

RESPONSE TO SGX QUERIES

The board of directors (the “**Board**”) of Metech International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 17 March 2025, in relation to the announcement on 14 March 2025 regarding the debt capitalisation agreement (the “**Debt Capitalisation**”) and loan extension agreement for the loan with Mr Cao Shixuan (“**Mr Cao**”) (the “**Announcement**”).

Unless otherwise defined, all capitalised terms used herein shall bear the meanings as ascribed to them in the Announcement.

SGX-ST’s Queries

Please provide clarification on the following:

- 1) Please provide the Board’s considerations, with supporting bases, in
 - (a) entering into the Debt Capitalisation agreement with Mr Cao; and
 - (b) determining the terms of the Debt Capitalisation, including but not limited to the amount to be capitalized and the conversion rate.
 - (c) Please also elaborate on how this is in the best interest of the company and its shareholders.

Company’s response

- (a) As set out in the Announcement, the Board is of the opinion that the successful completion of the Debt Capitalisation would allow the Group to apply more of its cash flow towards its ongoing and diversified business operations instead of being committed towards debt servicing and repayment. The Debt Capitalisation is also a show of confidence by Mr Cao in the viability and anticipated performance of the Group.
- (b) The terms of the Debt Capitalisation (amount to be capitalised and conversion rate) were determined and arrived at, after taking into consideration, *inter alia*, the recent share price of the Company, the prevailing market conditions, the shareholding spread, financial performance of the Group, the rationale for the Debt Capitalisation as stated in the Announcement, and following arm’s length negotiations between the Company and Mr Cao.
- (c) The Debt Capitalisation would be in the best interest of the Group and will enable the Group to (i) improve its working capital and overall financial position of the Group; (ii) reduce its indebtedness, loss per share and net liabilities position; (iii) eliminate the need for any cash repayment for the Capitalised Loan in view of the current financial and cash position of the Group; and (iv) allow the Group to focus its resources on stabilising its business activities.

The Debt Capitalisation will therefore enhance the Company's financial flexibility and ability to invest in growth initiatives that will benefit all stakeholders in the long run, including shareholders of the Company ("**Shareholders**").

2) Please disclose the

- (a) remaining sum owed to Mr Cao under all outstanding loan agreements (the "Remaining Sum");**
- (b) whether such Remaining Sum owed has fallen due; and**
- (c) how the Remaining Sum owed will be settled.**

Company's response

- (a) The Remaining Sum owed to Mr Cao are as follows:

As disclosed in the Announcement, the S\$1.0 million interest-free loan extended by Mr Cao pursuant to the loan agreement dated 24 March 2024 had been fully drawn down and utilised (the "**First Loan**") as at 31 December 2024. Pursuant to the Debt Capitalisation, the outstanding balance arising from the First Loan will be reduced from S\$1.0 million to S\$496,000 on completion.

Subsequently, the Company had entered into a second interest-free loan agreement with Mr Cao on 7 October 2024 where Mr Cao had extended a S\$3.0 million interest-free loan (the "**Second Loan**"). As at 31 December 2024, S\$167,000 has been drawn down from the Second Loan, and as at the date of this announcement, S\$317,113 has been drawn down from the Second Loan.

Accordingly, the Remaining Sum owed to Mr Cao as at the date of this announcement stands at S\$1,317,113. On the assumption that the Debt Capitalisation is completed as at the date of this announcement, the Remaining Sum owed to Mr Cao will be reduced to S\$813,113.

- (b) The First Loan was originally scheduled to fall due on or around 24 March 2024, however, pursuant to the loan extension agreement, the maturity date for the First Loan has been extended by a period of three (3) months to 24 June 2025. The Second Loan will fall due on or around 6 October 2025. Accordingly, no such Remaining sum owed has fallen due as at the date of this announcement.
- (c) The Group's ability to generate consistent and sustainable cash inflows from the new businesses will affect the ability of the Company to repay the Remaining Sum owed. Nevertheless, the Company has plans to raise capital and secure additional funding for working capital, which will provide the Company with an added buffer. Please also refer to the Company's response to question 5 below. In this regard, the Company will make the necessary announcements in accordance with the Catalist Rules.

3) Considering the Remaining Sum owed and the Debt Capitalisation agreement with Mr Cao,

- (a) Please clarify Mr Cao's current role with the Group.**
- (b) Please provide the nominating committee ("NC") and sponsor's assessment, with justification on whether Mr Cao's role is equivalent in substance, to an executive officer or director of the Group.**

Company's response

- (a) Mr Cao is currently employed as a manager of Zhongxin Minghua (Shanghai) International Trade Co., Ltd., a wholly-owned indirect subsidiary of the Company (“**Zhongxin Minghua**”). Mr Cao’s roles and responsibilities within Zhongxin Minghua include assisting the Executive Director and CEO in following up on the Company’s business dealings in the People’s Republic of China and food waste business-related matters.
- (b) Based on NC’s assessment, Mr Cao is not performing the role of an executive officer or director of the Company since he is not the decision-maker for the Company. Currently, the payments to be made by the Company/Group are jointly approved by the (i) Chairman of the Audit Committee and (ii) Executive Director and CEO after the payment requests are submitted by various departments, and any business decisions are also to be approved by the Board before the relevant department execute them. For the avoidance of doubt, the Remaining Sum and the Debt Capitalisation agreement will neither impact Mr Cao’s role as a manager of Zhongxin Minghua (i.e., granting him any increased authority, influence or control within the Company) nor allow him to have any vote or decision-making at the board level.

