METAL COMPONENT ENGINEERING LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 198804700N)

SIGNING OF CONDITIONAL SALE AND PURCHASE AGREEMENT IN RESPECT OF THE PROPOSED SALE OF MCE INDUSTRIES (SHANGHAI) CO., LTD

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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 (“**Announcement**”) on the signing of a non-binding framework agreement in respect of the proposed sale of 100% equity interest in 美特尔金属工业（上海）有限公司 (MCE Industries (Shanghai) Co., Ltd) (“**MCE Industries**”) held by the Company to Mr. Pan Genfu (潘根富) (“**Mr Pan**”) (“**Proposed Sale**”), and the Company’s announcement dated 19 December 2019 on the grant of waiver from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) from compliance with Rule 1014(2) of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”).

1.2 Unless otherwise defined, all capitalised terms used in this announcement shall have the same meaning as ascribed in the Announcement.

1.3 The Board wishes to announce that the Company had, on 28 January 2020, entered into the following:

(i) conditional sale and purchase agreement (the "**Agreement**") with Hong Sheng Holding (Singapore) Pte. Ltd. (the "**Buyer**") in respect of the Proposed Sale; and

(ii) supplemental agreement with the Buyer pursuant to which the Company agrees to pay to the Buyer an aggregate of RMB500,000 (“**Compensation**”) as compensation for the penalty that may arise from the failure of the Company to complete the second phase construction project in accordance with the Investment Agreement (as defined herein) (“**Supplemental Agreement**”).

1.4 Unless otherwise stated, all currency translations of Singapore dollars (“**S$**”) and Chinese Renminbi (“**RMB**”) used in this announcement are based on an exchange rate of S$1.00: RMB5.10.

2. INFORMATION ON THE BUYER

2.1 As far as the Company is aware, the Buyer is a private limited company incorporated in Singapore whose principal activity is that of an investment holding company. The Buyer is wholly owned by Mr. Pan , who had previously signed the non-binding framework agreement with the Company on 14 November 2019 as set out in the Announcement.

2.2 Mr Pan, a businessman from the PRC, is also a director and major shareholder of 上海舜晟建设集团有限公司 (Shanghai Shunsheng Construction Group Co., Ltd). (“**Shanghai Shunsheng**”), a private limited company established in the PRC. Shanghai Shunsheng assumes the joint and several liability for all the obligations of the Buyer under the Agreement and any supplementary agreements, and had issued a separate guarantee letter to the Company that complies with Singapore's regulatory requirements.

2.3 None of the Buyer, its directors or Mr Pan (as the sole shareholder of the Buyer) is related to the Company, the Directors or controlling shareholders, or their respective associates. The

Buyer was introduced to the Company by Mr Cao Yi Ran ("**Introducer**"), who was engaged by the Company to source for a potential buyer for MCE Industries. A commission fee of RMB2.76 million (equivalent to S$0.54 million) ("**Commission**") will be paid by the Company to the Introducer upon the successful completion of the Proposed Sale. The Commission was negotiated and agreed between the Company and the Introducer, at 4.0% of RMB 68.9 million (being the net amount of the Consideration (as defined herein) less cash and bank balance in MCE Industries). As far as the Company is aware, the Introducer is not related to the Company, the Directors or controlling shareholder of the Company, or their respective associates.

3. INFORMATION ON MCE INDUSTRIES

3.1 MCE Industries is a wholly foreign-owned enterprise established in the PRC on 12 November 2004, and is based in Qing Pu District, Shanghai, the PRC ("**Qing Pu**"). MCE Industries owns a leasehold land (the "**Land**") and property located at No. 18 Area 3, No. 8228, Beiqing Highway, Zhonggu Town, in Qing Pu, with a land area of 25,000 square meters and six buildings with a total built-up area of approximately 9,753 square meters (the "**Property**"). The land use rights to the Property has a tenure of 50 years, which commenced on 20 December 2006 and will expire on 19 December 2056. The Property had been vacant after the closure of MCE Industries' manufacturing plant in October 2017 and MCE Industries had been dormant ever since.

