

## METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198804700N)

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### PROPOSED SALE OF MCE INDUSTRIES (SHANGHAI) CO., LTD – GRANT OF WAIVER FROM THE SGX-ST

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#### 1. INTRODUCTION

- 1.1 The board of directors (“**Board**” or “**Directors**”) of Metal Component Engineering Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 15 November 2019 (the “**Announcement**”) on the signing of a non-binding framework agreement (the “**Agreement**”) in respect of the proposed sale of 100% equity interest in MCE Industries (Shanghai) Co., Ltd. (“**MCE Industries**”) (the “**Proposed Sale**”).
- 1.2 Unless otherwise defined, all capitalised terms used in this announcement shall have the same meaning as ascribed in the Announcement.
- 1.3 As stated in the Announcement, the Agreement does not constitute a legally binding contract or otherwise give the Company legally enforceable rights and obligations in respect of the Proposed Sale except governing conditions on the penalty, forfeiture or repayment of the Deposit (details as set out in section 2 of the Announcement). The Agreement is intended to serve as a framework to the preparation of a definitive sale and purchase agreement to be entered into between the Parties.
- 1.4 As at the date of this announcement, the Buyer has yet to complete the due diligence of MCE Industries (being one of the Pre-Requisite Conditions) and the Parties have yet to enter into a definitive agreement in respect of the Proposed Sale.

#### 2. APPROVAL OF WAIVER APPLICATION

- 2.1 The Company, through its sponsor, had submitted an application to the SGX-ST to seek a waiver from compliance with Rule 1014(2) of the Catalist Rules on the requirement to seek Shareholders’ approval for the Proposed Sale (the “**Waiver**”).
- 2.2 The Board wishes to announce that the Company had, on 18 December 2019, received a letter from the SGX-ST informing the Company that the SGX-ST had no objection to the Company’s application for the Waiver, subject to the following condition:-
- (a) The Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 106 of the Catalist Rules and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met.
- 2.4 In addition, the Company is required to make an immediate disclosure via SGXNET if it is/will be in contravention of any laws and regulations governing the Company and the Constitution of the Company arising from the Waiver.
- 2.5 The Company considers the Waiver conditions as set out in 2.2(a) have been satisfied by the making of this announcement, and confirmed that the Waiver is not in contravention of the Constitution of the Company.

### 3. REASONS FOR SEEKING THE WAIVER

3.1 The Company had sought the Waiver for the following reasons:

(a) **MCE Industries is a non-core asset**

As announced by the Company on 14 August 2017 in respect of its unaudited financial statements for the financial period ended 30 June 2017, the manufacturing plant of MCE Industries was closed in June 2017, as part of the Group's consolidation and cost-savings efforts to better manage its resources, and the existing programs of MCE Industries then had been transferred to the Group's other subsidiary in Suzhou Province, the PRC. Subsequent to the aforementioned, MCE Industries has been a dormant company with no business operations for more than 2 years, since October 2017, and currently holds the Property with some cash as its main assets. Following the closure of the manufacturing plant of MCE Industries, the Group is left with three manufacturing entities in three countries, namely the PRC (Suzhou), Malaysia (Johor Bahru) and Thailand (Petchaburi and Bangplee), supported by a corporate headquarter in Singapore.

In view of the above, the Proposed Sale is not expected to affect the existing operations and business of the Group, as well as the nature of the Group's core business.

(b) **Gain on disposal**

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018, the net asset value of MCE Industries amounted to approximately S\$9.81 million as at 31 December 2018. Assuming that the final sale price of MCE Industries is the same as the Sale Consideration of RMB75.50 million (equivalent to approximately S\$14.80 million), the Company will record a gain on the Proposed Sale of approximately S\$8.43 million (after deducting estimated expenses to be incurred in connection with the Proposed Sale of approximately S\$2.53 million) ("**Gain on Disposal**").

The Company intends to utilise the net proceeds from the Proposed Sale ("**Net Proceeds**") for (i) investment in property, plant and equipment (capital expenditure); (ii) repayment of bank borrowings; and (iii) general working capital requirements. This would strengthen the Group's financial and liquidity positions as there would be a positive impact on the working capital and gearing of the Group.

(c) **No material change in the Company's risk profile**

The Board is of the view that the Proposed Sale would not materially change the risk profile of the Group based on the following reasons:

(i) No significant impact on the existing operations and business of the Group

As set out in section 3.1(a) above, MCE Industries is a dormant company with no business operations for more than 2 years, since October 2017, following the closure of its manufacturing plant. The Group's current manufacturing sites are in the PRC (Suzhou), Malaysia (Johor Bahru), and Thailand (Petchaburi and Bangplee), and supported by a corporate headquarter in Singapore. As such, the Proposed Sale is not expected to affect the existing operations and business of the Group.

(ii) No significant adverse impact on the Group's earnings, working capital and gearing

- (a) Pursuant to the Proposed Sale, the Group's net tangible asset per share, earnings per share and gearing will improve;
- (b) The Company intends to utilise the Net Proceeds for the purpose of, amongst others, repayment of bank borrowings, capital expenditure and for general working capital requirements. Please refer to section 3.1(b) of this announcement for the intended use of the Net Proceeds. This would strengthen the Group's financial and liquidity positions as there would be a positive impact on the working capital and gearing of the Group.

(d) **Sale Consideration is at a premium to the fair value of the Property**

The net book value of the Property is recorded based on fair value supported by an independent valuation commissioned on annual basis, determined using both market approach and cost approach. Based on the valuation report issued by an independent professional valuer (江苏金九房地产土地资产评估咨询有限公司) dated 28 February 2019, the market value of the Property was determined to be approximately RMB53.48 million as at 31 December 2018. The Sale Consideration represents a premium of (i) 41.2% to the fair value of the Property of RMB53.48 million as at 31 December 2018; and (ii) a premium of 53.9% to the net asset value of MCE Industries of RMB49.05 million as at 30 June 2019 (which consists primarily of the Property, as well as cash and accounts receivables of RMB6.60 million).

(e) **Arm's length transaction**

None of the Buyer, its directors and shareholders is related to the Company, its directors or controlling shareholders, or their respective associates.

Based on the above, it is reasonable to expect the Shareholders not to be overly concerned with the Proposed Sale which would not change the nature of the Group's core activities or risk profile.

**4. NO EXTRAORDINARY GENERAL MEETING**

As the SGX-ST has granted the Waiver, the Company will not be required to convene a general meeting in relation to the Proposed Sale and accordingly, the Company will not be despatching a circular to the Company's shareholders in relation thereto after entering into a definitive sale and purchase agreement.

**5. FURTHER ANNOUNCEMENTS**

The Company will make the relevant update announcement in compliance with the SGX-ST Listing Manual Section B: Rules of Catalist when it enters into a definitive agreement with the Buyer in respect of the Proposed Sale. The Company will also make such further announcement(s) to keep Shareholders informed, as and when there are material updates or developments in connection with the Proposed Sale.

## 6. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the shares of the Company as there is no certainty or assurance that the Proposed Sale will be completed. The Company will make the necessary announcements when there are further developments. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

### BY ORDER OF THE BOARD

**Lee Wei Hsiung**  
**Company Secretary**  
**19 December 2019**

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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.*

*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.*