

# Metal Component Engineering Limited

(Incorporated in the Republic of Singapore)

(Company Registration 198804700N)

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## PROPOSED INVESTMENT IN ADAZAL PRIVATE LIMITED

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### 1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Metal Component Engineering Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that 5Digital Pte. Ltd. (“**5Digital**”), a wholly owned subsidiary of the Company, has on 18 November 2021 entered into:

- (a) a shares subscription agreement (“**SSA**”) with Adazal Private Limited (“**Adazal**”) and Clement Wong Chun Hoong (“**Founder**”), whereby 5Digital has agreed to subscribe for 56,980 new shares in the capital of Adazal (“**Subscription Shares**”) for an aggregate subscription price of S\$1,000,000 (“**Subscription Consideration**”), payable in cash (“**Proposed Subscription**”); and
- (b) a sale and purchase agreement (“**SPA**”) with the holders of Convertible Notes (as defined in paragraph 2.1 below), being Wang Yu Huei, Giraffe Artworks Pte. Ltd. (“**Giraffe Artworks**”) and Lee Chee Seng (each a “**Vendor**” and collectively, the “**Vendors**”), whereby 5Digital will acquire 58,396 ordinary shares in the capital of Adazal (“**Sale Shares**”) to be issued by Adazal to the Vendors pursuant to a Convertible Note agreement, from the Vendors for an aggregate consideration of approximately S\$1,024,850 (“**SPA Consideration**”), payable by the issue and allotment of 20,704,036 ordinary shares in the capital of the Company at an issue price of S\$0.0495 per share (“**Proposed Acquisition**”),

(the Proposed Subscription and the Proposed Acquisition shall collectively be referred to as the “**Proposed Investment**”).

The aggregate consideration for the Proposed Subscription and the Proposed Acquisition is S\$2,024,860 (“**Total Consideration**”). Both the Subscription Shares and the Sale Shares are priced at approximately S\$17.55 per Adazal's share (“**Adazal Issue Price**”).

### 2. INFORMATION ON THE PROPOSED INVESTMENT

#### 2.1. Information on Adazal and the Founder

Adazal is a company incorporated in Singapore on 27 October 2020. It is a social commerce company, headquartered in Singapore, with an experienced team which has built a platform allowing the growth of a marketplace of influencers and leaders within community to sell online. This includes live streaming, group purchasing and managing the end-to-end merchant and consumer data and logistics. The launch market has been Philippines and preparations have been made for the second market to be Vietnam.

The issued and paid-up share capital of Adazal is S\$50,000, comprising 500,000 ordinary shares. Currently, the sole shareholder, CEO, and director of Adazal is Clement Wong Chun Hoong. Adazal was introduced to the Group by Dr Vas Metupalle, the chief medical officer of 5Digital. Clement Wong Chun Hoong was introduced by a business associate of Dr Vas Metupalle in his previous employment.

Clement Wong Chun Hoong is not related to the Company and the Group, any of the Directors, substantial shareholders of the Company, as well as their respective associates.

Each of the Vendors and four other angel investors (“**Other Investors**”) of Adazal currently holds convertible notes (“**Convertible Notes**”) which will allow each of them to convert to, in aggregate, 99,418 new ordinary shares in the capital of Adazal. Under the SPA, the Vendors will convert all Convertible Notes to 58,396 Adazal's shares which will be in turn sold and transferred to 5Digital. The Other Investors have opted not to exit their investments. Assuming the foregoing conversion has taken place, the shareholders of Adazal and their respective shareholding interests in Adazal before and after the Proposed Investment is as follows:

Name of shareholder of Adazal	Before the Proposed Investment		After the Proposed Investment (before any conversion of Convertible Notes by the Other Investors)		Assuming all the Other Investors convert in full their Convertible Notes	
	Number of shares	%	Number of shares	%	Number of shares	%
Clement Wong Chun Hoong	500,000	87.75	500,000	79.77	500,000	74.87
Other management staff of Adazal	11,396 <sup>(1)</sup>	2.00	11,396 <sup>(1)</sup>	1.82	11,396 <sup>(1)</sup>	1.71
Wang Yu Huei	32,442	5.69	-	-	-	-
Lee Chee Seng	12,977	2.28	-	-	-	-
Giraffe Artworks	12,977	2.28	-	-	-	-
5Digital	-	-	115,376	18.41	115,376	17.28
Other Investors	-	-	-	-	41,022	6.14
<b>Total</b>	<b>569,792</b>	<b>100.00</b>	<b>626,772</b>	<b>100.00</b>	<b>667,794</b>	<b>100.00</b>

**Note:**

- (1) Non-voting shares has been reserved for other management staff of Adazali but has not been issued, subject to the fulfilment of vesting period.