3.2 On 14 September 2004, the Company entered into an investment agreement (the "**Investment Agreement**") with 上海青浦工业园区发展（集团）有限公司 (Shanghai Qing Pu Industrial Zone Development (Group) Co., Ltd) (the "**Shanghai Qing Pu Industrial Zone**") in respect of the Company's investment of the Land, whereby among others, the Company has to complete two phases of construction on the Land, with the second phase construction ("**Second Phase Construction**") to be completed no later than 14 September 2007 (within three years from the date of the Investment Agreement). As of the date of signing of the Agreement, the Second Phase Construction was not completed in accordance with the Investment Agreement. Accordingly, the Company and the Buyer entered in the Supplemental Agreement, pursuant to which the Compensation shall be paid by the Company to the Buyer as compensation for the penalty that may arise from the failure of the Company to complete the Second Phase Construction pursuant to the Investment Agreement. Please refer to section 4.2.2 of this announcement for details on the Supplemental Agreement.

3.3 Based on the Group's audited consolidated financial statements for the financial year ended 31 December ("**FY**") 2018, the net asset value of MCE Industries was approximately RMB50.05 million (equivalent to approximately S$9.81 million) as at 31 December 2018, and the loss before income tax, minority interests and extraordinary items ("**Net Loss**") attributable to MCE Industries in FY2018 was RMB3.75 million (equivalent to S$0.74 million). Based on the management accounts of the Group for the financial period ended 30 June ("**HY**") 2019, the unaudited net asset value of MCE Industries was approximately RMB49.05 million (equivalent to approximately S$9.62 million) as at 30 June 2019, and the Net Loss attributable to MCE Industries for HY2019 was RMB1.91 million (equivalent to S$0.38 million). The Net Loss of MCE Industries for HY2019 mainly arose from (i) depreciation charge of RMB1.37 million in respect of the Land and Property; (ii) utilities charges of RMB0.17 million; and (iii) security and maintenance fees for the Property of RMB0.14 million.

3.4 Based on the Group's accounting policy, the Group carries its land and buildings at fair value, and engages independent professional valuation experts to assess the fair value at the end of each reporting period. The fair value of the land and buildings is determined by the valuers using recognized valuation techniques, comprising both market approach and cost approach. For FY2018, MCE Industries commissioned an independent professional valuer (江苏金九房地产土地资产评估咨询有限公司) ("**Valuer**") to conduct a valuation on the Property. Based on the valuation report issued by the Valuer dated 28 February 2019 ("**Valuation Report**"), the market value of the Property as at 31 December 2018 was approximately RMB53.48 million (equivalent to approximately S$10.49 million), based on market approach and cost approach adopted by the Valuer.

3.5 The estimated net proceeds from the Proposed Sale (after deducting estimated expenses to be incurred in connection with the Proposed Sale of approximately S$2.53 million) is approximately S$12.3 million ("**Net Proceeds**"). The Net Proceeds represent a gain of S$2.4 million over the net book value of MCE Industries as at 30 June 2019. Resulting from the Proposed Sale, a capital reserve of S$6.0 million will also be realized. Accordingly, the Proposed Sale will result in a gain on disposal of approximately [S$8.4 million].

4 PRINCIPAL TERMS OF THE PROPOSED SALE

4.1 Consideration

4.1.1 The consideration for the Proposed Sale of RMB75.50 million (equivalent to approximately S$14.80 million) (the "**Consideration**") was arrived at following arm's length negotiations, on a willing buyer willing seller basis, and taking into account the assets of MCE Industries which include (i) land use rights of the Land and the Property; and (ii) bank deposits and accounts receivable (where such bank deposits and accounts receivable amounted to an aggregate of RMB6.6 million). The accounts receivable shall be recovered by the Company and retained as cash in MCE Industries. The Consideration will be fully satisfied in cash.

