



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

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## DISPOSAL OF FIXED ASSETS AND WAIVER FROM COMPLIANCE WITH RULE 1014 OF THE SGX-ST LISTING MANUAL IN RESPECT OF THE DISPOSAL OF FIXED ASSETS

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The Board of Directors of Multi-Chem Limited ("**Company**") or together with its subsidiaries (the "**Group**") refers to the commentary of the 2016 Third Quarter Financial Results announcement released on 28 October 2016 which mentioned that the Group will continue to rationalize operations and conserve cash.

The Company wishes to announce the disposal of certain fixed assets of the Group ("**Disposal of Fixed Assets**") to an unrelated third party by its wholly-owned subsidiaries ("**Subsidiaries or Subsidiary**") for an estimated aggregate consideration of S\$8.6 million in cash.

### Rationale

The Disposal of Fixed Assets relates to the disposal of some equipment in the manufacturing services in year 2016, which has remained idle as a result of lower factory orders for electronic products, which caused excess capacity ("**Disposed Fixed Assets**"), and the disposal of all of one Subsidiary's equipment which are located at the premises of the Buyer ("**Fixed Assets to Be Disposed**") pursuant to an agreement entered into between the Subsidiary and the Buyer on 2 December 2016 ("**Agreement**").

The Fixed Assets to Be Disposed are currently being utilized by the Subsidiary for the purposes of providing mechanical drilling services to the Buyer. The Buyer has expressed its intention to cease outsourcing this function to the Subsidiary and for this function to be performed in-house, with effect from March 2017. The Group does not have the necessary requirements nor capacity for utilization of the Fixed Assets to be Disposed in the foreseeable future. Accordingly, it is in the long-term interests of the Group to dispose the Fixed Assets to be Disposed to the Buyer.

Whilst the Disposal of Fixed Assets to Be Disposed would result in significant reduction of the Subsidiary's manufacturing capacity, the disposal is expected to improve the working capital position, particularly at the Group level. Additionally, the disposal would also avoid deterioration of the Fixed Assets to be Disposed by non-usage.

### Consideration

The aggregate consideration for Disposed Fixed Assets was S\$318,000. The consideration for the Fixed Assets to Be Disposed by March 2017 is S\$8.3 million. The total consideration for Disposed Fixed Assets and Fixed Assets to Be Disposed ("**Total Fixed Assets Disposal**") is therefore estimated to be approximately S\$8.6 million. The Net Book Value of

the Total Fixed Assets Disposal as at 30 September 2016 was approximately S\$5.8 million.

The payment for the Disposed Fixed Assets was satisfied fully in cash, with completion taking place upon shipment. The consideration for the Fixed Assets to Be Disposed is to be satisfied fully in cash, with completion taking place on 15 March 2017 upon final examination of the condition of the Fixed Assets to be Disposed by the Buyer. Final payment for the Fixed Assets to be Disposed will be 6 months from date of completion.

There were no material conditions attached to the Disposal of Fixed Assets.

### **Financial Effects**

The Total Fixed Assets Disposal will result in a net estimated profit of S\$2.8M, which represents the excess of the net sales proceeds (after deducting the related expenses) over the Net Book Value of the Total Fixed Assets Disposal. The Group intends to use the net sale proceeds for working capital purposes. With the disposal of the Fixed Assets to be Disposed, the wholly-owned subsidiary will no longer derive further income from this drilling operation from 15 March 2017 onwards.

The relative figures for the Total Fixed Assets Disposal computed using applicable bases under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) based on the latest announced consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the period ended 30 September 2016 (released on 28 October 2016) would be as follows:

- **Net Asset Value**

The net asset value of the Total Fixed Assets Disposal, compared with the group's net asset value computed pursuant to Rule 1006 (a) of the Listing Manual of the SGX-ST is approximately 6.32% based on the latest announced consolidated financial statements.

