



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 announcement dated 2 March 2021 (the "**Announcement**") in relation to the entry into a joint venture agreement (the "**Joint Venture Agreement**") by the Company's wholly owned subsidiary, Medtecs (Asia Pacific) Ptd. Ltd. ("**MAP**"), with ACO International Limited ("**ACO**", and together with MAP, the "**Parties**") to govern their relationship as shareholders of a joint venture company, Resilient Medical Pte. Ltd. ("**Resilient Medical**" or the "**Joint Venture Company**"), through which they would undertake a joint venture (the "**Joint Venture**") to build 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**").

Further to the Announcement, the Board wishes to update shareholders on the latest developments in relation to the Joint Venture with ACO.

2. DISCUSSIONS RELATING TO POTENTIAL INJECTION OF CAPITAL IN THE JOINT VENTURE COMPANY

It had been previously disclosed in the Announcement that Resilient Medical will have an issued and paid-up share capital of US\$5 million comprising 5 million ordinary shares held by MAP and ACO in equal proportions, and that future arrangements pursuant to the Joint Venture may be subject to such other terms and conditions to be agreed between the Parties in writing.

The Board wishes to update that MAP and ACO are currently in discussions to enter into a share subscription agreement ("**SSA**") and shareholders' agreement ("**SHA**") by and among themselves and Resilient Medical on the following principal terms:

- (i) Initial capital injection: MAP and ACO will subscribe for, and Resilient Medical will allot and issue: (a) 5,999,000 ordinary shares to MAP for an aggregate consideration of US\$ 6 million, payable in cash; and (b)

3,000,000 ordinary shares to ACO for an aggregate consideration of US\$ 3 million, payable in cash.

Following completion of the foregoing initial capital injection, Resilient Medical will have an issued and paid-up share capital of US\$9 million comprising 6 million ordinary shares held by MAP and 3 million ordinary shares held by ACO. The total initial capital injected by both Parties into Resilient Medical will be US\$ 9 million.

- (ii) Top-up: It is intended that subject to the fulfilment of certain specified conditions, ACO will have the right to subscribe for an additional 500,000 or 1,000,000 ordinary shares in Resilient Medical at an issue price of US\$ 1.00 per ordinary share, which right must be exercised within 90 days of the completion of the foregoing initial capital injection. In the event ACO does not exercise such additional subscription right or does not subscribe for the full entitlement of 1,000,000 ordinary shares, MAP will have the right to subscribe for the balance entitlement of shares, which would result in MAP's shareholding in Resilient Medical being increased to up to 7 million ordinary shares. It is currently proposed that Resilient Medical will have an issued and paid-up share capital of up to US\$10 million instead.

The proceeds of the aforesaid subscription of additional shares in Resilient Medical will be used for the working capital requirements and capital expenditures of the Joint Venture, which are set out in further detail below.

Shareholders should note that discussions are underway and there is no assurance that the SSA and SHA will be entered into and on the terms outlined above nor is there any certainty that the aforementioned subscription(s) will occur. Future arrangements pursuant to the Joint Venture may be subject to such other terms and conditions to be agreed between the parties in writing. The Company will make the relevant announcements in relation thereto at the appropriate juncture, in compliance with the listing requirements of the SGX-ST.

3. LEASE OF LAND FOR, AND CONSTRUCTION OF, A MANUFACTURING FACILITY FOR DISPOSABLE NITRILE GLOVES IN CAMBODIA

Under the terms of the Joint Venture Agreement, ACO will assist with site selection of a PPE production facility and upon MAP's approval, both MAP and ACO will assist Resilient Medical with the development of the site and all matters in relation thereto.

Development site

ACO has located a site for development of a manufacturing facility for disposable nitrile gloves for medical use (the "**Proposed Business**") on a piece of land (the "**Land**") measuring approximately 7.5 hectares located in Phase 2 of the

Manhattan Special Economic Zone (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 this announcement for information on MIC.

The Land is strategically located in the MSEZ, which is 82 kilometers from Saigon Port, with easy access to major roads and highways as well as a high-quality labour force. Setting up the Proposed Business in the MSEZ provides key advantages, as the MSEZ provides utilities, well-developed infrastructure and on-site, one-stop services by various government agencies for import/export permits and customs clearance.

Resilient Medical has entered into a lease agreement dated 1 July 2021 with MIC 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 is 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.

Construction of glove manufacturing facility

Construction of the glove manufacturing facility has commenced in July 2021 and is expected to be completed in the first quarter of 2022. The new glove manufacturing facility will house 2 production lines, which will have a production capacity of approximately 50 million pieces of gloves per month. More production lines will be added depending on market demand. The scaling up of the Proposed Business and of the operations of the Joint Venture will be carried out in phases for risk mitigation.