Based on the management accounts of Adazal as at 31 October 2021, Adazal has a negative book value of approximately S\$416,726 and the adjusted book value of Adazal is approximately S\$33,274 as at 31 October 2021 (“**Adjusted BV**”), assuming conversion of all Convertible Notes held by the Vendors while all Convertible Notes held by the Other Investors are not converted. No independent valuation was commissioned on Adazal for the purpose of the Proposed Investment.

Based on the management accounts of Adazal as at 31 October 2021, Adazal recorded a net loss of S\$300,425 for the 6-month period from 1 May 2021 ended 31 October 2021 and the net loss attributable to the 18.41% shareholding of Adazal for the same period is approximately S\$55,308.

## 2.2. Information on the Vendors

The Vendors are angel investors of Adazal. They are financial investors and not involved in the day-to-day management of Adazal.

Wang Yu Huei, a Singaporean, is a private investor.

Giraffe Artworks is a private company incorporated in Singapore. Its sole shareholder and director is Yap Soon Heng. Yap Soon Heng, a Singaporean, is a private investor.

Lee Chee Seng, a Singaporean, is a private investor.

Each of the Vendor and Yap Soon Heng (as the shareholder and director of Giraffe Artworks) is not related to the Company and the Group, any of the Directors, substantial shareholders of the Company, as well as their respective associates.

### 2.3. Rationale for the Proposed Investment

5Digital has made investments in the last few months in health and wellness sectors online, and e-commerce. Currently, while 5Digital has omni channel e-commerce services on third party platforms, the investment and access to the Adazal platform will increase the customised experience for 5Digital customers in its regional markets. Adazal's platform is expected to help expand the market reach and adoption for 5Digital products and services in the Philippines, followed by Vietnam. With recent investment into Indonesia for 5Digital, and the ePharmacy launch in progress with PT Gaido Digital Medika, usage of Adazal's platform in Indonesia will be mutually beneficial to both Singapore-based companies.

Based on the abovementioned reasons, the Board believes that the Proposed Investment will bring value to shareholders of the Company ("**Shareholders**"), and is of the view that the Proposed Investment is in the best interest of the Company and the Shareholders.

The Total Consideration and the Adazal Issue Price were derived based on arm's length negotiations between 5Digital and Adazal, taking into consideration the Adjusted BV, its current traction of users, revenue growth, future business prospect in new markets, new opportunities and new channels which the Group will have working with Adazal on user aggregation and new products.

### 2.4. Key terms of the SSA

Pursuant to the SSA, 5Digital shall subscribe for the Subscription Shares for the Subscription Consideration of S\$1,000,000, payable in cash. The Subscription Consideration will be funded by the Group's internal resources.

Completion is conditional upon satisfaction of conditions precedent set out in the SSA, which includes, *inter alia*, the following ("**Conditions Precedent of SSA**"):

- (a) the results of a due diligence exercise (being legal, commercial, tax, financial and technical due diligence, as would be required for transactions of such nature) over Adazal and its subsidiaries (if any), being reasonably satisfactory to 5Digital;
- (b) the Singapore Exchange Securities Trading Limited ("**SGX-ST**") having waived the requirement to obtain the approval of the Shareholders for the Proposed Investment; and
- (c) the satisfaction of the conditions precedent of the SPA.

The Conditions Precedent of SSA shall be fulfilled or waived on or before the longstop date, being 30 days from the date of the SSA.

Completion of the SSA shall take place two (2) business days after all the Conditions Precedent of SSA have been fulfilled or waived by the relevant party and shall take place concurrent with the completion of the SPA. 5Digital shall pay the Subscription Consideration in electronic funds transfer at Completion.

### 2.5. Key terms of the SPA

Pursuant to the SPA, the Vendors have agreed to sell, and 5Digital has agreed to purchase the Sale Shares, for an aggregate consideration of S\$1,024,850, payable by the issue and allotment of 20,704,036 ordinary shares in the capital of the Company ("**Consideration Shares**") at an issue price S\$0.0495 per Consideration Share ("**Issue Price**").

The Issue Price represents a 9.5% discount to the volume weighted average price of S\$0.0547 per Share, based on the trades done on the SGX-ST on the preceding full market day (being 15 November 2021) up to the time of signing of the SSA and the SPA (being 18 November where a trading halt of the Company's shares on the SGX-ST was still in place).

