

ANNOUNCEMENT ON THE PROPOSED SALE OF PROPERTY

1. Introduction

The Board of Directors (“**Board**”) of Nippecraft Limited (“**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had, on 5 July 2022, granted an option to purchase (“**Option**”) to Fire Armour Pte. Ltd. (the “**Purchaser**”), for the sale of its property located at 9 Fan Yoong Road, Singapore 629787 (the “**Property**”) (the “**Proposed Disposal**”) for a cash consideration of S\$2.80 million (the “**Purchase Price**” or “**Sales Consideration**”) subject to the terms and conditions of the Option. The Option is to be exercised within four (4) weeks from the date of Option granted and will lapse at 4.00 p.m. on 2 August 2022 (the “**Expiry**”).

As the relative figure computed under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Section B: Rules of Catalist (the “**Catalist Rules**”) exceeds 5% but does not exceed 50%, the Proposed Disposal constitutes a “discloseable transaction” as defined under Chapter 10 of the Catalist Rules. Accordingly, the approval of shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting (the “**EGM**”) is not required for the Proposed Disposal.

2. Information on the Property

The Property is a leasehold property granted by the Jurong Town Corporation (“**JTC**”) with a tenure of 60 years which commenced on 1 November 1967. It is a 4-storey detached factory building comprising office and warehouse spaces and has a land and a gross floor area of approximately 4,622.45 square metres and 6,161.45 square metres, respectively. The balance tenure of the Property is approximately five (5) years and four (4) months.

The Property is currently used by the Group as its registered office and warehouse. About 20% of the total gross floor area is currently leased to two unrelated third-parties. Subsequent to the completion of the Proposed Disposal, the Group intends to shift its office to an alternate location and consolidate its warehousing needs to its properties at 11 Fan Yoong Road Singapore 629789 and 8 Kwong Min Road Singapore 628711.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 (“**FY2021**”), the net tangible assets (“**NTA**”) of the Group and the book value of the Property were approximately US\$31.01 million and US\$1.02 million, respectively. The rental income attributable to the Property amounted to approximately US\$132,000 for FY2021.

The Company had appointed Knight Frank Pte Ltd (“**Valuer**”) to conduct an independent desk-top valuation on the Property for the purpose of the Proposed Disposal. Based on the independent valuation report on the Property dated 8 September 2021, the open market value of the Property was S\$2.80 million. The valuation was primarily derived by taking into consideration the present property market conditions and other relevant factors.

3. Information on the Purchaser

The Purchaser is a company incorporated in Singapore on 18 September 1982 with its registered office at, 14 Fan Yoong Road, Singapore 629791. The Purchaser is an independent and unrelated third party. The Purchaser is not related to the Directors or controlling Shareholders and their respective associates.

4. Salient terms of the Option

4.1 Purchase Price

The Sales Consideration for the Property is S\$2.80 million (approximately US\$2.04 million based on an exchange rate of S\$1: US\$0.727) in cash and was determined on arm's length negotiations between the Company and the Purchaser and was arrived at on a willing buyer and willing seller basis after taking into consideration the open market value of the Property based on the valuation report dated 8 September 2021 and the recent transacted prices of similar properties within the same district. The Board had further considered the remaining tenure of the lease, and that the Purchase Price represents approximately 2.0 times the book value of the Property as at 31 December 2021.

As at this date, the Company has received a sum of S\$28,000 (the "**Option Fee**"), by way of a cheque to the Company upon the Company's acceptance of the Offer to Purchase Agreement issued by the Purchaser.

4.2 Exercise of Option

Under the terms of the Option, the Purchaser may exercise the Option by signing the acceptance page of the Option and delivering the same duly signed Option together with a sum of S\$112,000 issued in favour of TAN PENG CHIN LLC - CVY representing 5.0% of the Purchase Price less the Option Fee (the "**Deposit**"), to TAN PENG CHIN LLC (the "**Company's Solicitor**"), to be held by the Company's Solicitor as stakeholders pending completion of the Proposed Disposal.

