

## METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198804700N)

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### PROPOSED PLACEMENT OF AN AGGREGATE OF 155,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.022 FOR EACH PLACEMENT SHARE

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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**") wishes to announce that the Company had, on 20 May 2020, entered into a conditional placement agreement ("**Placement Agreement**") with Seven Utilities and Power Public Company Limited (the "**Placee**"). Pursuant to the Placement Agreement, the Placee agreed to subscribe for, and the Company agreed to allot and issue to the Placee, an aggregate of 155,000,000 new ordinary shares in the capital of the Company ("**Placement Shares**") at an issue price of S\$0.022 per Placement Share ("**Issue Price**"), for an aggregate subscription amount of S\$3,410,000 (the "**Placement**"). No placement agent has been appointed in respect of the Placement.
- 1.2 The Placement Shares represent approximately 41.4% of the Existing Share Capital<sup>1</sup> of the Company as at the date of this announcement. Following the successful allotment and issuance of the Placement Shares, the Placement Shares will represent approximately 29.3% of the Enlarged Share Capital<sup>2</sup> of the Company.
- 1.3 As at the date of this announcement, the Placee does not hold any shares in the capital of the Company ("**Shares**").
- 1.4 The Placement Shares will be issued under Section 272B of the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). As such, no prospectus, offer document or offer information statement will be lodged with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") acting as agent on behalf of the Monetary Authority of Singapore in connection with the Placement.

#### 2. THE PLACEMENT AND SALIENT TERMS OF THE PLACEMENT AGREEMENT

##### 2.1 Placement Shares

- 2.1.1 In connection with the Placement, the Company will seek specific approval from shareholders of the Company ("**Shareholders**") at an extraordinary general meeting of the Company ("**EGM**") to be convened for the following:
- (a) the issuance of the Placement Shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 805(1) of the SGX-ST Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**"); and
  - (b) the transfer of controlling interest to the Placee pursuant to Rule 803 of the Catalyst Rules.
- 2.1.2 The Placement Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights

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<sup>1</sup> Existing Share Capital refers to the existing issued and paid-up share capital of the Company of 374,119,000 Shares as at the date of this announcement. The Company has no treasury shares or subsidiary holdings.

<sup>2</sup> Enlarged Share Capital refers to the enlarged issued and paid-up share capital of the Company of 529,119,000 Shares immediately after the completion of the Placement ("**Completion**"), comprising the Existing Share Capital and the Placement Shares.

similar to the existing issued Shares of the Company save for any dividends, rights, allotments or other distributions, the record date for which falls on or before the Completion Date (as defined in paragraph 2.4.1 below).

2.1.3 Further information on the Placement will be provided in a circular to be despatched to Shareholders in due course (“**Circular**”).

## 2.2 Issue Price

2.2.1 The Issue Price of S\$0.022 represents a discount of approximately 2.22% to the volume-weighted average price of S\$0.0225 per Share, based on the trades done on the SGX-ST on 19 May 2020, being the last full market day which the Shares were traded immediately preceding the date the Placement Agreement is signed.

2.2.2 The Issue Price was commercially agreed between the Company and the Placee after arm’s length negotiations and taking into account historical trading performance of the Company and prevailing market conditions.

## 2.3 Conditions Precedent

2.3.1 The Completion is conditional upon:

- (a) approval in-principle for the listing and quotation of the Placement Shares on Catalist being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Placement Shares on Catalist are required to be fulfilled on or before the Completion Date, they are so fulfilled;
- (b) the approval of the Directors and Shareholders at the EGM being obtained in respect of the transactions contemplated by the Placement Agreement including but not limited to the issue and allotment of the Placement Shares, and the transfer of a controlling interest to the Placee, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the Company and the Placee;
- (c) the approval of SGX-ST (if necessary) being obtained in respect of the transactions contemplated by the Placement Agreement;
- (d) there not having been any event or discovery of any fact or circumstance which would affect, render untrue, incorrect or inaccurate or give rise to a material breach in any respect of any of the representations, warranties, agreements or undertakings on the part of the Placee contained or referred to in the Placement Agreement deemed to be repeated on each day hereafter, down to Completion in all respects with reference to the facts and circumstances existing on each such day;
- (e) the subscription, issue and allotment, and offering (if any) of the Placement Shares being in compliance with the SFA in connection with offers of securities and not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority of Singapore or elsewhere which is applicable to the Company and/or the Placee;
- (f) the exemption under Section 272B(1) of the SFA being applicable to the Placement; and
- (g) trading in the Shares are not suspended for any reason prior to the Completion Date.

## 2.4 Completion

2.4.1 Completion of the Placement shall take place on the date falling seven (7) market days from

the date on which the conditions precedent set out in paragraph 2.3.1 above are satisfied, or such later date as may be agreed in writing between the Company and the Placee (“**Completion Date**”).

