



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

DISPOSAL OF FIXED ASSETS

The Board of Directors of Multi-Chem Limited (“**Company**”) or together with its subsidiaries (the “**Group**”) refers to the commentary of the 2018 Full Year Financial Results announcement released on 1 February 2019 which mentioned that the Group will continue to rationalise operations.

The Company wishes to announce the disposal of certain fixed assets of the Group (“**Disposal of Fixed Assets**”) to unrelated third parties (the “**Buyers**”) by its wholly-owned subsidiary Multi-Chem Electronics (Kunshan) Co., Ltd (the “**Subsidiary**”) for an aggregate cash consideration of approximately S\$2.1 million.

Rationale

The Disposal of Fixed Assets relates to the disposal of some of the Subsidiary’s equipment (“**Fixed Assets**”) pursuant to agreements entered into between the Subsidiary and the Buyers on 18 March 2019, 30 March 2019 and 1 April 2019 respectively. (“**Agreements**”)

The Fixed Assets are held by the Subsidiary for the purposes of providing mechanical drilling services and laser drilling services to its customers. However, due to lower customer demands, the Fixed Assets are under-utilised. The Group does not have the necessary requirements nor capacity for utilisation of the Fixed Assets, for the foreseeable future. Accordingly, it is in the long-term interests of the Group to dispose the Fixed Assets to the buyers.

Whilst the Disposal of Fixed Assets would result in significant reduction of the Group’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 by non-usage.

Consideration

The aggregate consideration for the Fixed Assets is approximately S\$2.1 million. The consideration was arrived on a willing buyer and willing seller basis based on the Net Book Value of the Fixed Assets of approximately S\$997,000.

The consideration for the Fixed Assets is to be satisfied fully in cash, with completion taking place before 31 May 2019 upon final examination of the condition of the Fixed Assets by the Buyers. The consideration was arrived on a willing buyer and willing seller basis.

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

Financial Effects

The Disposal of Fixed Assets will result in a net estimated profit of S\$1.1 million, which represents the excess of the net sales proceeds (after deducting the related expenses) over the Net Book Value of the Fixed Assets. The Group intends to use the net sale proceeds for working capital purposes.

The relative figures for the Disposal of Fixed Assets 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 financial year ended 31 December 2018 (released on 1 February 2019) would be as follows:

- Net Asset Value

The net asset value of the Disposal of Fixed Assets, compared with the Group’s net asset value computed pursuant to Rule 1006 (a) of the Listing Manual of the SGX-ST is approximately 0.92% based on the latest announced consolidated financial statements.

- Net Profit

The net profit attributable to the Disposal of Fixed Assets, compared with the Group’s net profit pursuant to Rule 1006 (b) of the Listing Manual of the SGX-ST is approximately 8.91% based on the latest announced consolidated financial statements.

- Aggregate value of consideration

The consideration for the Disposal of Fixed Assets constitutes approximately 2.87% of the market capitalisation 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\$71.6 million, based on the weighted average price of the Company’s shares transacted as at 1 April 2019 (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 Disposal of Fixed Assets based on the audited financial statements of the Group for the financial year ended 31 December 2018 would be as follows:

- Net Tangible Assets (“NTA”) per share

Assuming that the Disposal of Fixed Assets was completed on 31 December 2018, 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)	99,737	100,797
NTA per share (cents)	110.7	111.88

- Earnings Per Share (“EPS”)

Assuming that the Disposal of Fixed Assets was completed on 1 January 2018, the proforma effect on the EPS of the Group would be as follows:

	<u>Before Disposal</u>	<u>After Disposal</u>
Earnings (S\$'000)	5,565	6,625
EPS (cents)	6.18	7.35

Impact on financial results

The Disposal of Fixed Assets 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 2019.

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 April 2019