

NIPPECRAFT LIMITED

Company Registration No.: 197702861N
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

1. INTRODUCTION

The Board of Directors (**Board**) of Nippecraft Limited (**Company**), and together with its subsidiaries, the **Group** wishes to announce that it has entered into a sale and purchase agreement (**Agreement**) on 21 August 2014 with Royalton Capital Pte Ltd (**Purchaser**), an unrelated party of the Company, for the proposed disposal by the Company to the Purchaser of the entire issued and paid-up share capital of Jinmei Industrial Sdn Bhd (**Subsidiary**) comprising 3,272,140 ordinary shares (**Sale Shares**) for a cash consideration of US\$1,000,000 (**Proposed Disposal**). The Subsidiary is in the business of manufacturing and sales of organisers, diaries, calendars, bathroom tissue and other related products.

2. RATIONALE FOR THE PROPOSED DISPOSAL

- 2.1 The Proposed Disposal is in line with the Group's on-going plans to review its current businesses and operations and to divest its non-performing subsidiaries.
- 2.2 The Group has considered the Subsidiary's rising production costs and the fact that the Subsidiary has been making cumulative operational losses of S\$862,000 for the past 3 financial years. The net losses attributable to the Sale Shares for FY2013 was S\$84,000. The Group expects the Subsidiary to continue incurring operational losses moving forward, which would affect the financial performance of the Group should the Subsidiary continue as a subsidiary.
- 2.3 The proceeds from the Proposed Disposal will be utilized as general working capital for the Group's other businesses. Accordingly, the Board is of the view that it would be in the best interests of the Group to proceed with the Proposed Disposal.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

The total consideration of US\$1,000,000 (**Consideration**) for the Sale Shares will be paid in cash and was arrived at after arm's length negotiations and is on a willing-buyer, willing-seller basis, taking into consideration of the following factors:

- (i) the Subsidiary's negative audited net tangible assets of RM2,572,000 as at 31 December 2013; and
- (ii) the Subsidiary's audited net liability position of RM4,878,000 as at 31 December 2013.

The Consideration shall be satisfied by way of:

- (i) payment of US\$200,000 as a deposit within 14 days of the date of the Agreement (or such other date as may be agreed by the parties in writing), to be returned to the Purchaser in the event the Agreement is terminated; and
- (ii) payment of US\$800,000 on Completion Date (as defined below).

3.2 Conditions precedent

Completion of the sale and purchase of the Sale Shares is conditional on the fulfillment of, *inter alia*, the following conditions (**Conditions Precedent**) (or waiver at the sole discretion of the Purchaser):

- (i) all warranties of the Company in the Agreement being true, accurate and not misleading up to and including Completion Date;
- (ii) the Purchaser receiving all necessary consents, approvals and waivers (in terms satisfactory to the Purchaser) from any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated by the Agreement to the effect that they consent to the completion of the transaction and agree not to exercise any right or claim (whether of pre-emption, termination or otherwise) arising by reason of the transaction, and if any such consents, approvals or waivers are subject to conditions, such conditions being acceptable to the Purchaser, and such consents, approvals and waivers not having been amended or revoked before Completion Date; and
- (iii) the unconditional and irrevocable discharge and release of all corporate guarantees provided by the Company for and on behalf of the Subsidiary in relation to loan facilities obtained by the Subsidiary.

3.3 Date of Completion

Subject to fulfillment of the Conditions Precedent, the parties agree that the completion date for the transfer of the Sale Shares shall be 30 September 2014 (or such other date as may be agreed by the parties in writing) (**Completion Date**).

3.4 Repayment of intercompany balances due to the Company

The parties have agreed that the Subsidiary will, on or prior to the Completion Date, use its available cash balance to repay intercompany balances owing to the Company by the Subsidiary as at Completion Date (**Intercompany Balances**). Any remaining Intercompany Balances after such repayment shall be waived by the Company.

3.5 Exclusion of certain assets

The sale and purchase of the Sale Shares pursuant to the Proposed Disposal shall exclude the following assets currently held by the Subsidiary:

- (i) the entire issued and paid-up share capital of Debden Malaysia Sdn Bhd which is a dormant company;
- (ii) fixed assets comprising auto cover making machine, gluing machines, shrink wrapping machines, coil inserting machine, cover sewing machine, ring riveting machine, plastic welding machine, hole punch machine, book pressing machine, close wire machine, hot stamping machine and wire stitch machine and raw materials and work in progress,

(collectively, **Excluded Assets**).

The Company shall procure the purchase and transfer of the Excluded Assets from the Subsidiary to itself prior to Completion Date.

4. FINANCIAL EFFECTS

- 4.1 The pro forma financial effects of the Proposed Disposal on the net tangible assets (**NTA**) per share and earnings per share (**EPS**) of the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal. The pro forma financial effects of the Proposed Disposal set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2013 (**FY2013**). The pro forma financial effects of the Proposed Disposal on the NTA and the EPS of the Group have been computed before taking into account taxes and transaction costs in relation to the Proposed Disposal.

4.2 NTA

For illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 December 2013, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the Group as at 31 December 2013 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'million)	56.2	55.7
NTA per Share (S\$)	0.149	0.148

4.3 EPS

For illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2013, the pro forma financial effects of the Proposed Disposal on the consolidated earnings of the Group for FY2013 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit / (Loss) after tax and minority interests (S\$'million)	(2.1)	(2.6)
Earnings / (Loss) Per Share (cents)	(0.604)	(0.750)

The Proposed Disposal will not have any impact on the issued share capital of the Company.

4.4 Other financial information

The pro forma net book value (**Net Book Value**) (as well as net asset value) attributable to the Sale Shares (after taking into account the Excluded Assets and the waiver of the Intercompany Balances) as at 30 June 2014 is S\$2,120,000. There is no open market value. The deficit of proceeds of the Proposed Disposal over the Net Book Value (i.e. loss on disposal) is approximately S\$870,000.

5. RULE 1006

The relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (*Listing Manual*), based on the Group's audited consolidated financial statements for FY2013, being the latest audited consolidated financial statements of the Group as at the date of the Agreement, are as follows:

Rule 1006(a)	Net asset value of the Sale Shares, compared with the Group's net asset value	-1.8%
Rule 1006(b)	Net profit attributable to the Sale Shares, compared with the Group's net profit	4.0%
Rule 1006(c)	Consideration received for the Proposed Disposal compared with the Company's market capitalization	8.3%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Having regard to the above, the Proposed Disposal is a "Discloseable Transaction" under Rule 1010 of the Listing Manual.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Disposal.

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. MISCELLANEOUS

The Agreement is available for inspection at the registered office of the Company at 9 Fan Yoong Road, Singapore 629787, during normal business hours for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Wiria Hartanto Muljono
Chief Executive Officer and Executive Director
21 August 2014