

Metal Component Engineering Limited

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198804700N)

ENTRY INTO SHARE SUBSCRIPTION AGREEMENT RELATING TO INVESTMENT IN MEDTEL HEALTHCARE PRIVATE LIMITED

1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Metal Component Engineering Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 27 July 2021 relating to the term sheet (the "**Term Sheet**") entered into between the Company's wholly-owned subsidiary, 5Digital Pte. Ltd. (then known as Metal Precision Services Pte. Ltd.) (the "**Investor**" or "**5Digital**"), and MedTel Healthcare Private Limited ("**MedTel**"), pursuant to which it was proposed that the Investor shall subscribe up to 10% of the issued and paid up equity share capital of MedTel (the "**Proposed Investment**").

The Board wishes to update the shareholders of the Company (the "**Shareholders**") that the Investor had on 28 October 2021 entered into a share subscription agreement (the "**SSA**") with MedTel and the Existing Shareholders of MedTel (as defined under section 2.1 of this announcement) in respect of the Proposed Investment.

*For the purpose of this announcement, the exchange rate of S\$1: INR 55.68 shall be used to convert the Indian Rupees ("**INR**") to Singapore dollar ("**S\$**").*

2. INFORMATION ON THE PROPOSED INVESTMENT

2.1. Information on MedTel

MedTel is a company incorporated in year 2017 under the Indian Companies Act, 2013. MedTel is currently engaged in the business of digital health services and offers an end-to-end medical IoMT (Internet of Medical Things) platform which benefits patients by capturing their chronic medical conditions and care providers for better management of patients. MedTel's products require regional partnerships for medical devices, including sourcing and registration of these devices.

MedTel is currently controlled and managed by its founders and directors, Mr. Lalit Ranjan Manik, Mr. Ajit Kumar Choudhury, Mr. Soumyakant Das and Mr. Timiriesh Kumar Das (collectively, the "**Existing Shareholders of MedTel**"). Mr. Lalit Ranjan Manik and Mr. Ajit Kumar Choudhury are also the majority shareholders of MedTel.

Prior to the Proposed Investment, MedTel has an authorised share capital of INR 5,000,000 divided into 500,000 equity shares, and an issued and paid-up share capital of INR 371,480 divided into 37,148 equity shares, held among 20 shareholders.

2.2. Rationale for the Proposed Investment

On 8 July 2021, the Company obtained Shareholders' approval for the diversification of business into healthcare business and e-commerce business ("**Diversification**"), as well as the acquisition

of 85.07% equity interest in Gainhealth Pte Ltd ("**Gainhealth**") ("**Acquisition**"). The Acquisition was completed on 13 July 2021. Following the Diversification and the Acquisition, the Company has been looking into potential investments to expand its new business. The Proposed Investment will provide value addition to the Company's plans in the digital health ecosystem investment. The Medtel platform has been deployed in Huawei cloud data centers in South East Asia, and offered as a base platform for telemedicine services and ePrescription, which is complimentary to the Gainhealth's services of ePharmacy fulfilment. There are medical provider groups signing up to be online with MedTel platform in Malaysia and Indonesia, which will provide increasing reach for the digital health business of the Group in its mission to gather further health data to personalise care while increasing access to care in outpatient settings, which is much needed during the COVID-19 pandemic.

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

2.3. Financial information relating to MedTel

Based on the unaudited management accounts of MedTel for the six-month period ended 30 September 2021 ("**6M2021**"), MedTel recorded (i) a book value and net tangible assets ("**NTA**") of approximately INR 59,744 (equivalent to S\$1,073) as at 30 September 2021, and (ii) loss before tax ("**LBT**") for 6M2021 of approximately INR 8,087,733 (equivalent to S\$145,253). No independent valuation was commissioned by the Company on MedTel for the purpose of the Proposed Investment.

3. SALIENT TERMS OF THE SSA

3.1. Investment Amount and Payment Terms

In accordance with the terms of the SSA, the Investor shall subscribe for a total of 4,128 new equity shares in MedTel, with face value of INR 10 each ("**Subscription Shares**"), at aggregate consideration of INR 30,555,556 (equivalent to approximately S\$550,000) (the "**Subscription Amount**"). The Subscription Amount was arrived at on a willing seller willing buyer basis, [taking into account the synergy between MedTel and the Group's new healthcare and e-commerce business]. [The Subscription Amount will be funded by the internal resources of the Group].

