

MATEX INTERNATIONAL LIMITED
(Registration Number 198904222M)
(Incorporated in Singapore)

and its subsidiaries

Condensed Interim Financial Statements

For the Six Months Ended

30 June 2023

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The contact person for the Sponsor is Ms. Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899. Telephone: (65) 6227 5810. Email: wongbe@provenancecapital.com.

MATEX INTERNATIONAL LIMITED
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AND ITS SUBSIDIARIES
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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Condensed Interim Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2023

	Note	Group		Increase / (Decrease) %
		6 Mths Ended Jun-2023 S\$'000	6 Mths Ended Jun-2022 S\$'000	
Revenue	4	3,215	7,785	(58.70)
Cost of sales		(2,442)	(6,352)	(61.56)
Gross Profit		<u>773</u>	<u>1,433</u>	(46.06)
Other operating income		34	80	(57.50)
Selling and distribution expenses		(581)	(855)	(32.05)
General and administrative expenses		(2,317)	(3,881)	(40.30)
Other operating expenses		50	(109)	N.M.
Write back of impairment losses on financial assets		277	290	(4.48)
Finance income		<u>54</u>	<u>17</u>	217.65
Finance expenses		<u>(74)</u>	<u>(315)</u>	(76.51)
Finance expenses, net		<u>(20)</u>	<u>(298)</u>	(93.29)
Loss before income tax		<u>(1,784)</u>	<u>(3,340)</u>	(46.59)
Income tax		<u>(9)</u>	<u>(14)</u>	(35.71)
Loss after tax for the period		<u>(1,793)</u>	<u>(3,354)</u>	(46.54)
Other comprehensive loss :				
Currency translation difference		<u>(118)</u>	<u>(142)</u>	(16.90)
Other comprehensive loss, net of tax		<u>(118)</u>	<u>(142)</u>	(16.90)
Total comprehensive loss		<u>(1,911)</u>	<u>(3,496)</u>	(45.34)
Loss for the period attributable to				
Owners of the Company		<u>(1,368)</u>	<u>(2,356)</u>	(41.94)
Non-controlling interests		<u>(425)</u>	<u>(998)</u>	(57.41)
		<u>(1,793)</u>	<u>(3,354)</u>	(46.54)
Total comprehensive loss attributable to:				
Owners of the Company		<u>(1,527)</u>	<u>(2,562)</u>	(40.40)
Non-controlling interests		<u>(384)</u>	<u>(934)</u>	(58.89)
		<u>(1,911)</u>	<u>(3,496)</u>	(45.34)

N.M. - Not meaningful

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Condensed Interim Statements of Financial Position
As at 30 June 2023

	Note	Group		Company	
		Jun-2023 S\$'000	Dec-2022 S\$'000	Jun-2023 S\$'000	Dec-2022 S\$'000
Non-Current Assets					
Property, plant and equipment		321	360	1	2
Right-of-use assets		1,331	1,442	211	5
Investment in subsidiaries	10	-	-	715	516
Other long-term investment		134	-	134	-
		1,786	1,802	1,061	523
Current Assets					
Inventories		1,919	3,244	-	-
Trade and notes receivables		2,485	2,204	646	679
Other receivables, deposits and tax receivables		865	5,011	2,127	3,285
Prepayment		116	69	51	51
Fixed deposits		8,113	-	8,113	-
Cash and cash equivalents		9,665	11,924	2,346	8,878
		23,163	22,452	13,283	12,893
Total Assets		24,949	24,254	14,344	13,416
Current Liabilities					
Trade payables		939	590	-	-
Other payables and accruals		5,647	4,079	230	260
Contract liabilities		4	16	-	-
Tax payables		3	-	-	-
Lease liabilities		596	565	18	-
Term loans		2,259	2,401	-	-
		9,448	7,651	248	260
Net Current Assets		13,715	14,801	13,035	12,633
Non-Current Liabilities					
Lease liabilities		565	771	111	-
Term loan		420	661	-	-
Other long term liabilities		14	13	-	-
Deferred tax liabilities		64	59	-	-
		1,063	1,504	111	-
Net Assets		14,438	15,099	13,985	13,156