4.1.2 Pursuant to the Agreement, the Consideration shall be payable in three tranches in the following manner:

(a) Within 30 days after the signing of the Agreement, the Buyer should pay RMB25.0 million (equivalent to approximately S$4.90 million) to the Company ("**First Tranche**"). Upon the receipt of the First Tranche, the Company shall immediately begin the procedures for the release of MCE Industries' letter of guarantee and mortgage of the Property with MCE Industries' bank, and complete it within 45 days after the receipt of the payment of the First Tranche; and the Company and the Buyer (collectively known as the "**Parties**") should cooperate and submit immediately the application for the equity transfer change registration of MCE Industries to the Commercial Committee of Qing Pu District, and complete the registration within 60 days after the signing of the Agreement;

(b) Upon the receipt of the release certificate of MCE Industries' letter of guarantee and the release certificate of the Property's mortgage from MCE Industries' bank, the Buyer shall pay RMB37.0 million (equivalent to approximately S$7.25 million) ("**Second Tranche**") to the Company within 60 days after the signing the Agreement. After the Buyer has received the Second Tranche, the Parties should cooperate and submit immediately the application for the equity transfer change registration of MCE Industries to the Market Regulation Administration Bureau of Qing Pu District, and complete the registration within 30 days after the receipt of the payment of the Second Tranche; and

(c) Upon the receipt of the equity transfer change registration certificate of MCE Industries from the Company, the Buyer shall pay RMB13.5 million (equivalent to approximately S$2.65 million) ("**Third Tranche**") to the Company within 105 days after the signing the Agreement. On the same day of payment of the Third Tranche, the Company shall make the closing, deliver all the materials such as the company certificate, seal, etc. of MCE Industries to the Buyer and complete other procedures in accordance to the Agreement.

4.1.3 MCE Industries shall return the Deposit of RMB1.5 million (equivalent to approximately S$294,000) paid by Mr Pan (upon the signing of the non-binding framework agreement in November 2019) within 60 days after the signing of the Agreement.

4.1.4 If the Buyer fails to perform any payment obligation in accordance with section 4.1.2 of this announcement, a daily default compensation interest of 0.05% of the payment due and unpaid shall be additionally paid by the Buyer to the Company. Such interest shall be calculated from the first day after the expiration of the relevant payment due date, until the date on which the payment due and unpaid is paid by the Buyer.

4.1.5 If the Company fails to complete releasing the guarantee or the real estate mortgage in accordance with section 4.1.2 of this announcement, or fails to maintain a bank deposit of not less than RMB6.6 million in MCE Industries on the completion of the Proposed Sale, a daily default compensation interest of 0.05% of the Consideration shall be paid by the Company to the Buyer.

4.2 **Conditions Precedent**

4.2.1 Pursuant to the Agreement, completion of the Proposed Sale ("**Completion**") is conditional upon, *inter alia*, the following conditions being satisfied on or before the date of Completion ("**Conditions Precedent**"):

(a) the Company has obtained the power and authority required to enter into and perform the Agreement and other documents relative with the transaction under the Agreement through all necessary corporate actions, including the approval by the SGX-ST for the Proposed Sale;

(b) the Company shall settle the claims and debts of MCE Industries before the Completion, and MCE Industries shall have no other assets or liabilities in its financial statements, other than assets such as land, buildings, corresponding ancillary facilities, and bank deposits. After the Completion, if there are any form of claims and debts occurred in MCE Industries (which arise due to transaction before the Completion), it shall be enjoyed or assumed by the Buyer. If the Buyer suffers losses as a result, the Buyer has the right to recover the loss suffered from the Company;

(c) after the Company received the First Tranche of the Consideration, the Buyer has the right to enter and use the land and buildings under the name of MCE Industries, and reasonably carry out the preparations for the reconstructions and expansion of MCE Industries; and

(d) the shares of MCE Industries shall be transferred to the Buyer, free from any mortgage, guarantee and lien.

