

NIPPECRAFT LIMITED

(Company Registration No.: 197702861N)

(Incorporated in the Republic of Singapore)

UPDATE ON APPLICATION FOR EXTENSION OF TIME TO MEET THE REQUIREMENTS UNDER RULE 1314 OF THE LISTING MANUAL (THE *LISTING MANUAL*) OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE *SGX-ST*) TO EXIT FROM THE SGX-ST FINANCIAL WATCH-LIST (THE *WATCH-LIST*)

1. INTRODUCTION

1.1 The Board of Directors of Nippecraft Limited (the **Company**, and together with its subsidiaries, the **Group**) refers to the following announcements:

- (a) the announcement dated 5 March 2014, pursuant to which it was announced that the Company would be placed on the Watch-List with effect from 5 March 2014;
- (b) the announcement dated 27 February 2017 (the **27 February 2017 Announcement**), pursuant to which it was announced that the Company had, on 27 February 2017, submitted an application (the **Application**) to the SGX-ST for an extension of time to apply for its removal from the Watch-List (the **Extension**);
- (c) the announcement dated 18 April 2017 (the **18 April 2017 Announcement**), pursuant to which it was announced that the SGX-ST had notified the Company that it was unable to grant an extension of time to exit the Watch-List (the **Decision**) and that the Company was still in discussions with the SGX-ST in relation to the Decision (the **Discussions**);
- (d) the announcement dated 8 May 2017, pursuant to which it was announced that the Company was still in Discussions concerning the Decision; and
- (e) the announcement dated 9 May 2017, pursuant to which it was announced that the Company was still in Discussions concerning the Decision, and that the trading of the Company's securities will continue until further notice.

1.2 Unless otherwise defined, all capitalised terms shall bear the same meanings ascribed to them in the 18 April 2017 Announcement.

2. RATIONALE FOR APPLICATION

2.1 The rationale for the Application is, *inter alia*, as follows:

- (a) as set out in the 27 February 2017 Announcement:
 - (i) the Company has implemented various measures to lower costs and improve the profitability of the Group. Some of these measures have already been translated to a reduction in the Group's cost and will bring greater profitability in the long run. In this regard, the Company will continue with its outsourcing programme as well as focus on generating revenue. The Application is necessary to provide the Group with

“sufficient runway” for the Group’s cost-cutting measures and business plans to be fully realized and for the Group to turn profitable;

- (ii) the Company believes in the underlying prospects and viability of the Group and that it would be in the interests of the Company and its shareholders for the shares in the Company to continue to be publicly listed and traded on the Main Board of the SGX-ST;
- (b) as set out in the 18 April 2017 Announcement:
 - (i) the Company would have been profitable for the financial year ended 31 December 2016 (**FY2016**), had the Company not incurred various one-off expenses which amounted to approximately US\$2.37 million (the **One Off Expenses**) for FY2016. The One Off Expenses comprise (1) redundancy payout, (2) production wage cost of the retrenched employees and (3) incurred air freight costs to ensure that its products were delivered to customers due to outsourcing delays; and
 - (ii) based on its audited financial results for FY2016, had the Company not incurred the One Off Expenses, the Company would have a pre-tax profit of US\$318,000. In this regard, the Company does not expect to incur the One Off Expenses for the financial year ending 31 December 2017.

3. GRANT OF EXTENSION

- 3.1 The Board wishes to announce that the Company has on 1 June 2017 been notified by the SGX-ST that it has no objection to granting the Company a further time extension of up to 12 months to 1 March 2018 for the Company to meet the requirements for its removal from the Watch-List subject to the following:
- (a) the Company announcing via SGXNet the period of extension granted, the reasons for seeking the extension of time (as set out in paragraph 2 above) and the conditions (as set out in this paragraph 3);
 - (b) submission of a written confirmation from the Company that the extension does not contravene any laws and regulations governing the Company and the Constitution of the Company;
 - (c) disclosure via SGXNet the steps that the Company will be taking to make a reasonable exit offer pursuant to Listing Rule 1309 read with Listing Rule 1306 (as set out at paragraph 5 below); and
 - (d) disclosure via SGXNet of the undertakings (as set out at paragraph 4 below).