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Condensed Interim Statements of Financial Position
As at 30 June 2023

	Note	Group		Company	
		Jun-2023	Dec-2022	Jun-2023	Dec-2022
		S\$'000	S\$'000	S\$'000	S\$'000
Equity					
Share capital		25,853	24,603	25,853	24,603
Capital reserve		294	294	-	-
General reserve		4,349	4,349	-	-
Enterprise expansion reserve		4,349	4,349	-	-
Translation reserve		(115)	44	-	-
Retained losses		(20,132)	(18,764)	(11,868)	(11,447)
Equity attributable to the Owners of the Company		14,598	14,875	13,985	13,156
Non-controlling interests		(160)	224	-	-
Total Equity		14,438	15,099	13,985	13,156

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Condensed Interim Statements of Changes in Equity
For the Six Months Ended 30 June 2023

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Capital reserve	General reserve	Enterprise expansion reserve	Translation reserve	Retained losses	Sub-total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
Group									
As at 01-January-2022	24,603	294	4,417	4,417	244	(26,173)	7,802	(726)	7,076
Loss for the period	-	-	-	-	-	(2,356)	(2,356)	(998)	(3,354)
Other comprehensive loss for the period	-	-	-	-	(206)	-	(206)	64	(142)
Total comprehensive loss for the period	-	-	-	-	(206)	(2,356)	(2,562)	(934)	(3,496)
As at 30-June-2022	24,603	294	4,417	4,417	38	(28,529)	5,240	(1,660)	3,580
As at 01-January-2023	24,603	294	4,349	4,349	44	(18,764)	14,875	224	15,099
Loss for the period	-	-	-	-	-	(1,368)	(1,368)	(425)	(1,793)
Other comprehensive loss for the period	-	-	-	-	(159)	-	(159)	41	(118)
Total comprehensive loss for the period	-	-	-	-	(159)	(1,368)	(1,527)	(384)	(1,911)
Issued of new ordinary shares	1,250	-	-	-	-	-	1,250	-	1,250
As at 30-June-2023	25,853	294	4,349	4,349	(115)	(20,132)	14,598	(160)	14,438
Company									
As at 01-January-2022	24,603	-	-	-	-	(17,336)	7,267	-	7,267
Loss for the period	-	-	-	-	-	(1,068)	(1,068)	-	(1,068)
As at 30-June-2022	24,603	-	-	-	-	(18,404)	6,199	-	6,199
As at 01-January-2023	24,603	-	-	-	-	(11,447)	13,156	-	13,156
Loss for the period	-	-	-	-	-	(421)	(421)	-	(421)
Issued of new ordinary shares	1,250	-	-	-	-	-	1,250	-	1,250
As at 30-June-2023	25,853	-	-	-	-	(11,868)	13,985	-	13,985

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Condensed Interim Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2023

	Note	6 Mths Ended Jun-2023 S\$'000	6 Mths Ended Jun-2022 S\$'000
Cash flow from operating activities			
Loss before income tax		(1,784)	(3,340)
Adjustments for:			
Depreciation of property, plant and equipment		34	483
Depreciation of right-of-use assets		296	90
Amortisation of intangible assets		-	81
Write back of Impairment losses on financial assets - trade receivables		(277)	(303)
Impairment losses on financial assets - trade receivables		-	13
Loss from disposal of property, plant and equipment		2	226
Property, plant and equipment written off		(3)	-
Right-of-use assets written off		4	-
(Reversal of) / allowance for inventory obsolescence		(6)	36
Interest expense on borrowings and lease liabilities		74	314
Interest income		(54)	(17)
Translation adjustments		(181)	288
Operating loss before working capital changes		(1,895)	(2,129)
Decrease in inventories		1,294	640
(Increase) / decrease in trade and note receivables		(91)	1,169
Decrease / (Increase) in other receivables and prepayments		111	(292)
Increase in trade and other payables		246	5,399
Decrease in contract liabilities		(12)	(41)
Increase in deferred tax liabilities		5	52
Cash (used in) / generated from operations		(342)	4,798
Interest received		54	17
Interest paid		(74)	(314)
Income tax refunded		21	50
Net cash (used in) / generated from operating activities		(341)	4,551
Cash flow from investing activities			
Purchase of property, plant and equipment		(91)	(74)
Purchase of other long-term investment		(134)	-
Proceeds from disposal of property, plant and equipment		15	3
Net cash inflow on disposal of subsidiaries		1,157	-
Repayment from former subsidiary		4,661	-
Net cash generated from / (used in) investing activities		5,608	(71)

