



Metech International Limited

(Incorporated in the Republic of Singapore)
(Company Registration Number 199206445M)

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 14 December 2023 in relation to the Company’s announcements dated 13 December 2023 in relation to the update to the legal proceedings against Mr. Deng Yiming (“**Mr. Deng**”) (the “**13 December 2023 Announcement**”), the updates to the legal proceedings against Mr. Deng on 17 October 2023, 11 August 2023 and 21 March 2023 (the “**Previous Updates**”), the response to SGX Queries on 16 August 2023 and 29 January 2023 (the “**Responses**”), and the termination of the Joint Venture Agreement and Removal of Directors on 17 January 2023 (the “**JVA Termination**”) (collectively, the “**Previous Announcements**”).

Unless otherwise defined, capitalised terms and references used herein shall bear the same meanings ascribed to them in the Previous Announcements.

SGX-ST’s Queries

Please provide clarification on the following:

- 1) **Please provide an update on the status of the claims (\$34k and \$483k) against Mr. Deng as awarded by the High Court to Asian Eco Technology (“AET”) announced with the Previous Updates.**

Company’s response:

As disclosed in the 13 December 2023 Announcement, Mr. Deng shall repay S\$483,000 to the Company as awarded by the High Court of the Republic of Singapore. Mr. Deng will be repaying S\$483,000 to the Company in six (6) instalments. As part of the settlement, the Company will not pursue the claim of S\$34,000 against Mr. Deng.

- 2) **Please provide an update of the claims against Mr. Deng in connection with the sale and purchase of the 5 machinery at an inflated price. What steps has the Company taken to recover the losses from the purchase of the 5 machines at an inflated price?**

Company’s response:

As announced in the 13 December 2023 Announcement, the Company had reached an out-of-court settlement with Mr. Deng, and the Company and Mr. Deng shall withdraw and/or terminate the legal suits for, among others, the inflated machinery price. Under the settlement agreement (“**Settlement Agreement**”) as disclosed in the 13 December 2023 Announcement, Mr. Deng and/or his associate or affiliated company (“**Associates**”) will provide their expertise and

technical know-how to the Company to resume the production by using the 5 machines to help generate more revenue for the Company as part of Mr. Deng's contribution to the Company.

Meanwhile, as part of the Asset Acquisition Agreement, Asian Eco Technology Pte. Ltd. ("AET") and X Diamond Capital Pte. Ltd. ("XDC") will also be exploring to jointly appoint an independent valuer to determine the current market value of the machinery to decide on further compensation schemes if there is a significant difference between the purchase price and the fair market price of the machineries. In this regard, the Company will make the relevant announcement(s) if there are any material updates.

- 3) In the Company's Responses, it was mentioned that the Company is in the process of hiring more experienced personnel to oversee and enhance to conduct AET's operations and enhance its current business. Please provide an update on the Company's progress in connection with the hiring of the experienced personnel.**

Company's response:

Please see the response in 6 below.

- 4) Please provide more details, including the track record of Mr. Deng and his associates or affiliated Companies ("Mr. Deng's Associates").**

Company's response:

Please see the response in 6 below.

- 5) What due diligence has the board conducted on Mr. Deng's Associates to ensure that they have the relevant expertise to grow the diamond business. Aside from Mr. Deng, has the Company reached out to other experienced firms/ experts to conduct AET's operations.**

Company's response:

Please see the response in 6 below.

- 6) Please provide the Board's assessment and considerations in deciding to partner with Mr. Deng again to expand on its existing Diamond Business despite the event of default and his conduct that led to the JVA Termination in January 2023. How is this in the best interest of the Company and its shareholders?**

Company's response:

With reference to the Group's unaudited financial statements for the 12-month period ended 30 June 2023 ("12M2023"), the Group had only realised S\$3,000 revenue in the lab-grown diamond business for 12M2023, in contrast to a revenue of S\$2.78 million for the financial year ended 30 June 2022. The aforementioned was due to the Company being unable to recruit suitable experienced personnel to operate the microwave plasma chemical vapour deposition ("MPCVD") machines to restore AET's business and operations.