4.3 Option as a binding agreement

4.3.1 Upon the Purchaser's due exercise of the Option in the manner stipulated in paragraph 4.2 above, there shall be constituted between the Purchaser and the Company a valid binding agreement for the sale and purchase of the Property (the "**Agreement**").

4.3.2 No further or other document or writing shall be made between the Purchaser and the Company.

4.3.3 In the event that the Option is not validly exercised by the Purchaser in the manner stipulated in paragraph 4.2 above before its Expiry, the Option Fee shall be forfeited to the Company.

4.3.4 In the event that any cheque issued in payment of the Deposit or any part thereof is dishonoured, the Company shall be at liberty without prejudice to its rights and remedies in law and equity to rescind the Option or the Agreement as the case may be whereupon all the Company's obligations under the Option or the Agreement shall cease.

5. Special Conditions in the Option

5.1 The Property is sold with vacant possession to be given on completion.

5.2 The sale of the Property is subject to:

(a) the written approval from JTC for the sale and purchase of the Property and for the Purchaser's proposed use of the Property for the manufacture and maintenance of fire-fighting equipment (collectively, the "**JTC Consent**"). For the avoidance of doubt, in the event decontamination works are required to be carried out by the Company, the JTC Consent shall include JTC's confirmation that the decontamination works carried by the Company at the Company's own cost and expenses are satisfactory to JTC and/or the relevant authorities before the Completion Date (as defined below);

(b) such terms and conditions as JTC may in its absolute discretion impose, including, and without prejudice to the generality of the foregoing, payment of any revised rent/levy and/or fees (including those imposed on the Company), compliance with the environmental baseline study/result and the decontamination requirements (if applicable), which terms and conditions shall be accepted and complied with by the Company and the Purchaser within the time stipulated by JTC; and

(c) where applicable, the written approval from the National Environment Agency ("**NEA**") and all other relevant authorities for the Purchaser's proposed use of the Property for the manufacture and maintenance of fire-fighting equipment.

5.3 In the event that the JTC Consent is not obtained by the expiry of six (6) months from the date of acceptance of the Option or such later time as the Company and the Purchaser may mutually agree or the JTC Consent is refused by JTC or the approval is refused by NEA and/or all other relevant authorities, then the Company and the Purchaser shall have the option to rescind the Agreement or if both parties agree, to extend the time to obtain the JTC Consent, the approval from the NEA and/or all other relevant authorities. Upon rescission of the Agreement, the Purchaser shall return all title deeds relating to the Property to the Company and withdraw all caveats and cancel any entry relating to the Property in the Singapore Land Authority and in exchange, the Deposit shall be refunded to the Purchaser or the Purchaser's solicitors within ten (10) business days of the rescission of the Agreement without any interest, compensation or deductions whatsoever and thereupon each party shall bear his own solicitors costs in the matter and neither party shall have any claim or demand against the other for costs, damages, compensation or otherwise. For the avoidance of doubt, the Option Fee shall be forfeited by the Company in the event of such rescission.

5.4 The sale and purchase of the Property is further subject to the Purchaser's solicitors receiving satisfactory replies to all their requisitions to the various government departments and the Land Transport Authority. In the event of any of the replies to such requisitions being unsatisfactory, the Purchaser may annul the Agreement in accordance to the terms of the Agreement.

6. Completion

6.1 The Proposed Disposal shall be completed and the balance of the Purchase Price shall be paid at the Company's Solicitor's office on the date falling:

- (a) twelve (12) weeks from the date of JTC's in-principle approval (or equivalent) for the sale and purchase of the Property; or
- (b) where JTC requires an Environmental Baseline Study ("**EBS**") to be carried out to the Property, six (6) weeks from the date when JTC confirms that the results of the EBS are satisfactory to JTC; or
- (c) where JTC requires decontamination works to be carried out to the Property, six (6) weeks from the date when JTC confirms that the decontamination works are satisfactory to JTC,

whichever is the latest ("**the Completion Date**").