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Condensed Interim Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2023

	6 Mths Ended	6 Mths Ended
	Jun-2023	Jun-2022
	S\$'000	S\$'000
Cash flow from financing activities		
Decrease in restricted cash	-	1,500
Proceeds from loans and borrowings	-	623
Repayment of loans and borrowings	(330)	(3,453)
Proceeds from issuance of ordinary shares from placement	1,250	-
Payment of principal portion of lease liabilities	(304)	(482)
Advances from Third Party	-	4,982
	<u>616</u>	<u>3,170</u>
Net cash generated from financing activities	616	3,170
Net increase in cash & cash equivalents	5,883	7,650
Effect of exchange rate changes on cash and cash equivalents	(29)	(134)
Cash and cash equivalents at beginning of financial period	11,924	6,455
Cash and cash equivalents at end of financial period A	<u>17,778</u>	<u>13,971</u>

Note A: Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Jun-2023	Jun-2022
	S\$'000	S\$'000
Cash and bank balances	9,665	8,494
Fixed deposits	8,113	-
Add: Cash at bank reclassified under asset held for sale	-	5,477
Cash and cash equivalents	<u>17,778</u>	<u>13,971</u>

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Notes to the Condensed Interim Consolidated Financial Statements
For the Six Months Ended 30 June 2023

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1 General

Matex International Limited (“**Company**”) is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 1003, Bukit Merah Central, #01-10 Inno Centre, Singapore 159836.

The principal activities of the Company are the formulation, manufacturing and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry.

The principal activities of the subsidiaries are disclosed in Note 10 to the condensed interim consolidated financial statements.

These condensed interim financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the “**Group**”).

2 Summary of significant accounting policies

2.1 Basis of preparation

The condensed interim financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (the “SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the Group’s performance since the last condensed interim financial statements for the year ended 31 December 2022.

The condensed interim financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

The accounting policies and method of computations used in the condensed interim financial statements are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards.

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2.2 Adoption of new and amended standards and interpretations

In the current financial year, the Group has adopted all the new and revised SFRS (I) that are relevant to its operations and effective for the current financial year.

The adoption of these new/revised SFRS(I)s did not result in material changes to the Group's accounting policies and has no material effect on the financial results or position of the Group and the Company.

3 Significant accounting judgements and estimates

The preparation of the Group's condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Critical judgement is required in the application of accounting policies when preparing the Group's condensed interim financial statements. Management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Allowance for expected credit losses ("**ECLs**") of trade receivables*

The Group determines ECLs and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables.

The provision matrix is based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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3.2 Key sources of estimation uncertainty (cont'd)

The carrying amount of the Group and the Company's trade receivables as at 30 June 2023 are \$1,258,000 (31 December 2022: \$1,157,000) and \$646,000 (31 December 2022: \$679,000) respectively.

(b) *Allowance for slow-moving and obsolete inventories*

A review of the realisable value of the inventories is performed periodically for slow-moving, obsolete, and inventories which have a decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories.

The carrying amount of the Group's inventories as at 30 June 2023 is \$1,919,000 (31 December 2022: \$3,244,000).

(c) *Impairment of non-financial assets (property, plant and equipment, and right-of-use assets)*

The recoverable amounts of the cash generating units ("CGU") are determined based on value in use, which are computed using a discounted cash flow model. This assessment required management to exercise significant judgement over various inputs and assumptions such as revenue growth rates, gross margins and discount rates.

The carrying amount of the Group's property, plant and equipment and right-of-use assets as at 30 June 2023 is \$321,000 and \$1,331,000 (31 December 2022: \$360,000 and \$1,442,000) respectively.

