

MATEX INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 198904222M)

ENTRY INTO AN AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL BY MATEX INTERNATIONAL LIMITED OF 60% OF THE SHARE CAPITAL IN MATEX CHEMICALS (TAIXING) CO., LTD.

1. INTRODUCTION

The Board of Directors (“**Directors**”) of Matex International Limited (the “**Company**” and together with its subsidiaries the “**Group**”) wishes to announce that the Company and its subsidiaries: Shanghai Matex Chemicals Co., Ltd, Amly Chemicals Co. Ltd, Dedot Trading (Shanghai) Co., Ltd, and Matex Chemicals Technologies (Shanghai) Co., Ltd have entered into an agreement with Shengzhou Lv Huan Digital Offset Printing Co., Ltd. (嵊州市绿环数码胶印有限公司) (the “**Purchaser**”) on 02 April 2021 (the “**Agreement**”) for the sale of 60% of the registered capital in Matex Chemicals (Taixing) Co., Ltd. (万得化工(泰兴)有限公司) (“**MCT**”) (the “**Equity**”) by the Company to the Purchaser (the “**Proposed Disposal**”).

For the purpose of this announcement, the exchange rate between Singapore Dollars and the Chinese Renminbi is S\$1 : RMB 4.86.

2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the People’s Republic of China, with its registered address at Plant 1, 388 Luodong Road, Yanhu Street, Shengzhou City, Zhejiang Province (浙江省嵊州市剡湖街道罗东路388号1号厂房).

As at the date of this announcement, the Purchaser (and its ultimate beneficial shareholders) does not have any shareholding interest, direct or indirect in the Company, nor is the Purchaser (and its ultimate beneficial shareholders) related to any of the Directors or Controlling Shareholders (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalyst (“**Catalist Rules**”)) of the Company, or their respective associates. None of the Directors or Controlling Shareholders of the Company or their respective associates have any shareholding interests, direct or indirect, in the Purchaser, nor are any of the Directors or Controlling Shareholders of the Company or their respective associates related to the Purchaser’s directors, Controlling Shareholders, or their respective associates.

3. INFORMATION ON MCT

MCT is a company with limited liability, incorporated in the People’s Republic of China on 3 December 2003. MCT has an existing registered capital of US\$4,000,000, 60% of which is held by the Company.

Based on latest full year unaudited consolidated financial statements of the Group for the financial year ended 31 December 2020 (“**FY2020**”), MCT recorded S\$11,952,379 of revenue and a loss before tax of S\$7,177,944. As at 28 February 2021, MCT was in net tangible liabilities position of S\$1,947,311.

MCT is involved in the business of producing dyes, textile printing and dyeing auxiliaries. MCT's operations are based in Taixing, China and is the Group's single largest manufacturing operation.

4. SALIENT TERMS OF THE AGREEMENT

4.1. Consideration of the Proposed Disposal

The consideration for the Equity (the "**Equity Consideration**") shall be based on MCT's financial statements as of 28 February 2021 (the "**Base Date**") and calculated as follows:

$$\text{Equity Consideration}^{(1)} = (\text{book value of the assets on the Base Date} - \text{net book value of fixed assets} + \text{appraisal value of real estate}^{(2)} - \text{stated liabilities} - \text{value of inventory over six months}^{(3)}) * 60\%$$

Notes:

- (1) the final Equity Consideration shall be adjusted based on MCT's financial statements on the date when the Market Regulation Administration which has jurisdiction over MCT registers the change of registration and issues the new business licence for the transfer under the Agreement (the "**Registration Date**"). If the adjusted figure is a negative figure, the Equity Consideration under the Agreement shall be zero;
- (2) the appraisal value of real estate shall be subjected to the Property Valuation (as defined below); and
- (3) the above-deducted inventory over six months shall be delivered to Shanghai Matex Chemicals Co., Ltd without consideration.

Based on MCT's financial statements as at 28 February 2021, the Equity Consideration is RMB 6,108,699 (or approximately S\$1,256,934).

The Equity Consideration shall be fully payable in cash by the Purchaser to the Company's designated bank account within 10 days from the Registration Date.

In addition to the Equity Consideration, the Purchaser shall pay to the Company the outstanding intercompany loans of RMB 57,900,099 (or approximately S\$11,913,600) owed by MCT to the Group as at 28 February 2021 ("**Intercompany Loans**"), on behalf of MCT.

