



MEDTECS INTERNATIONAL CORPORATION LIMITED

(Incorporated in Bermuda)

UPDATES ON THE GROUP'S JOINT VENTURE WITH ACO INTERNATIONAL LIMITED

1. INTRODUCTION

The Board of Directors (the "**Board**") of Medtecs International Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 2 March 2021, 22 November 2021 (the "**Announcement**") and 1 March 2022 in relation to the Joint Venture between the Company's wholly owned subsidiary, Medtecs (Asia Pacific) Pte. Ltd. ("**MAP**"), and ACO International Limited ("**ACO**") to build, through the joint venture company, Resilient Medical Pte. Ltd. ("**Resilient Medical**" or the "**Joint Venture Company**"), a fully vertically integrated product development, manufacturing, sales and distribution platform in line with the Company's mission to manufacture and deliver reliable, high-quality personal protective equipment ("**PPE**"). All capitalised terms used herein and not otherwise defined shall have the same meanings ascribed to them in the Announcement.

Further to the aforesaid announcements, the Board wishes to update shareholders on the latest developments in relation to the proposed leasing arrangements for the Land on which the glove manufacturing facility is being constructed pursuant to the Joint Venture.

2. PROPOSED LEASE BETWEEN THE COMPANY AND MIC IN RELATION TO THE LAND

Background

As disclosed in the Announcement, the glove manufacturing facility is being constructed on the Land which measures approximately 7.5 hectares and is located in Phase 2 of the MSEZ in Svay Rieng Province, Cambodia. The MSEZ was developed and is managed by Manhattan International Co. Ltd ("**MIC**"). Please refer to Section 4 of the Announcement for information on MIC.

Previous JV Lease Agreement

As disclosed in the Announcement, Resilient Medical had entered into a lease agreement dated 1 July 2021 with MIC (the "**JV Lease Agreement**") to lease the

Land for 10 years with an option to extend such lease for a further term of 10 years on the same terms and conditions. The annual rental payable under the JV Lease Agreement was US\$450,000 based on a monthly rental rate of US\$0.50 per square metre, which is in line with the prevailing rental rates for recent leases of industrial lands in the MSEZ and other special economic zones in Cambodia.

New 50-Year Lease Between the Company and MIC and Sub-Lease Between the Company and Resilient Medical

The Company has entered into a lease agreement with MIC (the “**New Lease Agreement**”) under which the Company will lease the Land directly from MIC for a term of 50 years commencing from 30 April 2022. The New Lease Agreement is intended to supersede the JV Lease Agreement between MIC and Resilient Medical. Accordingly, the JV Lease Agreement with Resilient Medical has been terminated by mutual consent with effect from 30 April 2022.

Concurrently with the entry into the New Lease Agreement, the Company has entered into a sub-lease agreement (the “**Sub-Lease Agreement**”) with Resilient Medical, under which the Company will lease the Land to Resilient Medical for an initial term commencing from 1 May 2022 until 30 June 2031, being the end of the 10-year term originally contemplated in the JV Lease Agreement. Under the terms of the Sub-Lease Agreement, the monthly rental payable by Resilient Medical to the Company is US\$37,500 (amounting to annual rental of US\$450,000) for the first five years, and the monthly rental will be increased by 3% each year thereafter for the remainder of the term of the sub-lease. Under the terms of the Sub-Lease Agreement, Resilient Medical has an option to renew the sub-lease for an additional term of 10 years prior to the expiry of the initial term, subject to the increase of 3% in the monthly rental for each year of such renewed term but otherwise on the same terms and conditions.

Under the New Lease Agreement, the Company has an option to convert its leasehold interest to a freehold interest within the first 10-year period of the lease term, subject to the prevailing Cambodian laws and regulations at such time permitting ownership of the Land by foreigners or foreign companies. As a foreign company, the Company is not currently permitted under Cambodian law to own a freehold interest in the Land. While it is a common practice in Cambodia for lessors to grant lessees an option to convert a leasehold interest into a freehold interest, such option is typically only exercisable for a period ranging between three to five years, and the Company was able to negotiate a longer exercise period of 10 years for such conversion option with MIC in view of the aforesaid circumstances.