4 Revenue and segment information

(a) *Revenue by segments*

	Group	
	<u>6 Mths Ended</u>	<u>6 Mths Ended</u>
	<u>Jun-2023</u>	<u>Jun-2022</u>
	\$'000	\$'000
Primary geographical markets		
People's Republic of China ("PRC")	2,002	5,356
Malaysia	415	776
Singapore	798	1,653
Sale of goods at a point in time	<u>3,215</u>	<u>7,785</u>

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4 Revenue and segment information (cont'd)

(b) *Segment Information*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments only as it is not meaningful to present segmental reporting by business segments since the revenue of the Group is primarily derived from the manufacture and sale of dyestuffs and auxiliaries.

Inter-segment pricing is determined on an arm's length basis. The Group's operating businesses are organised and managed separately by geographical segments based on the location of assets. Revenue, assets and additions to property, plant and equipment are based on the location of those assets.

	PRC		Other Asia Pacific		Eliminations		Group	
	6 Mths Ended		6 Mths Ended		6 Mths Ended		6 Mths Ended	
	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue								
Sales to external customers	5,885	5,356	1,213	2,429	(3,883)	-	3,215	7,785
Inter-segment sales	172	4,368	58	240	(230)	(4,608)	-	-
Total revenue	6,057	9,724	1,271	2,669			3,215	7,785
Segment results	(950)	(1,773)	(842)	(1,264)	28	(5)	(1,764)	(3,042)
Financial expense, net							(20)	(298)
Loss before tax							(1,784)	(3,340)
Income tax							(9)	(14)
Loss after tax							(1,793)	(3,354)
Non-controlling interest							425	998
Loss attributable to owners of the parent							(1,368)	(2,356)

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5 Expenses by nature

	Group		Increase / (Decrease)
	6 Mths Ended Jun-2023	6 Mths Ended Jun-2022	
	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	34	483	(92.96)
Depreciation of right-of-use assets	296	90	228.89
Amortisation of intangible assets	-	81	(100.00)
Cost of Sales	2,442	6,352	(61.56)
Impairment losses on financial assets - trade receivables	-	13	(100.00)
Write back of Impairment losses on financial assets - trade receivables	(277)	(303)	(8.58)
Research and development	5	13	(61.54)
Write back of allowance of inventory obsolescence	(6)	-	N.M.
Allowance for inventory obsolescence	-	36	(100.00)
Foreign exchange gain	(4)	(111)	(96.46)
Loss from disposal of property, plant and equipment	2	226	(99.12)
Property, plant and equipment written off	(3)	-	N.M.
Right-of-use assets written off	4	-	N.M.
Interest expense on borrowings and lease liabilities	74	314	(76.43)
Interest income	(54)	(17)	217.65

N.M. - Not meaningful

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6 Financial assets and financial liabilities

Financial assets carried at amortised costs comprise the following:

	Group	
	<u>30-Jun-23</u> <u>\$'000</u>	<u>31-Dec-22</u> <u>\$'000</u>
Trade receivables	1,258	1,157
Notes receivables	1,227	1,047
Total trade and notes receivables	2,485	2,204
Add:		
Other receivables	804	4,936
Deposit	41	41
Cash and cash equivalents	9,665	11,924
Fixed deposits	8,113	-
Total financial assets carried at amortised cost	21,108	19,105

Financial liabilities carried at amortised costs comprise the following:

	Group	
	<u>30-Jun-23</u> <u>\$'000</u>	<u>31-Dec-22</u> <u>\$'000</u>
Trade payables	939	590
Add:		
Other payables and accruals*	5,661	4,092
Lease liabilities	1,161	1,336
Term loans	2,679	3,062
Less:		
Provision for unutilised leave	(47)	(47)
Total financial liabilities carried at amortised cost	10,393	9,033

**breakdown of other payables and accruals*

	Group	
	<u>30-Jun-23</u> <u>\$'000</u>	<u>31-Dec-22</u> <u>\$'000</u>
Other payables	5,321	3,664
Accrued operating expenses	132	224
Accrued payroll related expenses	208	204
Total other payables and accruals	5,661	4,092

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7 Share capital

	Group and Company			
	<u>30 June 2023</u>		<u>30 June 2022</u>	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Issued and fully paid ordinary shares:				
At beginning of the year	311,698	24,603	311,698	24,603
Issuance of ordinary shares	50,000	1,250	-	-
At end of the period	361,698	25,853	311,698	24,603

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

8 Loss per share

Loss per share is calculated by dividing the net losses attributable to owners of the Company of \$1,368,000 (2022: loss of \$2,356,000) by the weighted average number of ordinary shares outstanding during the year of 312,109,112 (2022: 311,698,153) shares.