Based on the above, the total consideration to the Company pursuant to the Proposed Disposal ("**Total Consideration**") will be RMB 64,008,798 (or approximately S\$13,170,534) consisting of the Equity Consideration and the Intercompany Loans.

A deposit of RMB 5,000,000 (or approximately S\$1,028,806) has been paid by the Purchaser to the Company and shall form part of the Total Consideration.

Pursuant to Rule 1014(5) of the Catalist Rules and under the Agreement, the Company has appointed Beijing Colliers International Real Estate Valuation Co., Ltd (北京高丽国标房地产评估有限公司) as the competent and independent valuer of the Equity ("**Equity Valuation**") and the properties of MCT (the "**Property Valuation**"). The indicative Equity Valuation is RMB 6,042,000 (or approximately S\$1,243,210) which takes into account the Property Valuation of RMB 81,000,000 (or approximately S\$16,666,667) as at 28 February 2021. Further details of the Equity Valuation will be set out in a circular to be despatched to shareholders of the Company ("**Shareholders**") in due course, which will set out, amongst others, further

information on the Proposed Disposal, together with the notice of extraordinary general meeting (“EGM”).

4.2. Conditions

The Agreement will become effective upon the satisfaction of the following conditions:

- (a) the Company having obtained the approval of Shareholders for the Proposed Disposal at a general meeting to be held;
- (b) the other two shareholders of MCT namely, Shanghai Tangzhen Investment Development (Group) Co., Ltd. (上海唐镇投资发展 (集团) 有限公司) and Shenyang Chemical Research Institute Co., Ltd. (沈阳化工研究院有限公司) (together, the “**Other Shareholders of MCT**”) issuing written irrevocable waivers of their right of first refusal to acquire the Equity; and
- (c) the Other Shareholders of MCT respectively agreeing to sell to the Purchaser their total equity of 40% in MCT and signing their respective transfer agreements. The effective date of the Agreement will be the date of signing of the respective transfer agreements by the Other Shareholders of MCT.

4.3. Representations and Warranties

Pursuant to the Agreement, the parties have furnished to each other various representations and warranties customary for transactions of a similar nature as the Proposed Disposal.

4.4. Long-Stop Date

If the conditions are not satisfied by 31 December 2021, then either party has the right to terminate the Agreement and refund any monies already paid by the Purchaser without interest.

4.5. Governing Law and Dispute Resolution

The Agreement is governed by the laws of the People’s Republic of China. Any dispute arising from or in connection with the Agreement is to be finally resolved by arbitration by the Shanghai International Arbitration Centre. The arbitration is to be conducted in the Chinese language by three (3) arbitrators.

5. RATIONALE OF THE PROPOSED DISPOSAL

The Group’s financial results in recent years has been adversely impacted by both the challenging market conditions and competitive business landscape. Because of the COVID-19 pandemic, the Company does not expect MCT’s business to turnaround in the foreseeable future. Furthermore, MCT is currently running at less than one-third of its capacity.

MCT has been making losses since 2017, and has underwent various large-scale retrofitting during recent years, as required by the national and local governments. Collectively, this has resulted in higher costs to maintain MCT’s operations, and has lowered the Group’s overall performance since 2016.

The proposed disposal of MCT is in line with the Company’s plan to dispose loss-making subsidiaries which are in net liabilities position.

The Proposed Disposal will enable the Group to recover the Intercompany Loans of RMB 57,900,099 (or approximately S\$11,913,600). In addition, the Group will record an estimated gain on disposal of approximately S\$3,204,000, mainly due to the reversal of accumulated losses in the Group's consolidated accounts.

Therefore, the Company is of the view that it is in the best interests of the Company to dispose MCT to prevent further loss. After the disposal of MCT, the Group will focus on its sale and distribution of valued added specialty chemicals such as dyes and auxiliaries in textile, and on the leather, paper and polymer industries. The Group will work more closely with its core supply manufacturing partners to deliver cost effective and eco-friendly solutions such as Liquid Indigo dyes for the denim markets. At the same time, it will accelerate distribution of functional chemicals like anti-virus and anti-microbial products to meet immediate market demands. The Group is also looking to expand into the area of wastewater treatment systems, by licensing technologies on patented nano-membranes.