The SPA Consideration to be paid to the Vendors shall be fully satisfied by the Purchaser by way of the issue and allotment of Consideration Shares to the Vendors. The number of Consideration Shares to be issued and allotted to each Vendor is as follows:

Name	Number of Consideration Shares	SPA Consideration S\$	% shareholding in the Company	
			Before the Proposed Acquisition <sup>(1)</sup>	After the Proposed Acquisition <sup>(2)</sup>
Wang Yu Huei	11,502,164	569,357.24	-	2.50
Giraffe Artworks	4,600,936	227,746.38	-	1.00
Lee Chee Seng	4,600,936	227,746.38	-	1.00
<b>Total</b>	<b>20,704,036</b>	<b>1,024,850</b>	<b>-</b>	<b>4.50</b>

Notes:

- (1) Based on the existing issued and paid-up capital of the Company as at the date of this announcement, comprising 437,643,787 shares of the Company ("**Existing Share Capital**"). The Vendors have represented to the Company that they do not hold any Company's shares.
- (2) Based on the enlarged issued and paid-up share capital of the Company of 458,347,823 shares of the Company ("**Enlarged Share Capital**"), immediately after the allotment and issuance of the 20,704,036 Consideration Shares (assuming no other new shares are issued by the Company prior to the allotment and issuance of the Consideration Shares).

Completion is conditional upon satisfaction of conditions precedent set out in the SPA, which includes, *inter alia*, the following:

- (a) the receipt of the listing and quotation notice in respect of the Consideration Shares on Catalist of the SGX-ST; and
- (b) the satisfaction of the conditions precedent of the SSA.

Completion of the SSA and SPA are interdependent.

## 2.6. Mandate for the issue of the Consideration Shares

The Consideration Shares will be issued after completion of the SPA and are intended to be allotted and issued pursuant to the general share issue mandate ("**General Mandate**") obtained from Shareholders at the Company's annual general meeting held on 28 April 2021 ("**2021 AGM**"). Pursuant to the General Mandate, the Directors are authorised to, *inter alia*, allot and issue new Shares not exceeding one hundred per cent (100%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the 2021 AGM, of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company must not exceed fifty per cent (50%) of the total number of Shares (excluding treasury shares and subsidiary holdings, if any) as at the date of the 2021 AGM. As at the date of the 2021 AGM, being the date the General Mandate was approved by Shareholders, the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) was 400,574,026 Shares. Pursuant thereto, the total number of Shares that may be issued other than on a pro-rata basis pursuant to the General Mandate was 200,287,013 Shares.

As at the date of this announcement, 14,477,018 Shares have been previously allotted and issued pursuant to the General Mandate. On 18 November 2021, the Company announced a proposed placement of an aggregate of 66,530,000 shares to several investors ("**Placement Shares**"). Accordingly, the total number of balance Shares that may be issued other than on a pro-rata basis pursuant to the General Mandate as at the date of this announcement (taking into consideration the Placement Shares) is a balance of 119,279,995 Shares. Accordingly, the

allotment and issuance of 20,704,036 Consideration Shares will fall within the limits of the General Mandate. The Company does not have any treasury shares or subsidiary holdings. The Consideration Shares, when allotted and issued in full, will represent (i) approximately 4.7% of the Existing Share Capital; and (ii) approximately 4.5% of the Enlarged Share Capital, assuming no other new Shares are issued by the Company prior to the allotment and issuance of the Consideration Shares.

## 2.7. Shareholders' Agreement

In connection with the Proposed Investment, 5Digital, the Founder and the Company have entered into a shareholders' agreement containing customary provisions to regulate the relationship of Adazal's shareholders and investors. Any subsequent new shareholders of Adazal have to enter a deed of ratification and accession to be become a party to the shareholders' agreement.

## 3. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Investment on the Group, are presented for illustrative purposes only and are not intended to be indicative or reflective of the actual future financial position of the Company or the Group after the completion of the Proposed Investment.

The pro forma financial effects of the Proposed Investment have been computed based on the audited financial statements of the Group for the financial year ended 31 December 2020 ("FY2020"), on the following bases and assumptions:

- (a) the financial effect on the consolidated net tangible assets ("NTA") per Share of the Group is computed on the assumption that the Proposed Investment was completed on 31 December 2020;
- (b) the financial effects of the Proposed Investment on the loss per Share ("LPS") of the Group is computed based on the assumption that the Proposed Investment was completed on 1 January 2020;
- (c) the expenses incurred in connection with the Proposed Investment amounts to approximately S\$30,000; and
- (d) the financial effects of other corporate exercises of the Group including the placement exercise as announced on 18 November 2021 are not taken into account.

### 3.1 NTA

As at 31 December 2020	Before the Proposed Investment	After the Proposed Investment
NTA <sup>(1)</sup> attributable to the owners of the Company (S\$'000)	15,331	16,326
Number of issued Shares	374,119,000	394,823,036
NTA per Share (cents)	4.10	4.13

**Note:**

- (1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets (net of non-controlling interests).