4.2.2 Pursuant to the Supplemental Agreement, the Parties have reached the following agreement on the failure of the Company to complete the Second Phase Construction in accordance with the Investment Agreement:

(a) the Company agreed to pay the Buyer the Compensation of RMB500,000 before the payment of the Third Tranche of the Consideration. Otherwise, the Buyer has the right to deduct it from the payment of the Third Tranche of the Consideration;

(b) penalty that may arise after the payment of the Compensation should be borne by the Buyer. The Company shall not be required to bear any responsibility or compensation for any penalty thereafter;

(c) from the date of signing the Agreement to one year after the completion of the equity transfer of MCE Industries in the Market Regulation Administration Bureau, if the Shanghai Qing Pu Industrial Zone requires the insufficient payment due to the Company's failure to complete the Second Phase Construction in accordance with the Investment Agreement, the shortfall of the land payment, if any , shall be borne by the Company; and

(d) from the date of signing the Agreement to one year after the completion of the equity transfer of MCE Industries in the Market Regulation Administration

Bureau, if the Property is recovered by the Shanghai Qing Pu Industrial Zone due to the Company's failure to complete the Second Phase Construction in accordance with the Investment Agreement, the Buyer has the right to terminate the Agreement within 30 days after receiving the government notice. The Company shall then return the Consideration received to the Buyer, and pay an interest in accordance with the Singapore bank loan rate of the same period, within 10 days after receiving the notice of termination. In this case, the Company does not need to pay the Buyer any liquidated damages.

5 RATIONALE FOR THE PROPOSED SALE

As announced by the Company in its unaudited financial statements for HY2017, 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, 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.

As set out in sections 3.2 and 4.2 of this announcement, the Company did not complete the Second Phase Construction within three years from the signing of the Investment Agreement. Notwithstanding the above, the Company had paid in full the payment in respect of the land use rights for the Land at the time of the issuance of the land rights to the Company by the Shanghai Qing Pu Industrial Zone on 20 December 2006, and there was no notification from the Shanghai Qing Pu Industrial Zone on the outstanding Second Phase Construction on the Land since then. The Board is of the reasonable opinion that the Proposed Sale will enable the Company to resolve this outstanding development plan (being the Second Phase Construction) as the Buyer had undertaken in the Proposed Sale that from the date of signing the Agreement to one year after the completion of the change registration of the equity transfer of MCE Industries with the Market Regulation Administration Bureau, the Buyer shall submit to the competent government department a second-phase development plan that complies with the requirements of the Second Phase Construction and industrial planning thereof. In view of the above, the Company entered into the Supplementary Agreement with the Buyer to compensate the Buyer for any penalty that may arise from the failure of the Company to complete the Second Phase Construction pursuant to the Investment Agreement.

The Proposed Sale will also allow the Company to unlock the value of the Property, and with the net proceeds from the Proposed Sale, the Group will have more working capital to fund its operations and/or undertake new investment opportunities that may arise in the future.

Accordingly, the Board is of the view that the Proposed Sale is in the best interest of the Company and the Shareholders.

6 USE OF PROCEEDS

6.1 The Company intends to utilise the Net Proceeds from the Proposed Sale 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.

7 RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

7.1 The relative figures for the Proposed Sale as computed on the bases set out in Rule 1006 of the Catalist Rules and the Company's latest announced unaudited consolidated financial statements of the Group for HY2019 are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The net asset value of assets to be disposed of, as compared with the Group's net asset value	62.5[(1)]
(b)	The net profits attributable to the assets disposed of, as compared with the Group's net profits	Not meaningful[(2)]
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation	141.3 [3)]
(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable[(4)]
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable[(5)]

Notes:

(1) Based on the unaudited net asset value of MCE Industries as at 30 June 2019 of approximately S$9.62 million, and the unaudited net asset value of the Group as at 30 June 2019 of approximately S$15.40 million.

(2) Under Rule 1002(3)(b) of the Catalist Rules, "**Net Profits**" is defined to be profit before income tax, minority interests and extraordinary items. MCE Industries recorded an unaudited Net Loss of approximately RMB1.9 million (equivalent to S$0.38 million), and the Group recorded unaudited Net Loss of approximately S$0.14 million in HY2019. Based on the absolute figures of the Net Profits of MCE Industries and the Group, the relative figure under Rule 1006(b) amounts to 271%.