Based on the assessments conducted by the new Board, XDC has a wholly-owned subsidiary company in China, Guangdong X Diamond Technology Co., Ltd ("X Diamond", and together with XDC and its subsidiaries, the "XDC Group"). XDC Group specialises in the research and development ("R&D") of microwave plasma application technology and the production, manufacturing and commercialization of equipment and products related to such technology, and XDC Group has a strong core technical team, with Mr. Deng as the founder, who also has many years of entrepreneurial and management experience in the semiconductor retail industry.

XDC Group has its own core technology advantages. It uses highly efficient MPCVD method which requires low cost to activate and decompose carbon sources into free carbon atoms. The carbon atoms are then gradually supersaturated and precipitated into substrate (seed crystal) and grown into diamonds that are identical with the structure and composition of natural diamonds. The main products of XDC Group are inch wide, high-quality single crystal diamonds and high-quality large particle single crystal diamonds.

XDC Group has been researching lab-grown diamonds since 2017, with its R&D and production base that was established in Dongguan, China. XDC Group produced its first IGI-certified lab-grown diamond in or around April 2019. XDC started producing, supplying and distributing lab-grown diamonds in or around September 2019. In 2020, XDC Group raised its enterprise management standards and industry influence to obtain "ISO9001" management system certification and other industry certifications. XDC Group is continually increasing its R&D capacity to maintain its position of being one of the leading companies in the microwave plasma application technology industry domestically and internationally.

As such, the new Board and management had engaged in extensive discussions with Mr. Deng and his Associates and conducted on-site inspections of X Diamond in Guangdong, China. Through discussions and inspections, the new Board and management learned that the facilities and expertise of X Diamond, particularly their proficiency in microwave plasma application for single crystal diamond growth, can be complementary to the Company's current diamond business, together with the patents and know-how owned by X Diamond.

During his discussions with the Company, Mr. Deng has expressed that he and his technical team will cooperate with the Company to support fully the Company's lab-grown diamond business in the international markets outside of China. The Board is in continuous discussions with Mr. Deng and his Associates to work out the detailed work plan following the Settlement Agreement to ensure that it is in line with the Company's strategy in creating more sustainable economic value for the Company.

Meanwhile, with the new Board's network, the Company is also in talks with some top-tier technical experts in the lab-grown diamond business in China to explore the possibility of a multi-party partnership to boost the Company's R&D capabilities through the training of its own R&D staff. In addition, the Company is engaged in discussions with well-established experts in the diamond industry, primarily from the United States of America, Japan, Korean and Taiwan to explore potential tie-ups and collaborations.

Based on the foregoing, the Board is of the view that working with Mr. Deng and his Associates will benefit the Company and help the Company to resume and further expand the lab-grown diamond business, and has decided to move forward to co-operate with Mr. Deng, in the best interests of the Company and its shareholders.

- 7) Please disclose whether there are any improvements and safeguards implemented by the Board to protect the Company's interest in the joint venture as well as the partnership with Mr. Deng.**

Company's response:

The Company, under the supervision and guidance of the new Board, has reviewed and updated its internal policies and Standard Operating Procedures ("**SOPs**"), including the approval matrix, and a policy for accounting for inventories. The Company is also in the process of preparing new policies and/or enhancing existing policies, which will be tabled for the Board's

approval, which, among others, will track key performance indicators and deliverables. Implementation of such new policies and SOPs will help to ensure that the Company's interests will be protected in the proposed co-operation with Mr. Deng and his Associates, as well as with any future partners.

In addition, the Company will prioritise the training of its own R&D staff and building its own R&D capabilities as the foremost objectives in its lab-grown diamond business, through partnerships with other industry players.

8) Please disclose the current directors and shareholders of AET?

Company's response:

<u>Shareholders</u>	<u>Directors</u>
1. Asian Green Tech Pte. Ltd. (80%), a wholly-owned subsidiary of the Company, after the acquisition as announced on 5 March 2023	1. Mr. Wang Zhuo
2. Mr. Wu Yongqiang (20%)	2. Mr. Ling Ee Dee

Both Directors of AET are representatives of the Company.

9) Please disclose if there are any other material information which shareholders should be aware of.

Company's response:

As of the date of this announcement, the Board is not aware of any other material information which shareholders should be aware of. However, the Company will make a timely announcement should any material information to be disclosed arise.

By Order of the Board of Directors of
Metech International Limited

Wang Zhuo
Executive Director and CEO
18 December 2023

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, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.