MSEZ’s Management Policies and Procedures on Services and Fees provides that a service fee (the “**Construction Service Charge**”) shall be levied on construction projects carried out by a lessee of land in the MSEZ. Based on the fee schedule for the Construction Service Charge, Resilient Medical will also pay to MIC a one-off Construction Service Charge of US\$300,000 for the construction of the glove manufacturing facility.

4. INFORMATION ON MIC

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.

The total amount payable by Resilient Medical to MIC, comprising the aggregate rental for the entire duration of the lease of the Land and the Construction Service Charge, is US\$4,800,000, which represents approximately 2.5% of the latest audited consolidated net tangible assets of the Group for the financial year ended 31 December 2020.

The Audit Committee and the Board have reviewed the salient terms of the lease of the Land and are of the opinion that the lease of the Land and the Construction Service Charge are on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

5. **RATIONALE FOR THE PROPOSED BUSINESS THROUGH THE JOINT VENTURE**

The Proposed Business will focus on the manufacturing of disposable nitrile gloves, the demand for which has outpaced supply ever since the onset of the COVID-19 pandemic. The Board believes that the Proposed Business will help the Group capitalise on the global demand for disposable nitrile gloves, and will add new revenue streams to enhance shareholders' value. The Board further believes that the Proposed Business will also advance the Group's long-term growth by expanding its production capacities and product offering, and is part of the Group's strategy to become the first multi-national Group Purchasing Organisation in Asia with a fully vertically integrated product development, manufacturing, sales and distribution platform.

The Group is principally engaged in the manufacturing and distribution of PPE, medical textiles and medical consumables. The Board is of the view that the Proposed Business is in line with the Group's core manufacturing and distribution business and will be a valuable addition to complement the healthcare product portfolio of the Group. Further, the Joint Venture will not change the Group's risk profile as it would not have an adverse impact to the Group's net profit and net asset value and will have only minimal impact on gearing as a significant portion of the project will be funded by internal resources.

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, 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 Proposed Business and the Proposed Business will not result in an expansion into a new jurisdiction. **Therefore, the Board is of the view that the Proposed Business is in connection with the Group's ordinary business and that Chapter 10 of the Catalist Rules does not apply.**

The working capital requirements and capital expenditures of the Joint Venture will be partially funded by the proceeds of the aforesaid subscription of additional shares in Resilient Medical of up to US\$10 million. The Group will also provide Resilient Medical with project financing of up to US\$ 15 million for the construction and any expansion of the glove manufacturing facility and the Proposed Business.

As the controlling shareholder of Resilient Medical, the Company will leverage its resources to cover the costs of the initial capital expenditure of the Joint Venture. ACO will not be providing any shareholder loans or financial assistance to Resilient Medical, but will instead leverage its marketing resources and connections to secure orders for Resilient Medical.

6. INCORPORATION OF SUBSIDIARY OF THE JOINT VENTURE COMPANY

To further the goal of the Joint Venture, RMKH Glove Pte. Ltd. (“**RMKH Glove**”), a wholly-owned subsidiary of Resilient Medical, was incorporated in Singapore on 16 March 2021 with an issued and paid-up share capital of S\$1,000 comprising 1,000 ordinary shares, all of which are held by Resilient Medical. The current directors of RMKH Glove are Mr William Yang, who is the Deputy Chairman, Executive Director and Chief Executive Officer of the Company and Mr Yang Furong, who is a nominee Singapore resident director unrelated to Mr William Yang or Mr Clement Yang. RMKH Glove has a book value of S\$1,000. The principal activities of RMKH Glove will be the manufacturing and supplying of nitrile gloves and other healthcare products pursuant to the Joint Venture. As a newly incorporated company, it is currently not generating revenue or engaging in any business activity.

7. FINANCIAL EFFECTS AND IMPACT

The incorporation of RMKH Glove was funded by the Company’s internal resources, and the construction of the glove manufacturing facility and the Proposed Business will be funded by both internal and external resources (namely, cash on hand and existing banking facilities respectively) and does not have any material impact on the earnings per share or the net tangible assets per share of the Company and/or the Group for the current financial year ending 31 December 2021.

8. 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 lease of the Land or the Construction Service Charge.

9. 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 proposed glove manufacturing facility and the Proposed Business as appropriate or when there are material developments in respect of the same.

10. 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 22 November 2021 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**"). The Sponsor has not independently verified the contents of this announcement including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.*

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