(3) Based on the Sale Consideration of S$14.80 million and the Company's market capitalisation of approximately S$10.48 million. The market capitalisation of the Company was computed based on the issued share capital of the Company ("**Shares**") of 374,119,000 Shares and the volume weighted average price of S$0.0280 per Share on 24 January 2020 (being the last day on which the Shares were traded prior to the date of this announcement).

(4) Rule 1006(d) of the Catalist Rules is not applicable to a disposal of assets.

(5) Rule 1006(e) of the Catalist Rules is not applicable as the Company is not a mineral, oil and gas company.

7.2 As the relative figures under Rules 1006(a) and 1006(c) of the Catalist Rules exceed 50%, the Proposed Sale constitutes a "major transaction" under Rule 1014 of the Catalist Rules and is subject to the approval of the Shareholders in a general meeting. However, it is noted that, pursuant to Practice Note 10(A) paragraph 8(c) of the Catalist Rules, "*where an issuer proposes to dispose of a non-core business or a non-core asset (for example, a vacant factory and a dormant company) without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal. The Exchange may grant a waiver under such circumstances*".

7.3 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 SGX-ST 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 condition that the Company announces 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.

The Company had, on 19 December 2019, announced the Waiver granted by the SGX-ST. Please refer to the announcement by the Company dated 19 December 2019 for further information on the Waiver, including the reasons for seeking the Waiver.

8. FINANCIAL EFFECTS OF THE PROPOSED SALE

8.1 Assumptions

The *pro forma* financial effects of the Proposed Sale on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Company or the Group after the completion of the Proposed Sale.

The *pro forma* financial effects of the Proposed Sale have been prepared based on the audited consolidated financial statements of the Group for FY2018, and on the following bases and assumptions:

(a) the financial effects on the consolidated net tangible assets ("**NTA**") per Share and gearing ratio are computed based on the assumption that the Proposed Sale was completed on 31 December 2018;

(b) the financial effect on the consolidated loss per share ("**LPS**")/earnings per share ("**EPS**") is computed based on the assumption that the Proposed Sale was completed on 1 January 2018;

(c) the estimated expenses in respect of the Proposed Sale amounted to S$2.53 million (which include (i) the Compensation of RMB500,000 (equivalent to approximately S$0.10 million) payable by the Company to the Buyer pursuant to the Supplemental Agreement; (ii) the Commission of RMB2.76 million (equivalent to S$0.54 million); and (iii) professional fees and related income tax expenses in relation to the Proposed Sale; and

(d) a portion of the net proceeds from the Proposed Sale is used to repay bank borrowings of RMB21.0 million (equivalent to approximately S$4.12 million).

8.2 NTA per Share

	Before the Proposed Sale	After the Proposed Sale
NTA (S$'000)	15,223	17,684
Number of Shares ('000)	374,119	374,119
NTA per Share (cents)	4.07	4.73

8.3 LPS/EPS

	Before the Proposed Sale	After the Proposed Sale
Net (loss)/profit attributable to Shareholders (S$'000)	(5,488)	2,945
Weighted average number of Shares (excluding treasury Shares) ('000)	374,119	374,119
(LPS)/EPS (cents)	(1.47)	0.79

8.4 Gearing

	Before the Proposed Sale	After the Proposed Sale
Total borrowings (S$'000)	10,177	6,059

Shareholders' equity (S$'000)	15,223	17,684
Gearing ratio	0.67	0.34

9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as Directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed Sale.

10. 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 to the Proposed Sale.

11. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Sale. Accordingly, no service contract is proposed to be entered into.

12. DOCUMENTS FOR INSPECTION

A copy of the Agreement and the Supplement Agreement will be made 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 three (3) months from the date of this announcement.

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 Proposed Sale and the Group, 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.

14. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Sale is subject to the fulfilment of the conditions precedent set out above, and there is no certainty or assurance that the Proposed Sale will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are further developments in respect of the Proposed Sale. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should exercise caution when trading in the shares of the Company. Shareholders and potential investors 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
28 January 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 ("**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.