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares as at 30 June 2023 and 2022.

	Period ended 30 June	
	<u>2023</u>	<u>2022</u>
	Cents	Cents
(a) Based on weighted average number of ordinary shares	(0.44)	(0.76)
(b) Based on a fully diluted basis	(0.44)	(0.76)
Weighted average number of ordinary shares in issue	312,109,112	311,698,153

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9 Net asset value per share

Net asset value per share (for the Group and the Company) as at the end of the:

- (a) current financial period reported on; and
- (b) immediately preceding financial year,

are as follows:

	Group		Company	
	<u>30-Jun-23</u>	<u>31-Dec-22</u>	<u>30-Jun-23</u>	<u>31-Dec-22</u>
Net asset value per share (cents)	4.04	4.77	3.87	4.22

Net asset value per share as at 30 June 2023 was computed based on the equity attributable to the owners of the Company of S\$14,598,000 (31 December 2022: S\$14,875,000) and 361,698,153 ordinary shares (31 December 2022: 311,698,153 ordinary shares).

10 Investment in subsidiaries

	Company	
	<u>30-Jun-23</u> \$'000	<u>31-Dec-22</u> \$'000
Unquoted equity shares, at cost	3,970	3,608
Add: Additional investment for the financial period/year	199	362
Less: Accumulated impairment losses	(3,454)	(3,454)
	<u>715</u>	<u>516</u>

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10 Investment in subsidiaries (cont'd)

(a) Composition of the Group

The Group has the following investment in subsidiaries:

<u>Name of subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Proportion (%) of ownership interest</u>	
			<u>30-Jun-23</u>	<u>31-Dec-22</u>
<u>Held by the Company</u>				
Matex Holdings Pte Ltd	General wholesale trading & dyestuffs manufacturing	Singapore	100	100
Shanghai Matex Chemicals Co., Ltd	Sale of dyestuffs	PRC	60	60
Unimatex Sdn Bhd	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	100	100
Matex Chemicals Technologies (Shanghai) Co., Ltd	General wholesale trading	PRC	100	100
<u>Held through a subsidiary (Matex Holdings Pte Ltd)</u>				
Dedot Trading (Shanghai) Co., Ltd	Import, export and wholesale of all kinds of garments, textile products and chemical products	PRC	100	100
MatexMega Pte. Ltd.	Manufacture and repair of measuring devices, process control equipment and related products	Singapore	65	-

Impairment on investment in subsidiaries

Management has performed an impairment assessment for subsidiaries with indicators of impairment based on their estimation of recoverable amount. For the six months ended 30 June 2023, there was no impairment on investment in subsidiaries.

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10 Investment in subsidiaries (cont'd)

(b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Proportion of ownership interest held by NCI</u>	<u>Loss allocated to NCI during the reporting period</u>	<u>Accumulated NCI at the end of reporting period</u>
<u>30 June 2023:</u>				
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(425)	(195)
<u>31 December 2022:</u>				
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(1,575)	224

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statements of financial positions

	Shanghai Matex Chemicals Co., Ltd	
	<u>30-Jun-23</u> \$'000	<u>31-Dec-22</u> \$'000
Current		
Assets	4,874	3,873
Liabilities	(6,010)	(3,980)
Net current liabilities	<u>(1,136)</u>	<u>(107)</u>
Non-current		
Assets	945	1,212
Liabilities	(296)	(546)
Net non-current assets	<u>649</u>	<u>666</u>
Net assets	<u>(487)</u>	<u>559</u>

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10 Investment in subsidiaries (cont'd)

Summarised statement of comprehensive income

	Shanghai Matex Chemicals Co., Ltd	
	<u>30-Jun-23</u>	<u>30-Jun-22</u>
	\$'000	\$'000
Revenue	3,175	584
Loss before taxation	(1,062)	(836)
Income tax expense	-	-
Loss after tax	(1,062)	(836)
Other comprehensive income	-	-
Total comprehensive loss	<u>(1,062)</u>	<u>(836)</u>

11 Capital reserve

This pertains to a non-distributable capital income arising from the restructuring of subsidiary companies in prior years.

