.4 million in 1H2017.

B) Statements of Financial Position

i) Group

Non-current assets

Property, plant and equipment decreased by US\$0.3 million because of depreciation charges recorded in 1H2018.

Current assets

Inventories increased by US\$4.1 million mainly due to the arrival of new inventories in Australia as we anticipate sales in the coming months.

Trade and other receivables decreased by US\$14.6 million because of payment received from third party customers and related parties which are partially offset by outstanding billings made in 1H2018.

Movement in cash and bank balances is illustrated in the statement of cash flows.



NIPPECRAFT LIMITED

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

Current liabilities

Current liabilities decreased by US\$6.9 million mainly due to payment to third party suppliers of the Trading business.

ii) Company

Non-current assets

Property, plant and equipment decreased by US\$0.3 million because of depreciation charges recorded in 1H2018.

Current assets

The increase in current assets of US\$2.6 million was mainly due to higher trade and other receivables of US\$3.3 million as a result of outstanding billings made in 1H2018, partially offset by lower prepayments of US\$0.3 million and cash and bank balances of US\$0.4 million.

Current liabilities

Current liabilities were higher by US\$1.6 million due to higher trade and other payables as the Company built up stock level in its respective subsidiaries in anticipation of the higher sales in the second half the year.

C) Consolidated Statement of Cash Flows

In 1H2018, the Group's cash and cash equivalents increased by US\$2.5 million (after adjusting for the effect of exchange rate changes) from US\$11.6 million as at 31 December 2017 to US\$14.1 million as at 30 June 2018.

The significant cash movements during 1H2018 were as follows:

Net cash from operating activities in 1H2018 amounted to US\$2.6 million. This was mainly due to a decrease in trade and other receivables of US\$14.0 million arising from receipts, partially offset by an operating cash outflow (before changes in working capital) of US\$0.3 million, purchase of inventories of US\$4.2 million, and net repayment of trade and other payables of US\$6.8 million.

Net cash flows from investing activities of US\$0.1 million was mainly generated from proceeds from disposal of property, plant and equipment of US\$0.2 million, partially offset by capital expenditure of US\$0.1 million.

Net cash flows used in financing activities of US\$0.2 million was due to interest expense incurred on discounting letters of credit.

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 1H2018.

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**

Given the impending trade wars between the world's major economies, the challenges in the distribution and retail sectors are expected to persist. In addition, rising competition and consolidation among traditional players continue to post uncertainties to the performance of



NIPPECRAFT LIMITED

(Incorporated in the Republic of Singapore)

Company registration number: 197702861N

our stationery business. Nevertheless, the Group continues to invest in our brands and new products, both critical to success in a mature market. The majority of the new products for 2018 will be launched in the second half of 2018, and initial feedback from customers is positive.

Beyond United Kingdom, Australia and Singapore, the Group continues its active expansion plan by putting its footprint into Malaysia and Indonesia. Currently, the Group is actively discussing with potential partners in the Middle East and Japan. Once these partnerships materialise, these new markets will contribute positively to our Group revenue.

Subsequent to the update provided on 11 May 2018 on the Forest Stewardship Council (“**FSC**”) licence, the Company is still undergoing a discussion with FSC to reconsider their decision. The Company will provide an update once there is further development. Based on current assessment, this is not expected to have a material impact on the Company’s operations for the current financial year ending 31 December 2018.

Barring any unforeseen circumstances, the Group expects the trading business to continue to perform satisfactorily in the next six months as well as next twelve months.

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/recommended, a statement to that effect.

No dividend has been declared/recommended for the half year ended 30 June 2018.

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 27 April 2018. The IPTs for the half year ended 30 June 2018 were as follows:

**NIPPECRAFT LIMITED**

(Incorporated in the Republic of Singapore)

Company registration number: 197702861N

Name of Interested Person	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-18 US\$'000	Half year ended 30-Jun-17 US\$'000	Half year ended 30-Jun-18 US\$'000	Half year ended 30-Jun-17 US\$'000
<u>Sales</u> PT Paramitra Gunakarya Cemerlang	-	-	17,874	22,374
Total IPTs	-	-	17,874	22,374

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 2018 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
3 August 2018