6. USE OF PROCEEDS

The Company will use the consideration received from the Proposed Disposal for general working capital and to repay outstanding liabilities.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after completion of the Proposed Disposal. They are prepared based on the unaudited consolidated financial statements of the Group for FY2020, being the most recently completed financial year and is subject to the following key assumptions:

- (a) The final amount of Equity Consideration is RMB 6,108,699 (or approximately S\$1,256,934);
- (b) the effect of the proposed disposal of MCT on the Group's consolidated net tangible assets ("NTA") is based on the assumption that the proposed disposal of MCT had been effected at the end of FY2020;
- (c) the effect of the proposed disposal of MCT on the Group's consolidated loss per share ("LPS") is based on the assumption that the proposed disposal of MCT had been effected at the beginning of FY2020; and
- (d) the expenses to be incurred in connection with the proposed disposal of MCT are estimated to be approximately S\$180,000.

NTA

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA (S\$'000)	13,611	16,635
Number of shares	311,698,153	311,698,153
Consolidated NTA per share (cents) ⁽¹⁾	4.37	5.34

Note:

(1) NTA is computed based on total assets less total liabilities and intangible assets.

LPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit/ (Loss) attributable to equityholders of the Company (S\$'000)	(6,247)	656
Weighted average number of shares	267,392,320	267,392,320
Consolidated EPS/(LPS) (cents)	(2.34)	0.25

8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL OF THE CATALIST RULES

The relative figures in relation to the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, based on the Group's latest announced unaudited consolidated financial statements of the Group for FY2020, are as follows:

Rule	Bases	Relative Figure
Rule 1006(a)	Net asset value of assets to be disposed, compared with the Group's net asset value	(12.8%) ⁽¹⁾
Rule 1006(b)	Net profits ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group's net losses	72.2% ⁽³⁾
Rule 1006(c)	Aggregate value of consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	128.8% ⁽⁴⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable.
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable.

Notes:

- (1) This is a negative figure. The net asset value attributable to the Equity is a deficit of S\$1.60 million as at 31 December 2020, compared with the Group's net assets value of S\$12.53 million as at 31 December 2020. The relative figure is calculated by dividing (S\$1.60 million) by S\$12.53 million.
- (2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" is defined as profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) The net loss attributable to the Equity is S\$7.18 million for FY2020, compared with the Group's net loss of S\$9.94 million for FY2020. The relative figure is calculated by dividing S\$7.18 million by S\$9.94 million.
- (4) Based on the Total Consideration of RMB 64.01 million (or approximately S\$13.17 million) compared with the Company's market capitalisation of approximately S\$10.22 million (based on the Company's existing issued share capital of 311.70 million shares (excluding treasury shares) and the volume weighted average price of S\$0.0328 per Share on 1 April 2021, being the last full market day on which trades were recorded on Catalist of the SGX-ST immediately preceding the date on which the SPA was entered into. The relative figure is calculated by dividing S\$13.17 million by S\$10.22 million.

As the relative figure computed under Rule 1006(b) and Rule 1006(c) of the Catalist Rules exceed 50%, the Proposed Disposal constitute a "major transaction" under Chapter 10 of the Catalist Rules. Therefore, the Proposed Disposal is subject to the approval of Shareholders at an EGM to be convened.

9. CIRCULAR AND EGM

The Company will be convening an EGM to seek Shareholders' approval for the Proposed Disposal, and a circular containing, *inter alia*, the notice of the EGM and details of the Proposed Disposal will be despatched to Shareholders in due course.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. INTERESTED PERSON TRANSACTIONS

As at the date of this announcement, none of the Directors or Controlling Shareholders of the Company or their respective associates have any interest, direct or indirect, in the Proposed Disposal other than through their respective shareholdings in the Company.

12. 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 Disposal, 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.

13. DOCUMENTS FOR INSPECTION

Shareholders should note that a copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 1003 Bukit Merah Central #01-10 Inno Centre, Singapore 159836 for three (3) months from the date of this announcement.

14. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their shares in the Company as the Proposed Disposal is subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. In the event that Shareholders and potential investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

Further announcement(s) will be made as appropriate when there are material developments to the Proposed Disposal.

By Order of the Board

Dr. Tan Pang Kee

Chief Executive Officer/Managing Director

7 April 2021

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume 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 Mr. Jason Chian, Head, Corporate Finance, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.