7. Rationale

The Board believes that the Proposed Disposal is in the best interests of the Group and Shareholders, as it will enable the Group to realise the value of the Property and improve the liquidity of the Group. This would also allow the Group to reallocate its resources to improve and optimise the utilisation of its assets.

8. Use of proceeds and gain on the Proposed Disposal

Based on the audited consolidated financial statements of the Group for FY2021, the excess of the Sales Consideration over the book value of the Property is approximately US\$1.02 million.

The Company expects to receive net proceeds of approximately S\$2.67 million (equivalent to US\$1.94 million) from the Proposed Disposal. The net proceeds from the Proposed Disposal will be used for general working capital purposes of the Group.

9. Financial effects of the Proposed Disposal

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The financial effects of the Proposed Disposal have been computed based on the audited consolidated financial statements of the Group for FY2021.

9.1 NTA

The effect of the Proposed Disposal on the audited NTA of the Group for FY2021, assuming that the Proposed Disposal had been completed at the end of FY2021 is as follows:

	<u>Before the Proposed Disposal</u>	<u>After the Proposed Disposal</u>
NTA attributable to owners of the Company (US\$'000)	31,010	31,936
NTA per share (US Cents)	8.82	9.09
Number of issued shares ('000)	351,398	351,398

9.2 Earnings per Share

The effect of the Proposed Disposal on the earnings per share of the Group for FY2021, assuming that the Proposed Disposal had been completed at the beginning of FY2021 is as follows:

	<u>Before the Proposed Disposal</u>	<u>After the Proposed Disposal</u>
Profit after tax attributed to Owners of the Company (US\$'000)	324	1,272
Earnings per share (US Cents)	0.092	0.362
Number of issued shares ('000)	351,398	351,398

10. Relative figures computed based on Rule 1006 of the Catalist Rules

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, based on the latest announced audited consolidated financial statements of the Group for FY2021 are as follows:

Rule	Basis	Relative Figure
1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	3.28% ⁽¹⁾
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	44.11% ^{(2) (3)}

1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares	18.11% ⁽⁴⁾
1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
1006 (e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable

Notes:

- (1) The Group's net asset value and the Property's net asset value were approximately US\$31,010,000 and US\$1,016,000, respectively, as at 31 December 2021.
- (2) Based on the rental income attributable to the Property of approximately US\$132,000 and the net profit before tax of the Group of approximately US\$300,000 for FY2021.
- (3) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" is defined as profit or loss including discontinued operations that have not been disposed of, before income tax and non-controlling interests.
- (4) Based on the Sales Consideration of US\$2,036,000 (equivalent of S\$2,800,000) and the Company's market capitalisation of US\$11,241,000 (equivalent to S\$15,462,000), being the Company's issued ordinary share capital of 351,398,000 shares (excluding treasury shares and subsidiary holdings) and the Company's volume weighted average price of US\$0.0320 (equivalent to S\$0.044) on 4 July 2022, being the last market day preceding the date of the Option where the Company's shares were last traded.

11. Service Contract

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Proposed Disposal.

12. Interest of Directors and Controlling Shareholders

None of the Directors or controlling Shareholders and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

13. Documents for Inspection

A copy of the Option and the valuation report dated 8 September 2021 on the Property is available for inspection at the registered office of the Company at 9 Fan Yoong Road, Singapore 629787, during normal business hours for 3 months from the date of this announcement.

Shareholders who wish to inspect the Offer to Purchase and the Option shall make an appointment at email address: investors@nippecraft.com.sg.

14. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

15. Further Announcements

The Company will make further announcements to keep Shareholders informed, as and when there are material updates and developments in respect of the Proposed Disposal.

16. Cautionary Statement

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. In particular, Shareholders and potential investors should note that completion of the Proposed Disposal is subject to fulfilment of various conditions as set out in the Option and there is no certainty or assurance that the Proposed Disposal will be completed. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Raja Hayat
Executive Director and Chief Executive Officer

5 July 2022

*This announcement has been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited. This announcement has not been examined or approved by 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.*

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