4. THE UNDERTAKINGS

- 4.1 In the event that the Company:
- (a) does not meet the requirements of Rule 1314 of the Listing Manual to exit the Watch-List on or prior to 1 March 2018 and is required by the SGX-ST to be removed from the Official List under Rule 1315 of the Listing Manual; or

- (b) is profitable for the financial year ending 31 December 2017, but is unable to meet the market capitalisation requirements to exit the Watch-List and does not transfer its listing from the Mainboard to the Catalist,

the Company undertakes to make a reasonable exit offer to the Company's minority shareholders in compliance with Rule 1309 of the Listing Manual (the **Exit Offer**).

- 4.2 In the event the Company is required to make an Exit Offer but does not have sufficient cash resources to do so, the Company has undertaken to the SGX-ST that it shall use its best endeavors to raise the necessary funds for the Exit Offer, including by disposing (**Property Disposal**) the Company's land and buildings (the **Properties**).

- 4.3 In light of the foregoing, the Company has undertaken to the SGX-ST that for the financial year ending 31 December 2017:

- (a) it shall not incur more than US\$150,000 in capital expenditure;
- (b) it shall not incorporate any new subsidiaries or acquire or undertake any new businesses without obtaining prior approval from shareholders, regardless of whether such shareholder approval is required under the rules of the Listing Manual;
- (c) the Company shall seek shareholders' prior approval for any Property Disposal, and place the net sale proceeds of any disposal of substantial assets, including any Property Disposal, into an escrow account. In this regard, the Company shall seek an independent third party valuer to value the Properties prior to the Property Disposal. The proceeds in the escrow account will then be released upon the Company exiting the Watch-List. If the Company does not exit the Watch-List on or prior to 1 March 2018 and is required by the SGX-ST to be removed from the Official List under Rule 1315 of the Listing Manual, the proceeds will be applied towards the Exit Offer in compliance with Rule 1309 of the Listing Manual; and
- (d) it shall not incur any bank loans.

- 4.4 In any event, to ensure that there is adequate protection for the minority shareholders, the Company has also undertaken to the SGX-ST that in the event that no Exit Offer is made, the Company will petition the Singapore High Court for the liquidation of the Company under Section 253(1)(a) of the Companies Act, Chapter 50 of Singapore (the **Companies Act**) and if the order is granted, the assets of the Company will have to be distributed to all shareholders on a pro-rata basis.

5. INDICATIVE STEPS FOR EXIT OFFER (IF APPLICABLE)

- 5.1 If the Company is required to make the Exit Offer for the reasons set out in paragraph 4.1 above, the Company anticipates that the Exit Offer will involve the following steps:

- (a) the Company will appoint a financial adviser to advise on the Exit Offer, among other things, whether the company has sufficient cash resources to make the Exit Offer;
- (b) the Company will then appoint an independent financial adviser (**IFA**) to opine on and advise the independent directors as to whether the terms of the cash Exit Offer

are fair and reasonable. In turn, the Company expects the IFA to rely on an independent third party valuer to value the Properties; and

- (c) if the Company does not have sufficient cash resources to make the Exit Offer, the Company will use its best endeavours to raise the necessary funds for the Exit Offer, including by:
 - (i) undertaking a Property Disposal. As mentioned above, the net sale proceeds of the Property Disposal will be placed into an escrow account for distribution to minority shareholders; or
 - (ii) borrowing money from financing institutions on the security of the Properties;
- (d) the Company will seek to undertake the Exit Offer by either of the following two methods:
 - (i) the Company will seek shareholders' approval to approve a selective capital reduction of the Company pursuant to Section 78C or Section 78G of the Companies Act (**Capital Reduction**); or
 - (ii) subject to the Capital Reduction not being approved by the shareholders, the Company will propose a voluntary winding up of the Company pursuant to Section 290 of the Companies Act (**Voluntary Winding Up**).

Both the Capital Reduction and Voluntary Winding Up require special resolutions to be passed by the shareholders of the Company; and

- (e) if the Capital Reduction and Voluntary Winding Up are both not approved by the shareholders, and if the majority shareholder of the Company does not make an Exit Offer, the Company will then petition the Singapore High Court for the liquidation of the Company under Section 253(1)(a) of the Companies Act.

BY ORDER OF THE BOARD

Connie Oi Yan Chan
Chief Executive Officer and Executive Director
1 June 2017