



铭泰国际

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

RESPONSES TO SGX REGCO'S QUERIES

The Board of Directors (“**Board**” or “**BOD**”) of Metech International Limited (“**Company**” or “**Metech**”, together with its subsidiaries, “**Group**”) refers to the Company's announcement 22 April 2020 regarding the joint venture agreement entered into between the Company and Mr In Nany Sing Charlie (“**Charlie**”) (“**Announcement**”). *Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the Announcement.*

Prior to the Announcement, the Company initially intended to enter into a joint venture agreement to dispose 49.0% shareholding in Nolash Tech Pte. Ltd. (“**Nolash Tech**”), a wholly owned subsidiary of the Company (“**Proposed Disposal**”), to Charlie, for a consideration value of S\$1.00, taking into account the net tangible liability position of Nolash Tech amounting to S\$2.59 million as at 29 February 2020. The rationale behind the Proposed Disposal was with a view to tap on Charlie's business connections strength and industry experience to develop the Group's SCM business in the PRC. Based on the relative figures computed under Rule 1006 Section B of the Listing Manual: Rules of the Catalist (“**Catalist Rules**”), the relative figures were negative and the Company had consulted with Singapore Exchange Regulation (“**SGX RegCo**”) on 19 March 2020, through its sponsor, on the negative figures pursuant to Catalist Rule 1007, to which the SGX RegCo responded on 2 April 2020 that it was of the view that the Proposed Disposal would be subject to shareholder's approval in compliance with Catalist Rule 1014.

In conjunction with the consultation with SGX RegCo, Charlie had concurrently conducted his own due diligence on Nolash Tech, which included liaising with the Company to iron out the details of the agreement. The Board and Charlie held several discussions on the treatment of the intercompany balances amounting S\$5.7 million due to parent company as at 29 February 2020 but could not come to an agreement on the above. Subsequently, the Company and Charlie decided not to proceed with the Proposed Disposal. Instead, Charlie proposed the arrangement set out in the Announcement to which the Company agreed; having considered to further exemplify the Company's existing core competency and leverage on Charlie's strengths.

Notwithstanding that arrangements in the Announcement no longer involves any arrangements or agreements with Nolash Tech (also referred to as “**Nolash Singapore**” in the below responses), the Board, at the request of SGX RegCo, would like to announce its responses to the questions raised by the SGX RegCo in relation to the Proposed Disposal as follows:

Query: How is the AC satisfied that (1) the Consideration to the Sale Shares is at S\$1 without any valuation to be performed, but (2) the option purchase price for the Call Option is at the lower of 8 times of latest audited NPAT or the valuation price derived by an independent valuer. How is the AC satisfied that there is no need for a valuation to be performed?

Company's response: The AC took into consideration that Nolash Tech was in a net tangible liabilities position amounting to S\$2.59 million. Furthermore, Nolash Tech has been dormant since August 2019. Hence, the Board, together with the AC, are satisfied with the sale consideration of S\$1.00. In respect of the Call Option, pursuant to the joint venture agreement, Charlie has undertaken to use his best endeavours to promote and develop the business to generate the maximum achievable profits or benefits of Nolash Tech and for Nolash Tech to achieve an annual net profit after tax of no less than S\$5,000,000. On this basis, it was agreed that the option purchase price for the Call Option shall be

capped at the lower of 8 times of the latest audited NPAT or the valuation price derived by an independent valuer.

Query: Charlie was appointed as a director of Nolash Tech since 16 July 2019. How much director fees does / will Charlie get from this appointment?

Company's response: There is no service contract between Charlie and Nolash Tech, hence no director's fees and/or salary was paid or will be payable to Charlie for his appointment as Director. His appointment as Director was to facilitate negotiation and for securing the five Service Agreements. Charlie has ceased to be a director of Nolash Tech since 8 April 2020.

Query: Charlie had assisted the Company in the pursuit of the new business, while negotiating with the Company for a framework of cooperation. Please elaborate on Charlie's assistance and role in Nolash.

Company's response: Pursuant to the JVA, Charlie shall be responsible for providing the necessary business connections, client introductions, technology providers, recycling contractors, farming suppliers, financiers, expertise, SCM know-how and capabilities required in connection with performing the new business, particularly in China.