The Subscription Amount shall be paid in the manner set out below:

- a. the Investor has already made payment of an amount of INR 2,750,000 on 2 August 2021 ("**Tranche 1 Amount**");
- b. subject to fulfillment of certain conditions precedent, the Investor shall on or before the Tranche 2 Long Stop Date, being 5 November 2021, make payment of INR 11,136,000 ("**Tranche 2 Amount**"); and
- c. subject to fulfillment of certain conditions precedent, the Investor shall on the closing date of the Proposed Investment (the "**Closing Date**") make the remaining payment of INR 16,669,556 ("**Tranche 3 Amount**").

3.2. Subscription Shares and Conditions Precedent

The Subscription Shares issued shall be free and clear of all encumbrances and together with all rights, title and interests now and hereafter attaching thereto, upon receipt of payment of the Subscription Amount.

Tranche 1 Subscription Shares

In consideration of the payment of the Tranche 1 Amount to MedTel, MedTel had on 30 September 2021, which is within 60 days from the date of investment of the Tranche 1 amount as per laws applicable in India, issued and allotted in favor of the Investor, 371 equity shares of face value of INR 10 each (the "**Tranche 1 Subscription Shares**"). The Tranche 1 Subscription Shares represent approximately 1.0% of the equity shareholding of MedTel on an enlarged basis, on completion of the issue of the Tranche 1 Subscription Shares.

Tranche 2 Subscription Shares

The obligations of the Investor to subscribe for the Tranche 2 Subscription Shares (being 1,504 new equity shares in MedTel of face value of INR 10 each) are subject to the fulfilment of, *inter alia*, the following conditions precedent on or prior to the closing date for the subscription of the Tranche 2 Subscription Shares (the "**Tranche 2 Closing Date**"), unless waived or deferred in writing by Investor:

- a. satisfactory completion of a detailed due diligence by Investor and its advisors on all aspects of MedTel, including legal, tax, financial, accounting;
- b. MedTel shall have executed fresh employment agreements with Mr. Lalit Ranjan Manik, Mr. Ajit Kumar Choudhury, Mr. Soumyakant Das and Mr. Timiresh Kumar Das (collectively, the "**Promoters**");
- c. MedTel, the Investor and the Promoters shall have finalised and documented a detailed operating plan, including but not limited to organizational structure, roles and responsibilities of employees, and compensation of key employees, etc. post the Tranche 2 Closing Date;
- d. all approvals, orders and authorizations of any person or governmental authority (or registrations, declarations, filings or recordings with any such authorities) required to be obtained by each of MedTel, the Investor and the Company in connection with the subscription of the Tranche 2 Subscription Shares, which are required to be in place by the Tranche 2 Closing Date, shall have been obtained at or before the Tranche 2 Closing Date, be in full force and effect; and
- e. MedTel and the Promoters shall ensure that any loans (secured or unsecured) have been repaid in full by MedTel, in case any loan has not been repaid and cannot be repaid prior to the Tranche 2 Closing Date, then MedTel and the Promoters shall ensure that they will enter into loan extension agreement which will set out a repayment schedule for the loan to be paid within 6 (six) months from the Closing Date.

The Tranche 1 Subscription Shares and Tranche 2 Subscription Shares collectively represent approximately 4.8% of the equity shareholding of MedTel, on an enlarged basis, on completion of the issue of the Tranche 2 Subscription Shares.

Tranche 3 Subscription Shares

The obligations of the Investor to subscribe for the Tranche 3 Subscription Shares (being 2,252 new equity shares in MedTel of face value of INR 10 each) are subject to the fulfilment of, *inter alia*, the following conditions precedent on or prior to the Long Stop Date, being six months from the Tranche 2 Closing Date, unless waived or deferred in writing by Investor:

- a. on or before 30 November 2021, MedTel and the Promoters will work and cooperate with the Investor to create a virtual data room with all up to date corporate, financial, commercial information of MedTel and update MedTel's investor docket in such form and manner which shall be to the satisfaction of the Investor;
- b. MedTel and the Promoters will ensure that the average gross monthly recurring revenue on software subscription of MedTel goes up to INR 10,00,000 on or before 31 December 2021; and
- c. MedTel and the Investor should agree, in writing, the budget for the first quarter of 2022 within 45 days from the Tranche 2 Closing Date.

The Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Tranche 3 Subscription Shares collectively represent approximately 10.0% of the equity shareholding of MedTel, on an enlarged basis, on completion of the issue of the Tranche 3 Subscription Shares.

