

## METAL COMPONENT ENGINEERING LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198804700N)

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### SIGNING OF NON-BINDING FRAMEWORK AGREEMENT IN RESPECT OF PROPOSED SALE OF MCE INDUSTRIES (SHANGHAI) CO., LTD

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#### 1. INTRODUCTION

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 14 November 2019, entered into a non-binding framework agreement (the ~~%Agreement+~~) with Mr. Pan Genfu (潘根富) (~~%Buyer+~~) for the proposed sale of 100% equity interest in MCE Industries (Shanghai) Co., Ltd (~~%MCE Industries+~~) (~~%Equity Interest+~~) held by the Company to the Buyer (~~%Proposed Sale+~~) for a consideration of RMB75.5 million (~~%Sale Consideration+~~). The Company and the Buyer shall collectively be known herein as the ~~%Parties+~~, and each a ~~%Party+~~.

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 this 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.

#### 2. SALIENT TERMS OF THE AGREEMENT

Salient terms of the Agreement are, among others, as follows:-

- (i) Within three (3) months from the date of the Agreement, (a) the Buyer shall complete the due diligence of MCE Industries; and (b) the Company shall obtain the necessary approvals in respect of the Proposed Sale from the Singapore Exchange Securities Trading Limited (~~%SGX-ST+~~) and/or the Company's shareholders (~~%Shareholders+~~) (if required), (~~%Pre-Requisite Conditions+~~). Upon completion of the Pre-Requisite Conditions, the Parties will enter into a definitive agreement in accordance with the Agreement.
- (ii) The Buyer shall pay the Company a deposit of S\$294,000 (~~%Deposit+~~) upon the signing of the Agreement.
  - (a) In the event the Pre-Requisite Conditions are not satisfied, the Company shall return the Deposit to the Buyer within five (5) days.
  - (b) In the event the Company fails to execute a definitive agreement in respect of the Proposed Sale without justifiable reasons, the Company shall return an amount double of the sum of the Deposit to the Buyer.
  - (c) In the event the Buyer fails to execute a definitive agreement in respect of the Proposed Sale without justifiable reasons, the Deposit shall be forfeited and the Company shall keep the Deposit.
  - (d) Upon the execution of the Agreement, the Deposit shall be used to offset the purchase consideration payable by the Buyer to the Company.
- (iii) The Sale Consideration takes into account the assets of MCE Industries which include land use rights, buildings, and bank deposits and accounts receivable (such bank

deposits and accounts receivable amounting to an aggregate of RMB6.6 million). The accounts receivable shall be recovered by the Company and retained as cash in MCE Industries.

### **3. INFORMATION ON MCE INDUSTRIES AND RATIONALE FOR THE PROPOSED SALE**

MCE Industries, established as a wholly foreign-owned enterprise in November 2004 in the People's Republic of China (the "PRC"), had been dormant since the end of 2017. MCE Industries owns a leasehold land and property in Qingpu District, Shanghai, the PRC, with a land area of 25,000 square metres and a tenure of 50 years (commenced on 20 December 2006 and expiring on 19 December 2056) ("Property"). The Property had been vacant after the closure of its manufacturing plant in 2017.

The Board is of the view that the Proposed Sale is in the best interest of the Company and the Shareholders, taking into consideration, among others, MCE Industries had been dormant since end 2017 and has not generated any profit to the Group. The Proposed Sale will 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.

### **4. 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 Proposed Sale (other than in his capacity as Director or Shareholder, as the case may be).

### **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 in relation to this announcement as the Agreement is non-binding and may or may not lead to the entry into any definitive agreement 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 consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

### **7. 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 Agreement, the Proposed Sale, and the Group. The Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information contained in this announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these

sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Lee Wei Hsiung  
Company Secretary  
15 November 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 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.*