12 Enterprise expansion reserve and general reserve

These pertain to reserve funds set up by the Group's subsidiaries in the PRC, in accordance with local laws and regulations, by way of appropriation from their net profits at a rate determined by the subsidiaries. The respective board of directors of the subsidiaries have decided that 20% of the profit after taxation be appropriated each year, of which 10% be appropriated to the general reserve and 10% be appropriated to the enterprise expansion reserve.

The general reserve and the enterprise expansion reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the authorities of the PRC. The reserves are not available for dividend distribution to the shareholders.

13 Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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- 1(a) A comprehensive income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Please refer to Page 2 of this condensed interim financial statements.

- 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

Please refer to Pages 3 and 4 of this condensed interim financial statements.

- 1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

As at 30 June 2023		As at 31 December 2022	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,282	573	2,411	555

Amount repayable after one year

As at 30 June 2023		As at 31 December 2022	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
539	446	667	765

Details of any collateral

Secured borrowings

As at 30 June 2023, our Group's borrowings are secured by the following:

- (i) Term loan and bills payable to banks of approximately S\$2,679k (31 December 2022: S\$3,062k) were granted to the subsidiaries of the Company and were used mainly as working capital and for financing of purchases made in the ordinary course of business; and
- (ii) The lease liabilities under the hire purchase is approximately S\$142k (31 December 2022: S\$16k) secured by the underlying assets (i.e. motor vehicles) acquired with total net book value of approximately S\$212k as at 30 June 2023 (31 December 2022: S\$5k).

Unsecured borrowings

The unsecured debts (i.e. lease liabilities) comprise office rental which arises from the adoption of SFRS(I) 16 Leases.

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Please refer to Pages 6 and 7 of this condensed interim financial statements.

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Please refer to Page 5 of this condensed interim financial statements.

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and subsidiary holdings held against the total percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Please refer to Page 14, Note 7, of this condensed interim financial statements.

On 26 June 2023, 50,000,000 new ordinary shares in the capital of the Company were issued pursuant to a private placement exercise, raising gross proceeds of S\$1.25m.

As at 30 June 2023, the share capital of the Company comprises of 361,698,153 ordinary shares (31 December 2022: 311,698,153). There were no outstanding convertibles, treasury shares or subsidiary holdings held by the Company as at 30 June 2023 and 31 December 2022.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

There were no treasury shares as at 30 June 2023 and 31 December 2022. The share capital of the Company comprises 361,698,153 ordinary shares as at 30 June 2023 (31 December 2022: 311,698,153 ordinary shares).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company does not have any treasury shares as at 30 June 2023.

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- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company does not hold any subsidiary holdings as at 30 June 2023.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2022 ("FY2022") were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group and Company have applied the same accounting policies and methods of computation for the current reporting period compared with the audited financial statements for FY2022.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

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- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Please refer to page 14, Note 8, of this condensed interim financial statements.

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and**
- (b) immediately preceding financial year.**

Please refer to page 15, Note 9, of this condensed interim financial statements.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of financial performance of the Group

Revenue

The Group recorded a decrease in revenue by S\$4.6m from S\$7.8m for the six months ended 30 June 2022 ("**1H2022**") to S\$3.2m for the six months ended 30 June 2023 ("**1H2023**"). The decrease was due mainly to generally weak demand in the textile industry which have not fully recovered from the pandemic as well as high inventory level in the market prior to the pandemic.

Gross Profit

Gross profit margin increased from 18.4% in 1H2022 to 24.0% for 1H2023 due mainly to the Company's focus on higher value-added products which generated higher margin.