Sponsor’s assessment

Based on the Company’s representations, the Sponsor understands that Mr Cao has been employed as the manager of Zhongxin Minghua since March 2024. The Sponsor understands that Mr Cao’s role was to assist and report to the former Chief Executive Officer (“**CEO**”) of the Company, Mr Wang Zhuo, manage the Group’s business dealings in the People’s Republic of China (“**PRC**”), and address legacy issues related to the Company’s lab-grown diamond business. As part of his responsibilities, Mr Cao was required to provide regular updates to the CEO and/or the Board on the progress of work in the PRC. Mr Wang Zhuo subsequently ceased to be CEO in June 2024.

During the interim period, when the Company had no executive officers, the Sponsor understood from the Company that:

1. The Non-Executive Independent Directors of the Company were responsible for approving business directions and authorising matters, including but not limited to cash disbursements, on behalf of the Company/Group; and
2. Given that Mr Cao had been assisting the CEO since his employment and was familiar with the business affairs at the time, he had assisted in overseeing operational matters in consultation with the Board while the Company expedited the appointment of an executive officer.

To this end, the Company had appointed Mr Pang Wei Hao as Executive Director and CEO on 29 August 2024, and the Sponsor understood that Mr Cao had since ceased to oversee operational matters in consultation with the Board. For the avoidance of doubt, in its day-to-day communications with the Company, the Sponsor has not had regular or frequent contact with Mr Cao.

Furthermore, in connection with the Debt Capitalisation, the Sponsor had conducted an interview with Mr Cao to understand his current roles and responsibilities within the Company (and whether there have been changes from the above representations) before the Company entered into the Debt Capitalisation agreement.

Under the Catalist Rules, “executive officers” are defined as the management team (excluding directors) of an issuer, including its chief executive officer, chief financial officer, chief operating officer and any other individual, regardless of title, who (a) performs or has the capacity to perform any function or responsibility equivalent to that of the foregoing persons or (b) is responsible for ensuring that the issuer complies with its obligations under the Catalist Rules.

Solely based on the foregoing, and including (i) the representations made by Mr Cao and the Company regarding his roles and responsibilities in Zhongxin Minghua, and (ii) the NC's assessment as detailed above, nothing has come to the attention of the Sponsor to suggest that Mr Cao's role in substance falls within the definition of an "executive officer" as set out in the Catalist Rules.

4) Please provide the Board's assessment on the Group's ability to continue as a going concern.

Company's response

As disclosed in the Company's financial results announcement dated 28 February 2025 for the financial year ended 31 December 2024, the Board is of the view that the Group is able to continue as a going concern after taking into account the following factors:

- (i) Management has prepared a cash flow projection for its operations for the next twelve months from 31 December 2024 and are satisfied that the Group will have sufficient cash flows.
- (ii) The Group has plans to raise capital and obtaining additional funds for working capital and the management will continue to evaluate various strategies to obtain alternative sources of finance where necessary to enable the Group to meet its obligations as and when they fall due.
- (iii) On 7 October 2024, the Company entered into a S\$3.0 million interest free loan agreement with Mr Cao for the Second Loan.
- (iv) Following Shareholders' approval for, among others, the diversification into the wholesale distribution of health supplements business at the extraordinary general meeting held on 30 December 2024 (the "EGM"), the Company has commenced the Health Supplements Business, which will generate cash inflow to the Group for the near term.
- (v) The biomass carbon reduction system machines in relation to the food waste business, diversification of which was approved by the Shareholders at the EGM, have completed the final stages of testing and commissioning in Taiwan, and arrangements are currently in place for the transportation of the machines to Singapore. The Group expects to commence the food waste business during the current financial year ending 31 December 2025, which will potentially generate cash inflow to the Group for the long term.

Shareholders may wish to refer to the circular dated 13 December 2024 for, among others, details of the food waste business and the health supplements business.

Furthermore, the Debt Capitalisation will enable the Company to strengthen its capital base by converting S\$504,000 (the "**Capitalised Loan**") into the equity of the Company. The Board is of the view that the Debt Capitalisation is in the best interest of the Group and will enable the Group to (i) improve its working capital and overall financial position of the Group; (ii) reduce its indebtedness, loss per share and net liabilities position; (iii) eliminate the need for any cash repayment for the Capitalised Loan in view of the current financial and cash position of the Group; and (iv) allow the Group to focus its resources on stabilising its business activities.

5) Please disclose whether there are any other material information that the shareholders should be aware of.

Company's response

The Company commenced its new health supplements business at the end of the latest financial year and expects the food waste business to commence during the current financial year. These two (2) new businesses are anticipated to generate both near-term and long-term cash inflows for the Group, respectively. While the Group remains optimistic regarding the prospects of the new businesses, there are no guarantees that the new businesses will generate sufficient cash inflows for the Group. Notwithstanding, the Second Loan provided by Mr. Cao will serve as an additional buffer for the Group's working capital in the interim while the Company initiates and plans its fundraising efforts to secure additional funds for working capital. As disclosed on the Second Loan announcement on 7 October 2024, in the event that the Company is unable to repay the Second Loan, the Company and Mr Cao shall discuss and negotiate in good faith to either (i) extend the repayment date and/or (ii) convert the outstanding amounts into shares of the Company, the terms and conditions of which are to be set out in a supplemental agreement, and is subject to receipt of any requisite approvals as may be required in connection with such conversion, including but not limited to approval from the Company's shareholders and the SGX-ST.

Save as disclosed above, there is no other material information Shareholders should be aware of.

By Order of the Board of Directors of
Metech International Limited

Pang Wei Hao
Executive Director and Chief Executive Officer

20 March 2025

*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #04-02 Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.