### 3.2 LPS

FY2020	Before the Proposed Investment	After the Proposed Investment
Net loss attributable to Shareholders (S\$'000)	(1,960)	(1,990)
Weighted average number of Shares	374,119,000	394,823,036
Loss per share (cents)	(0.52)	(0.50)

### 4. RELATIVE FIGURES UNDER RULE 1006 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL SECTION B: RULES OF CATALIST ("CATALIST RULES")

Based on the unaudited financial statements of the Group for the half year ended 30 June 2021 ("HY2021"), the relative figures of the Proposed Investment computed on the bases set out in Rule 1006 of the Catalist Rules are set out as follows:

Rule 1006	Bases of Calculation	Relative Figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net loss attributable to the assets acquired or disposed of, compared with Group's net profits	-503 <sup>(1)</sup>
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	8.5 <sup>(2)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	4.7 <sup>(3)</sup>
(e)	The aggregate volume of proved and probable reserves to be disposed of, compared with the Group's probable and proved reserves	Not applicable <sup>(4)</sup>

#### Notes:

- (1) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" is defined to be profit or loss before income tax, non-controlling interests and extraordinary items. Adazal recorded a net loss of S\$300,425 for the 6 month period from 1 May 2021 to 31 October 2021 and the net loss attributable to the 18.41% shareholding of Adazal for the same period is S\$55,308. The Group recorded a net profit of S\$11,000 in HY2021.
- (2) Computed based on the aggregate consideration of approximately S\$2.025 million (comprising the Subscription Consideration of S\$1,000,000 and the SPA Consideration of S\$1,024,850), and the Company's market capitalisation of approximately S\$23.94 million. The market capitalisation of the Company was computed based on the issued share capital of the Company ("**Shares**") of 437,643,787 Shares (excluding treasury shares) and the volume weighted average price of S\$0.0547 each Share based on the trades done on the SGX-ST on the preceding full market day (being 15 November 2021) up to the time of signing of the SSA and the SPA (being 18 November 2021 where a trading halt of the Company's shares on the SGX-ST was still in place).

- (3) Computed based on 20,704,036 Consideration Shares and the Existing Share Capital of 437,643,787 Shares (excluding treasury shares). The Company does not have any treasury shares.
- (4) This is not applicable as the Company is not a mineral, oil and gas company.

The absolute figure calculated based on Rule 1006(b) of the Catalist Rules was 503% as the Group recorded an insignificant level of profit before tax of S\$11,000 in HY2021. The Proposed Investment involves a 18.41% shareholding in Adazal post-completion of the Proposed Investment, where the Company will not have a controlling stake in Adazal and will not be involved in the day-to-day operation of Adazal, and Adazal and the Founder will also not have a stake in the Company and will not be involved in the day-to-day operation of the Company and 5Digital. Hence, the Proposed Investment should not be regarded as a “very substantial acquisition” or a “major transaction” within the meaning of Chapter 10 of the Catalist Rules.

The Company, through its sponsor, will be consulting the SGX-ST on seeking a confirmation from the SGX-ST that the Proposed Investment constitutes a “discloseable transaction” within the meaning of Chapter 10 of the Catalist Rules and that the Company will not need to convene an extraordinary general meeting to seek Shareholders’ approval for the Proposed Investment under Rule 1014(2) of the Catalist Rules (“**Consultation**”). The Company will make the necessary announcement as and when appropriate to update Shareholders on the outcome of the Consultation.

## **5. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors, substantial shareholders of the Company, as well as their respective associates, has any interest, direct or indirect, in the Proposed Investment (other than in their capacity as Directors or Shareholders, as the case may be).

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Investment. Accordingly, no service contract in relation thereto will be entered into by the Company.

## **6. DOCUMENTS FOR INSPECTION**

A copy of the SSA, the SPA and the shareholders’ agreement are available for inspection during normal business hours at the registered office of the Company at 7030 Ang Mo Kio Avenue 5, #08-85 Northstar@AMK, Singapore 569880 for a period of three (3) months from the date of this announcement.

In light of the prevailing regulations due to the COVID-19 situation, any Shareholder who wishes to inspect the SSA and/or SPA should contact the Company at least three (3) working days in advance to make a prior appointment to attend at the registered office of the Company to inspect the document.

## **7. FURTHER ANNOUNCEMENTS**

The Company will make further announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Investment and other matters contemplated in this announcement.

## **8. CAUTIONARY STATEMENT**

Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Investment will be completed. In particular, the SSA, the SPA and the shareholders’ agreement are subject to conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully.

Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. In the event of any doubt as to the action they should take, shareholders and potential investors should consult their financial, tax, legal or other professional advisers.

By Order of the Board

Lee Wei Hsiung  
Company Secretary  
19 November 2021

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").*

*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.*

*The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd., at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.*