- 2.4.2 If any of the conditions precedent set out in paragraph 2.3.1 above is not satisfied and/or waived (as the case may be) on or before the date falling not later than three (3) months from the date of the Placement Agreement, the Placement Agreement shall *ipso facto* cease and determine thereafter, and the parties to the Placement Agreement agree that the Company shall not be under any liability to the Placee in respect of the Placement Agreement.

### **3. APPLICATION TO THE SGX-ST**

The Company will make an application to the SGX-ST through its sponsor, ZICO Capital Pte. Ltd., for the dealing in, listing of and quotation for the Placement Shares on the Catalist. The Company will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST.

### **4. DETAILS OF THE PLACEE**

- 4.1 The Placee, formerly known as Ferrum Public Company Limited, is a company incorporated in Thailand and has been listed on the Stock Exchange of Thailand since 3 April 2002. The current five main businesses of the Placee are: (i) gas and petrol service stations business; (ii) telecommunications and Internet of Things “IoT” business; (iii) renewable energy business; (iv) utilities business; and (v) industrial waste disposal business. As at 31 December 2019, the Placee recorded net profit before tax of 96.10 Million Baht and net book value of 1,594.18 Million Baht. As at 18 May 2020, the market capitalisation of the Placee stood at 1,272.43 Million Baht. For further details on the Placee, please refer to the website of The Securities and Exchange Commission, Thailand, on the Placee, found at: <https://market.sec.or.th/public/idisc/en/CompanyProfile/Listed/7UP>.

*Shareholders should note that information relating to the Placee in this sub-paragraph was provided by the Placee. The Company and the Directors have not independently verified the accuracy and correctness of such information herein.*

- 4.2 The Placee has warranted to the Company, *inter alia*, that:
- (a) it is subscribing for the Placement Shares purely for the purposes of investment and solely for its own beneficial account, and is not subscribing for any of the Placement Shares as an agent for or otherwise on behalf of any other person or entity (as defined in Section 2(1) of the SFA);
  - (b) it does not fall within the class of restricted persons to whom placements must not be made by the Company pursuant to Rule 812(1)(a) to (d) of the Catalist Rules; and
  - (c) there is no agreement, arrangement or understanding between the Placee and any Shareholder or any other party to acquire Shares to obtain or consolidate effective control of the Company, and that the Placee is not acting in concert, as defined in The Singapore Code on Take-overs and Mergers, with any Shareholder or any other party in relation to the Shares and/or any Placement Shares. No share borrowing arrangement has been entered into to facilitate the Placement.
- 4.3 The Placee was introduced through Mr Chua Kheng Choon, the Chairman and Chief Executive Officer of the Company. The Placee wishes to be a strategic investor in the Company and agreed to subscribe for the Placement Shares as part of its business strategy to explore business opportunities in Southeast Asia. No introducer fee or commission is paid or payable by the Company in connection with the Placement.
- 4.4 The Placee currently does not have any connections/relationships (including business

relationships) with the Group, any of the Directors and/or substantial Shareholders of the Company.

- 4.5 The Company confirms that none of its Directors or substantial Shareholders has, to the best of their knowledge, any relationships/connections (including business relationships) with the Placee or its directors or substantial shareholders.

## **5. PROPOSAL TO NOMINATE A NON-INDEPENDENT DIRECTOR TO THE BOARD**

- 5.1 In connection with the Placement, the Placee has discussed the proposal of the Placee nominating one (1) non-independent director to the Board (the “**Proposal**”), and for such appointment to take place after and subject to Completion. After due consideration, the Board is of the view that such proposal would be in the interest of the Company as the Placee is a strategic investor and can provide knowledge, information and strategic views on how to rejuvenate the Company’s business, and the Company would be able to tap the Placee’s available expertise, networks and resources to grow the Company’s business. The appointment of the Placee’s nominee shall be subject to the assessment, consideration and approval of the Company’s Nominating Committee and the Board, as well as the suitability assessment by the sponsor of the Company pursuant to Rule 226(1)(b) of the Catalist Rules. Please refer to the rationale for the Placement set out in paragraph 6.1 below for further information.