The Company had commissioned CamTop Property Group Co., Ltd. (the “**Valuer**”), an independent valuer which is licensed to perform property valuation in Cambodia by the Ministry of Economy and Finance of Cambodia and is a member of the Cambodian Valuers and Estate Agents Association, to undertake a valuation of the Land in its existing state. The valuation was carried out by the Valuer on an as-is basis. In arriving at the valuation, the Valuer relied on the comparison methodology

and took into account the Land's location, shape, access roads and improvement as compared to other properties in the area. According to the Property Valuation Report of the Land issued by the Valuer dated 17 December 2021 (the "**Valuation Report**"), the market value of the freehold interest of the Land in its existing state as at 17 December 2021 is US\$5,625,000, which amounts to US\$75 per square meter.

Upon the execution of the New Lease Agreement, the Company is required to pay a one-time payment of US\$4.5 million upfront to MIC for the 50-year lease of the Land, which was determined on the basis of US\$60 per square meter taking into account the market value of the Land of US\$75 per square meter as set out in the Valuation Report.

3. RATIONALE FOR THE NEW LEASE AGREEMENT AND SUB-LEASE AGREEMENT

Considering the current cash position of the Group, with an abundance of cash sitting in banks with only single-digit returns, the Board believes that deploying a portion of its excess cash to acquire a long-term leasehold interest in the Land at a fair market price with an option to convert such long-term leasehold interest into a freehold interest will help the Group enjoy a better return on its excess cash.

The benefit to the Group for entering into the New Lease Agreement is two-fold. First, compared with the monthly rental expenses which would have to be paid by Resilient Medical to MIC for the entire term of the JV Lease Agreement, acquiring a long-term leasehold interest in the Land through the upfront payment of US\$4.5 million minimizes costs in the long term given that the Group would be able to achieve a pay-back period of approximately 9.5 years through the collection of monthly rental by the Group from Resilient Medical under the Sub-Lease Agreement. In other words, after the aforesaid pay-back period, the Group will not be required to pay any further rental for the Land, and will be able to collect rental from Resilient Medical on a monthly basis for the remaining 40 years or so. Second, the Group has the benefit of the option to convert its leasehold interest into a freehold interest, subject to the prevailing Cambodian laws and regulations at such time permitting ownership of the Land by foreigners or foreign companies.

Taking into consideration that the Group has been engaged in investment and operations in Cambodia for more than 20 years by virtue of its two existing manufacturing facilities located in Svay Rieng via Medtecs (MSEZ) Corporation, and in Kampong Chhnang via Medtecs (Cambodia) Corporation Limited, and the clear benefits to the Group from the New Lease Agreement and the Sub-Lease Agreement, the Board is of the opinion that the Group will not be exposed to significant new risks as a result of its entry into the New Lease Agreement and the Sub-Lease Agreement.

MIC is an entity incorporated in Cambodia in 2006. Mr Clement Yang, who is also the Chairman of the Company, has been the Chairman and sole director of MIC since its incorporation. MIC's sole shareholder is the BVI-incorporated Lion Index Holdings Group, which in turn is owned by five individuals unrelated to Mr Clement Yang. The individuals are Taiwan nationals based in Taiwan who are business owners and professional investors. Mr Clement Yang took up the appointment as Chairman of MIC at the invitation of these five individuals who valued his business experience and social network in Cambodia. Mr Clement Yang does not directly or indirectly have any shareholding interest in MIC. MIC's core business is the development and management of the MSEZ.

The total amount payable by the Group to MIC under the New Lease Agreement is US\$4,500,000, which represents approximately 2.4% of the latest audited consolidated net tangible assets of the Group as at 31 December 2021.

The Audit Committee and the Board have reviewed the salient terms of the New Lease Agreement and are of the opinion that the New Lease Agreement is on normal commercial terms, and is not prejudicial to the interest of the Company or its minority shareholders.

4. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

Based on the Group's unaudited consolidated financial statements for the financial year ended 31 December ("FY") 2021 (the "**Unaudited FY2021 Results**"), the relative figures for the New Lease Agreement and the Sub-Lease Agreement computed on the relevant bases set out in Rule 1006 of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") are as follows:

Rule 1006	Bases	Relative Figures
(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. This is not a disposal of assets.
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	2.1% ⁽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.	5.16% ⁽²⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue.	Not applicable as no equity securities will be issued by the Company as consideration for the New Lease Agreement.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) The relative figure for Rule 1006(b) of the Catalist Rules was computed based on the net profits attributable to the New Lease Agreement and the Sub-Lease Agreement of US\$360,000 (computed by subtracting the annual depreciation expense of US\$90,000 in relation to 50-year lease of the Land from the annual rental of US\$450,000 to be collected by the Group under the Sub-Lease Agreement for the first five years) divided by the Group's net profits (before income tax and non-controlling interests) of US\$16,918,000 for FY2021 in the Unaudited FY2021 Results.
- (2) The relative figure for Rule 1006(c) of Catalist Rules was computed based on the total amount payable by the Group to MIC under the New Lease Agreement of US\$4,500,000 (equivalent to approximately S\$6.2 million) divided by the Company's market capitalisation of approximately US\$87.2 million (equivalent to approximately S\$117.2 million), which has been calculated on the basis of 544,911,240 shares of the Company (the "Shares") in issue (excluding treasury shares) multiplied by the weighted average price of such Shares transacted on the SGX-ST on 29 April 2022, being the market day preceding the date of the New Lease Agreement (i.e. 30 April 2022) on which Shares were last traded on the SGX-ST, of S\$0.215.

5. FINANCIAL EFFECTS AND IMPACT

The total amount of US\$4,500,000 payable by the Group to MIC under the New Lease Agreement will be funded by both internal and external resources namely, cash on hand and existing banking facilities respectively.

The pro forma financial effects of the New Lease Agreement and the initial term of the Sub-Lease Agreement on the Group as set out below have been prepared based on the audited consolidated financial statements of the Group for FY2021 and are purely for illustrative purpose only and are neither indicative of the actual financial effects of the New Lease Agreement and the initial term of the Sub-Lease Agreement on the net tangible assets ("**NTA**") per share and earnings per share ("**EPS**") of the Group; nor do they reflect the actual future financial position of the Company or the Group after the entry into the New Lease Agreement and the Sub-Lease Agreement. There will not be any change in the share capital of the Company as a result of the New Lease Agreement and the Sub-Lease Agreement.

For illustrative purposes only and assuming that the New Lease Agreement and the Sub-Lease Agreement were entered into on 31 December 2021, the pro forma financial effects on the NTA per share of the Group would be as follows:

As at 31 December 2021	Before the New Lease Agreement and the Initial Term of the Sub-Lease Agreement	After the New Lease Agreement and the Initial Term of the Sub-Lease Agreement
NTA (US\$'000)	187,198	187,558
Number of issued shares	546,411	546,411
NTA per share (US cents)	34.260	34.325

For illustrative purposes only and assuming that the New Lease Agreement and the Sub-Lease Agreement were entered into on 1 January 2021, the pro forma financial effects on the EPS of the Group would be as follows:

FY2021	Before the New Lease Agreement and the Initial Term of the Sub-Lease Agreement	After the New Lease Agreement and the Initial Term of the Sub-Lease Agreement
Profit attributable to shareholders (US\$'000)	17,342	17,702

Weighted average number of issued shares	546,411	546,411
EPS (US cents)	3.174	3.240

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors of the Company (other than through their respective effective shareholding interests in the Company) or controlling shareholders of the Company (in so far as the Directors of the Company are aware) or their respective associates, have any interest, direct or indirect, in the Joint Venture, the JV Lease Agreement, the New Lease Agreement or the Sub-Lease Agreement.

7. FURTHER ANNOUNCEMENTS

The Company will make further update announcements on SGXNet in compliance with the Singapore Exchange Securities Trading Limited's Listing Manual Section B: Rules of Catalist on the Joint Venture, the glove manufacturing facility and as appropriate or when there are material developments in respect of the same. A copy of the New Lease Agreement, the Sub-Lease Agreement and the Valuation Report is available for inspection during normal business hours at the Company's registered office for 3 months from the date of this announcement.

8. CAUTION IN TRADING

Shareholders and potential investors should exercise caution when trading in the Company's shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

Submitted by Mr Clement Yang, Executive Chairman, on 30 April 2022 to the SGX-ST.

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd., ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**").*

This announcement has not been examined or approved by the Exchange. The Exchange 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.

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