- **Net Profit**

The net profit attributable to the Total Fixed Assets Disposal, compared with the Group's net profit pursuant to Rule 1006 (b) of the Listing Manual of the SGX-ST is approximately 32.11% based on the latest announced consolidated financial statements.

- **Aggregate value of consideration**

The consideration for the Total Fixed Assets Disposal constitutes approximately 11.01% of the market capitalization of the Company based on relative figures computed pursuant to Rule 1006 (c) of the Listing Manual of the SGX-ST. The market capitalisation of the Company was S\$52,705,731.78, based on the weighted average price of the Company's shares transacted as at 1 December 2016 (being the last

market day preceding the date of this announcement).

- Equity securities

Rule 1006(d) of the Listing Manual is not applicable as no equity securities will be issued.

For illustration purpose only, the financial effects of the Total Fixed Assets Disposal based on the audited financial statements of the Group for the financial year ended 31 December 2015 would be as follows:

- Net Tangible Assets ("NTA") per share

Assuming that the Total Fixed Assets Disposal was completed on 31 December 2015, the proforma effect on the NTA per share of the Group would be as follows:

	<u>Before Disposal</u>	<u>After Disposal</u>
NTA (S\$'000)	91,013,000	92,993,000
NTA per share (cents)	101.02	103.22

- Earnings Per Share ("EPS")

Assuming that the Total Fixed Assets Disposal was completed on 1 January 2015, the proforma effect on the EPS of the Group would be as follows:

	<u>Before Disposal</u>	<u>After Disposal</u>
Earnings (S\$'000)	4,779,000	5,944,000
EPS (cents)	5.30	6.60

Based on the above computations, the figure computed under Rule 1006(b) exceeds 20% and in accordance with the Listing Manual, these transactions would require the Company's shareholders' approval pursuant to Rule 1014 of the Listing Manual.

The Company had submitted an application to SGX-ST for a waiver from compliance with Rule 1014 of the Listing Manual. SGX-ST had on 24 November 2016 granted a waiver to the Company from the requirement under Rule 1014 of the SGX-ST Listing Manual to hold a general meeting of its shareholders to approve the Disposal of Fixed Assets, subject to the following conditions:

- Announcing the waiver granted, the reasons for seeking the waiver and the conditions as required under Rule 107; and
- Submission of written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the Articles of Association of the Company.

The Company's reasons for applying for the Waiver are set out below:

- (1) The major shareholders of the Company, comprising Mr Foo Suan Sai, Mdm Han Juat Hoon and Mdm Yaowalak Phoowarachai, holding in aggregate 79.91% of the share capital of the Company, have given their written undertakings that they will vote in favour thereof, had such shareholders' approval been required. In the event, a shareholders' meeting is called, the resolutions to approve the Disposal of Fixed Assets will be approved by the shareholders.
- (2) The waiver would therefore enable the Company to save substantial time and costs in preparing a shareholder's circular and convening a shareholders' meeting.
- (3) Both the Company and the purchaser are keen to complete the transaction without any delay and the Waiver will help to expedite both parties' commercial intentions.
- (4) The Company will provide all requisite information in respect of the Disposal as required under the SGX-ST Listing Manual through the SGXNET announcement and shareholders' interest are unlikely to be prejudiced therein. It is the interest of the Company and its major shareholders to avoid incurring the unnecessary costs and expenses in convening a shareholders' meeting to vote on the Disposal of Fixed Assets.

The Company has, by way of letter to the SGX-ST dated 30 November 2016 complied with (ii) above.

### **Impact on financial results**

The Total Fixed Assets Disposal is expected to contribute positively on the consolidated net tangible assets and earnings per share of the Group for the current financial year ending 31 December 2016 and the financial year ending 31 December 2017 due to the gain on disposal and the decrease in depreciation value.

### **Interest of Directors and Controlling Shareholders**

None of the Directors or substantial shareholders of the Group has any interest, direct or indirect, in the Disposal of Fixed Assets, save for their shareholdings in the Company.

On behalf of the Board  
Han Juat Hoon  
Director

2 December 2016