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Review of financial performance of the Group (Cont'd)

Other income

The Group recorded a decrease in other income from S\$80k in 1H2022 to S\$34k in 1H2023 due mainly to the absence of Covid-19 pandemic related government grants.

Selling and distribution expenses

The Group recorded a decrease in selling and distribution expenses from S\$855k in 1H2022 to S\$581k in 1H2023, in line with the reduction in revenue.

General and administrative expenses

The Group recorded a decrease in general and administrative expenses from S\$3.9m in 1H2022 to S\$2.3m in 1H2023, due mainly to the restructuring and moving towards asset-light strategy, following the completion of the disposal of MCT and ACL in the second half of FY2022.

Net Finance Expense

The Group recorded a decrease in net finance expense of S\$278k from S\$298k in 1H2022 to S\$20k in 1H2023, due mainly to repayment of loan in FY2022.

Tax

Taxation is in accordance with applicable tax rates on the taxable profits made by the profitable subsidiaries in the PRC.

Net Results

Overall, due mainly to the above movements, the Group recorded a loss before tax of S\$1.8m in 1H2023 as compared to a loss before tax of S\$3.4m in 1H2022. The loss attributable to owners of the Group is approximately S\$1.4m in 1H2023, as compared to a loss of S\$2.4m in 1H2022.

Review of financial position of the Group

Property, plant and equipment (“PPE”) decreased from S\$360k as at 31 December 2022 to S\$321k as at 30 June 2023, due mainly to depreciation.

Right-of-use assets decreased from S\$1.4m as at 31 December 2022 to S\$1.3m as at 30 June 2023, due mainly to the depreciation of right-of-use assets, partially offset by the purchase of right-of-use assets in 1H2023.

Other long-term investment increased by S\$134k as at 30 June 2023, arising from investment in unquoted equity securities.

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Review of financial position of the Group (Cont'd)

Inventories reduced from S\$3.2m as at 31 December 2022 to S\$1.9m as at 30 June 2023, in line with the reduction in revenue.

Current trade and notes receivables increased from S\$2.2m as at 31 December 2022 to S\$2.5m as at 30 June 2023, due mainly to longer credit terms offered to customers in the normal course of business.

Other receivables decreased from S\$5.0m as at 31 December 2022 to S\$0.9m as at 30 June 2023, as a result of repayment of outstanding consideration owing from the respective purchasers of MCT and ACL.

Prepayment increased from S\$69k as at 31 December 2022 to S\$116k as at 30 June 2023, due mainly to advances to suppliers to reduce the purchase price.

Total cash and cash equivalents and fixed deposits increased from S\$11.9m as at 31 December 2022 to S\$17.8m as at 30 June 2023 due mainly to the receipt of (i) the final payment of S\$1.2m by the purchaser of ACL; (ii) repayment of outstanding intercompany payables of S\$4.7m by the purchaser of MCT; and (iii) the proceeds raised from the private placement, offset partially by cash used in operations and repayment of loans and borrowings.

Trade payables increased from S\$0.6m as at 31 December 2022 to S\$0.9m as at 30 June 2023, due mainly to longer credit terms requested by the Group from its suppliers in view of the longer credit terms offered to the Group's customers.

Other payables and accruals increased from S\$4.1m as at 31 December 2022 to S\$5.6m as at 30 June 2023, due mainly to a provision made for the overpayment by the purchaser of MCT on the repayment of outstanding intercompany payables.

Term loans decreased from S\$3.1m as at 31 December 2022 to S\$2.7m as at 30 June 2023, due mainly to the repayment of loans and borrowings.

As a result of the above, the Group's equity decreased from S\$15.1m as at 31 December 2022 to S\$14.4m as at 30 June 2023. After excluding non-controlling interests, the Group's equity attributable to Owners of the Company dropped slightly from S\$14.9m as at 31 December 2022 to S\$14.6m as at 30 June 2023.

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Review of cash flows

Net cash used in operating activities

In 1H2023, approximately S\$0.3m of net cash was used in the operating activities, which was a result of operating loss before changes in working capital of S\$1.9m and net working capital inflows of approximately S\$1.6m.