3.3. Termination and effect of Termination

Notwithstanding anything contained in the SSA to the contrary, the SSA may be terminated at any time prior to the Tranche 2 Closing Date and/or Closing Date:

- a. by mutual written consent of all the parties to the SSA; or
- b. if closing in respect of the Tranche 2 Subscription Shares does not occur by the Tranche 2 Long Stop Date and/or closing in respect of the Tranche 3 Subscription Shares does not occur by the Long Stop Date and/or any such other date as may be agreed to by the parties in writing.

If the SSA is terminated for the reason specified in Para 3.3 (b) above, (i) if closing in respect of the Tranche 2 Subscription Shares does not occur by the Tranche 2 Long Stop Date then the Promoters are under an obligation to buy the Tranche 1 Subscription Shares from the Investor at twice the fair value of such shares; or (ii) if closing in respect of the Tranche 3 Subscription Shares does not occur by the Long Stop Date then the Promoters are under an obligation to buy the Tranche 2 Subscription Shares at twice the fair value of such shares.

3.4. Other Definitive Agreements

Other than the SSA, the Investor has on 28 October 2021 entered into:

- a. a shareholders' agreement with MedTel, the Promoters and other existing shareholders of MedTel (the "**SHA**"), to set forth their specific mutual understanding and agreement as to the rights and obligations of the parties as shareholders of MedTel and with regard to the capitalisation, organization, management and operation of MedTel, which shall come into effect from the Tranche 2 Closing Date. Pursuant to the SHA, the Investor has the right to nominate one individual to the board of MedTel; and

- b. a reseller agreement with MedTel, pursuant to which MedTel appoints the Investor as its non-exclusive reseller for the marketing, sale and distribution of certain products of MedTel.

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 profits attributable to the assets acquired or disposed of, compared with Group’s net profits	-132% ⁽¹⁾
(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	2.0% ⁽²⁾
(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	Not applicable ⁽³⁾
(e)	The aggregate volume of proved and probable reserves to be disposed of, compared with the Group’s probable and proved reserves	Not applicable ⁽⁴⁾

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. Computed based on 10% of the losses before tax of MedTel for the six months' period ended 30 September 2021 of INR 808,773 (equivalent to approximately S\$14,525), compared against the profit before tax of the Group for the HY2021 of S\$11,000.
- (2) Computed based on (i) the sum of the Subscription Amount of INR 30,555,556 (equivalent to approximately S\$ 550,000), and (ii) the Company’s market capitalisation of approximately S\$27.13 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\$0.062 per Share on 28 October 2021, being the last market day on which the Shares were traded prior to the signing of the SSA.
- (3) This is not applicable as the Subscription Amount will be fully funded by cash, and no Shares will be issued in connection with the Proposed Investment.

- (4) This is not applicable as the Company is not a mineral, oil and gas company.

The relative figure under Rule 1006(b) of the Catalist Rules is negative, which may not give a meaningful indication of the significance of the Proposed Investment to the Company. It is further noted that the Proposed Investment does not fall under the scenarios provided for in paragraphs 4.3 and 4.4 of Practice Note 10A of the Catalist Rules. Accordingly, the Company, through its sponsor, will be consulting the SGX-ST on seeking a waiver from compliance with Rule 1014(2) of the Catalist Rules on requirement to seek approval from the shareholders of the Company ("**Shareholders**") for the Proposed Investment ("**Waiver Application**"). The Company will make the necessary announcement as and when appropriate to update Shareholders on the outcome of the Waiver Application.

5. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

5.1. Bases and assumptions

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 Disposal.

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) an exchange rate of S\$1: INR 55.68 is used to convert the IND to S\$.

5.2. NTA per Share

As at 31 December 2020	Before the Proposed Investment	After the Proposed Investment
NTA ⁽¹⁾ attributable to the owners of the Company (S\$'000)	15,331	15,301
Number of issued Shares	374,119,000	374,119,000
NTA per Share (cents)	4.10	4.09

Note:

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

5.3. LPS

FY2020	Before the Proposed Investment	After the Proposed Investment
Net Loss (S\$)	(1,959,654)	(1,989,654)
Weighted average number of Shares	374,119,000	374,119,000
Earnings per share (cents)	(0.52)	(0.53)

6. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Investment (other than through their shareholdings in the Company, if any).

7. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Investment. As such, no service agreements will be entered into in respect of the Proposed Investment.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SSA and the SHA 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 SHA 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.

9. 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, the Waiver Application and other matters contemplated in this announcement.

10. 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 is 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 of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities 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
29 October 2021

*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.