## **6. RATIONALE FOR THE PLACEMENT AND USE OF PROCEEDS**

### **6.1 Rationale for the Placement**

- 6.1.1 The existing business of the Group is to provide mechanical manufacturing solutions focusing on data storage, office automation peripherals, ATM and kiosk products. As announced by the Company in its full year results announcement for the financial year ended 31 December 2019 (“**FY2019**”) and in the annual report of the Company for FY2019 (“**Annual Report**”), the Company is concerned about the impact of the on-going Sino-US trade war on the China plant, as well as the anxiety and uncertainty caused by the COVID-19 pandemic on the world’s economy. The outbreak of COVID-19 is expected to have a significant impact on the global economy caused by the acute shortage of key supplies from China for the next couple of quarters, and the outbreak may have an adverse impact on the Group’s business operations and consequently have an adverse effect on the Group’s financial condition and operating results. The Company continues to explore potential and suitable acquisitions, joint ventures and strategic alliances, which generate sustainable revenue streams for the Group and represent a strategic diversification strategy for the Group towards improving its financial performance and position over a longer term.
- 6.1.2 In connection with the foregoing, the Board is of the view that the Placement is in the best interests of the Company as the proceeds of the Placement will increase the resources available to the Company for its operational needs, among other expenses, and will allow the Group to further strengthen and supplement its financial position and capital base. In particular, the on-boarding of a strategic investor such as the Placee, which has business networks spanning its five main business areas and is able to provide knowledge, information and strategic views to the Company on how to rejuvenate the Company’s business, will allow the Company to tap the Placee’s available expertise, networks and resources to grow the Company’s business. The Board has also considered the Group’s historical financial performance and the current macroeconomic and business environments which the Group is operating in. The challenges facing the Group have also been further exacerbated by the uncertain economic outlook and widespread disruption brought about by the COVID-19 pandemic, especially in China where the Group has certain business operations in. With the deteriorating market environment, the Board acknowledges that going forward, it will be increasingly difficult and challenging to source for potential investors that are keen to invest in the Company. The Placement thus represents an opportune moment to bring on-board a strategic investor.

## 6.2 Use of Proceeds

6.2.1 The estimated net proceeds to be raised from the Placement, if and when completed, after deducting estimated expense to be incurred in connection with the Placement of S\$50,000, would be S\$3,360,000 ("**Net Proceeds**").

6.2.2 The Company intends to use the Net Proceeds in the manner set out below:

<b>Use of Net Proceeds</b>	<b>Amount (S\$'000)</b>	<b>As a percentage of Net Proceeds</b>
For new business investments and acquisitions in Singapore, Thailand and/or elsewhere, and funding of potential growth and expansion or diversification	3,192	95.0%
For general working capital requirements	168	5.0%

6.2.3 Pursuant to Rule 704(30) and Rule 1204(22) of the Catalist Rules, the Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed or utilised, and whether such use is in accordance with the stated use. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements and the annual report of the Company. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation. Where the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual reports.

6.2.4 Pending deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem fit from time to time.

## 7. **CONFIRMATION BY DIRECTORS**

The Directors are of the opinion that, as at the date of this announcement, after taking into consideration:

- (a) the Group's present bank facilities, the working capital available to the Group is sufficient to meet its present requirements, and the Placement is being undertaken for purposes set out in paragraph 6.1 above; and
- (b) the Group's present bank facilities, internal resources and operating cashflows, and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

In light of the current COVID-19 outbreak, the Company is closely monitoring and working with its business associates and partners to assess and mitigate the financial impact of the unprecedented outbreak on the Group's business and financial performance, and will update Shareholders if there are any changes to the abovementioned confirmation.

## 8. **FINANCIAL EFFECTS**

8.1 The financial effects of the Placement are presented solely for illustrative purposes and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the Completion.

8.2 The financial effects of the Placement, computed based on the audited consolidated financial statements of the Group for FY2019, have been prepared based on the following assumptions:

- (i) the financial effect on the consolidated net tangible asset (“**NTA**”) per Share is computed based on the assumption that the Placement was completed on 31 December 2019;
- (ii) the financial effect on the earnings per Share (“**EPS**”) is computed based on the assumption that the Placement was completed on 1 January 2019; and
- (iii) the expenses to be incurred in connection with the Placement amounted to approximately S\$50,000.

Share capital and NTA per Share

	Before the Placement	After the Placement
Number of Shares as at 31 December 2019	374,119,000	529,119,000
Share Capital (S\$'000)	21,639	24,999
NTA of the Group as at 31 December 2019 (S\$'000)	16,810	20,170
NTA per Share (Singapore cents)	4.49	3.81

EPS

	Before the Placement	After the Placement
Profit attributable to shareholders of the Company (S\$'000)	202	202
Weighted average number of Shares	374,119,000	529,119,000
EPS (Singapore cents)	0.05	0.04

**9. EXTRAORDINARY GENERAL MEETING**

The Circular containing, *inter alia*, further information on the Placement and the notice to convene the EGM will be despatched electronically in accordance with the provisions of the COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 by the Company to Shareholders in due course.

**10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors and their respective associates, and to the best of the knowledge of the Directors, none of the substantial Shareholders of the Company, as well as their respective associates, has any interest, whether direct or indirect, in the Placement (other than in his capacity as Director or Shareholder of the Company, as the case may be).

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Placement Agreement is available for inspection during normal business hours from 9 a.m. to 5 p.m. 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 commencing from the date of this announcement.

## 12. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in trading their Shares. The Placement contemplated under and in connection with the Placement Agreement are subject to certain conditions. As at the date of this announcement, there is no certainty or assurance that the Placement will be completed or that no changes will be made to the terms thereof. 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. Where in any doubt as to the action they should take, Shareholders and potential investors should consult their stockbrokers, bank managers, financial, tax, legal or other professional advisers.

## 13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Placement, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Lee Wei Hsiung  
Company Secretary  
20 May 2020

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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 (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

*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.*