



METECH INTERNATIONAL LIMITED

(Company Registration No. 199206445M)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of Metech International Limited (the “**Company**”) refers to the queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 6 June 2022 regarding announcements on 18 April 2022 and 2 June 2022 and wishes to respond to the queries as set out below. Unless otherwise defined, capitalised terms have the same meaning ascribed to them in the announcement dated 18 April 2022 and 2 June 2022.

Question 1: We note from the announcement that valuation of the consideration at \$0.20 which is at a 5.26% discount over the VWAP of the shares based on trades done on 2 June 2022.

- **Please provide more information on the bases and justification on how the valuation / consideration is arrived at.**
- **The Company announced that the “share price was agreed following arm’s length negotiations between the Company and Deng YiMing (“DYM”).” Please provide the board’s assessment on bases of the share price which was arrived at the arm’s length negotiations.**

Company’s Response:

The Initial Valuation / Sale Shares Consideration was arrived at after negotiation between, then Parties with reference to an acquisition offer received by XDC from a third party in the past. As disclosed in the announcement dated 2 June 2022, the value of the entire issued share capital of XDC would be based on the independent valuation conducted by a reputable independent valuer appointed by the Company.

The formal negotiations took place between 23 May 2022 and 2 June 2022 (i.e. date of signing of SPA) and the Parties agreed that the price of the share would not be more than 10% discount to the volume-weighted average price (the “**VWAP**”) from 23 May 2022 to the date of the SPA. After negotiations, the Parties agreed on \$0.20 which is 6.54% discount to the VWAP. The Board is of the view that such price of the share is reasonable by taking guidance from Rule 811(1) of the Catalist Rules which requires shareholders’ approval if the discount is more than 10%.

Question 2: Please provide an assessment of the impact of the Acquisition on the Company with respect to the following:

- **The Joint venture, Asian Eco Technology Pte. Ltd (the “JV”) between the Company’s subsidiary, Asian Green Tech Pte Ltd and XDC**
- **Does the Company have the expertise and experience to manage XDC and the JV?**
- **The non-exercise of the Right of First Refusal (the “Rights”) granted by XDC to the Company with regards to acquiring XDC’s stake in the JV as announced on 18 April 2022. In addition , please elaborate on what the Board had considered on 18 April 2022 and now, and what has changed during the interim.**

Company's Response:

- ***The Joint venture, Asian Eco Technology Pte. Ltd (the "JV") between the Company's subsidiary, Asian Green Tech Pte Ltd and XDC***

The Acquisition will enable the Company to, amongst others, manage the development of XDC's business, integrate XDC's business in the Group's new business segment fully and factor in the financial performance of XDC. The Board believes that the synergistic values brought by the addition of XDC's business and assets to the Group will enhance the Group's lab-grown diamond business.

As mentioned in the announcement dated 2 June 2022, DYM is the key personnel in charge of handling the lab-grown diamond production and business. Following the completion of the Acquisition, DYM will likely become a controlling shareholder of the Company (depending on the final valuation of XDC) and it is proposed that DYM will be appointed as an executive director of the Company. This will align his interests with that of the Group and enable him to take a leadership role to directly manage, develop and strategize the Group's lab-grown diamond business.

The Company believes that the synergy between the Company, XDC and the JV Company would be strengthened by appointing DYM as the Company's Executive Director.

All in all, the Company expects the Acquisition to further enhance the lab-grown business by tapping on technical resources, innovation and technology, intellectual property and business and sales network of the XDC Group. The Company aims to develop a full-service line and one-stop shop as regards its lab-grown diamond business, from manufacturing to distributing lab-grown diamonds, in order to achieve more bargaining power with future customers, distributors, suppliers and business partners. As lab-grown diamonds are created without the need for mining, they are a more sustainable production of diamonds and aligned with the Group's environmental and sustainability business model. This is also in line with the Group's strategy to expand into the environmental and sustainability business.

- ***Does the Company have the expertise and experience to manage XDC and the JV?***

The Company expects no changes in management of XDC, save that DYM will join the Company as Executive Director after completion of the Acquisition and manage the lab-grown diamond business via the Company.

As disclosed in Section 2.4.2 of Circular published on SGXNET on 24 December 2021, the JV Company will be led by an experienced management team, comprising industry experts, including professor, doctors, academic leader and researchers (the "**Expertise Team**"). The Expertise Team will be working alongside many other entrepreneurial executives as well as technical experts.

- ***The non-exercise of the Right of First Refusal (the "Rights") granted by XDC to the Company with regards to acquiring XDC's stake in the JV as announced on 18 April 2022. In addition, please elaborate on what the Board had considered on 18 April 2022 and now, and what has changed during the interim.***

The Right of First Refusal is for the acquisition of the remaining 49% of the JV and was not exercised by the Company granted by XDC as the Company already holds 51% of equity interest in the JV Company. The Company wishes to highlight that the Acquisition is not for the purpose of increasing the shareholding in the JV Company but for the acquisition of a stake in XDC.

There is no change in the considerations of the Board with regards to the JV or the Right of First Refusal between 18 April 2022 and now.

Question 3: What other businesses /assets does XDC hold?.

Company's Response:

The other businesses/ assets managed and owned by XDC via its subsidiaries are (a) research and development on application of lab-grown diamond in robotics and medical equipment, (b) operating and managing retail jewellery shops, (c) brand management and business development to expand distribution and sales of lab-grown diamond, and (d) ownership of other patents and trademark which have not been licensed to the JV.

Question 4: What are the Company's plans with regards to the JV after the acquisition of the shares in XDC.

Company's Response:

The JV Company will continue to carry out its business of manufacturing and distribution of lab-grown diamonds. As mentioned in the announcement dated 9 June 2022, in furtherance of its plan to expand the manufacturing capacity of lab-grown diamonds, the Company has entered into a non-binding term sheet to acquire a site (held by a company) for the construction of new manufacturing facilities.

Question 5: Please disclose if there are any other material information that shareholders should be aware of.

Company's Response:

The Company is currently not aware of any other material information that shareholders should be aware of.

By Order of the Board of Directors of
Metech International Limited

Samantha Hua Lei
Executive Director and CEO

9 June 2022

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

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 Khong Choun Mun, Registered Professional, RHT Capital Pte. Ltd. at 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com.