Net cash generated from investing activities

In 1H2023, the Group's net cash inflow from investing activities amounted to approximately S\$5.6m, due mainly to the proceeds received from the disposal ACL and the repayment of outstanding intercompany payables by the purchaser of MCT, offset partially by the purchase of PPE amounting S\$91k and the long-term investment of S\$134k.

Net cash used in financing activities

In 1H2023, the Group's net cash inflow from financing activities amounted to approximately S\$0.6m, due mainly to the proceeds from the private placement of S\$1.25m, offset partially by loan repayment of S\$0.3m and lease liabilities repayment of S\$0.3m.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement in relation to the Group's results was previously disclosed to shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

At the end of 2022, an array of macroeconomic pressures converged, creating a very challenging trading environment for Matex, its competitors and the textile industry at large. The long-lasting effects of Covid, inflationary pressures and weakened consumer confidence had caused market demand to drop by up to 70% towards the end of 2022, as brands stopped placing orders and focused on consuming their all-time high inventories. These challenges are expected to remain, with market demand still significantly reduced relative to the trading conditions of previous years.

The Company will continue to prepare itself by investing in emerging industries such as health and well-being, environmental and clean energy solutions, lifestyle wear with sustainable products, and solutions that the Company believes can add value to help its customers and stakeholders to differentiate and innovate.

With an asset-light strategy, the Company aims to continue its efforts in joint strategic partnerships by strengthening its distribution channels, innovating green product research and development and streamlining its manufacturing.

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As announced by the Company on 5 June 2023, the strategic investment by CSF Fund I Pte. Ltd. (“CSF”) in the Company via the private placement and the MOU signed between both parties to enter into strategic collaboration are positive steps towards the above goal. The private placement with CSF was completed on 26 June 2023.

The Company’s strategic collaboration with CSF aims to leverage on each other’s capabilities, resources, experience and networks, whereby the Company can benefit from CSF’s existing and potential access and introduction to deep technology companies with strength in intellectual property development and high growth potential as potential investment targets.

While the environment ahead is still very uncertain, and the market could be expected to recover during Q4 2023 at the earliest, Matex is committed to delivering value to its shareholders. With its better cash position, the Company continues to be on the active lookout for suitable opportunities for diversification, innovation and to also establish new and complementary businesses to grow the Group’s revenues and profits.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared/(recommended) for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared/(recommended) for the corresponding period of the immediately preceding financial year?

None.

(c) **Whether the dividend is before tax, net of tax or tax exempt**

Not applicable.

(d) **Date payable**

Not applicable.

(e) **Books closure date**

Not applicable.

12 If no dividend has been declared/(recommended), a statement to that effect.

No dividend has been declared/(recommended) as the Group is in an operational loss position.

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- 13 If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for interested person transactions.

During 1H2023, there were no interested person transactions:

	Group	
	<u>30-Jun-23</u> S\$'000	<u>30-Jun-22</u> S\$'000
Fees incurred or paid to a law firm, of which a director, Mr Wang Dao Fu, is a partner	-	28

- 14 Disclosures on acquisition and realisation of shares pursuant to Catalist Rule 706A**

The Company had on 21 March 2023 incorporated a new subsidiary with a paid-up capital of S\$100k which is 65% owned by the Company and 35% owned by its joint venture partner. The Company's share of the above investment was fully funded through internal resources. Further details of the above joint venture are set out in the Company's announcement dated 1 March 2023.

- 15 Negative confirmation pursuant to the Rule 705(5)**

The Board of Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to its attention which may render the financial results for 1H2023 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD OF DIRECTORS

Dr Tan Pang Kee
Chief Executive Officer / Managing Director

Mr Dro Tan Guang Liang
Executive Director

- 16 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H, under Rule 720(1)).**

The Company has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7H of the Catalist Rules, in accordance with Rule 720(1) of Catalist Rules.

- 17 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Please refer to pages 10 to 11, Note 4, of this condensed interim financial statements.

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- 18** **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Please refer to Paragraph 8 of this announcement for a review of the performance of the Group.

BY ORDER OF THE BOARD

Dr Tan Pang Kee
Chief Executive Officer / Managing Director

10 August 2023