Query: What are the liabilities of Nolash contributing to the NTL position of S\$1.27m as at 29 Feb 2020? Please elaborate on the major changes to the balance sheet leading to the NTL position of S\$2.2m as at 30 Jun 2019.

Company's response: The liabilities of Nolash Tech are mainly amount due to parent company of S\$5.7 million as at 29 February 2020. Nolash Tech had an NTL of S\$2.5 million and S\$2.2 million as at 30 June 2018 and 30 June 2019 respectively.

Query: On the statement that Charlie has made a separate proposal to another SGX-listed company to provide telecommunication-related products and services – how does the services of the other SGX-listed company conflict with that of Nolash / Metech? Apart from Charlie's undertaking that there will be no conflict of interest arising from his other roles, what is the Sponsor's understanding and assessment of whether there are conflicts arising from his other roles and interests, and what are the safeguards in place to prevent such conflicts.

Company's response: The other SGX-listed company, NGSC Limited (“**NGSC**”) is in the telecommunication business (i.e. 5G telecommunication and satellite services) while Nolash Tech's targeted customers are those in the agricultural industry. However, as a JV partner and director of the Company's subsidiary, to ensure that he is able to commit his time as director of Nolash Tech, the Board requested for an undertaking from Charlie (“**Undertaking**”), which includes that:

- He does not own any companies or is the ultimate beneficiary of the companies that operates in the same business as Nolash Tech, such as supply chain management in agriculture and recycling.
- Going forward, all agricultural related SCM businesses would flow through Nolash Tech and he undertakes to have no further interests in the agriculture SCM businesses other than Nolash Tech.

In this regard, with the undertaking from Charlie, the Company is assured that there would be no conflict of interest.

Sponsor's response: We understand the Company wanted to err on the side of caution in obtaining the Undertaking that there will be no conflict of interest arising from Charlie's other roles. In addition to the Undertaking and based on public information, Charlie is a JV partner of NGSC, which is a company operating in a different business than the Nolash Tech. Based on the latest announcement on 31 March 2020 by NGSC, we noted that the JV between NGSC and Charlie was subsequently terminated.

Query: Notwithstanding that Nolash is not revenue generating yet, with the Service Agreements and the approval of the FTN account, what are the AC's prospects of Nolash? What are the fees to be earned from the Service Agreements? Please elaborate on the counter parties and fees to be earned from the Service Agreements.

Company's response: On 23 September 2019, the Company announced that Nolash Tech (Shanghai) Co., Ltd. ("**Nolash Shanghai**"), a wholly-owned subsidiary of Nolash Singapore, has entered into agreements with five companies in China to provide exclusive technical, operation and procurement ("**TOP**") services to each for an annual service fee of RMB10 million (approximately S\$2 million) payable quarterly in advance. Upon further analysis, it has been found that certain tax benefits under the Shanghai Free Trade Zone are available to the Company if Nolash Singapore is undertake the TOP services directly using FTN account. The Company has therefore applied for the FTN account.

The Company has received approval for the FTN account at the end of February 2020, and the Company will review and renegotiate the Service Agreements with the five companies such that Nolash Singapore will replace Nolash Shanghai as the contracting party to the agreements. However, in view of the current Covid-19 situation, China has not fully recovered, and the businesses and staff have not resumed work. Thus, renegotiation of the revised Service Agreements has been further delayed.

After further discussions with the executive team, we understand that they have begun their negotiation to make necessary arrangements to meet with the customers and renegotiate the revised Service Agreements. However, even though the team has started the process to re-negotiate the service contracts, they face delays / force majeure due to circumstances that are beyond their control. The expected revenue for FY2020 from the new business will generate RMB25 million (equivalent to approximately S\$5 million) revenue.

Query: The board of Nolash shall comprise up to 3 directors, whereby 2 of them (including the Chairman of the board) shall be nominated by the Company and one of them will be nominated by Charlie. Is this inclusive or exclusive of Charlie?

Company's response: Yes, this is inclusive of Charlie, in which case, Charlie would be deemed as the director nominated by himself to represent his interest.

Query: Who is the financial advisor to the Company and/or on the transaction?

Company's response: The Company did not appoint any financial advisor to the Company and/or the transaction.

For and on behalf of the Board of
METECH INTERNATIONAL LIMITED

Clement Tay
Chief Executive Officer and Executive Director
22 April 2020

*The announcement had been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.*

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

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