

MATEX INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 198904222M)

ENTRY INTO AN AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL BY MATEX INTERNATIONAL LIMITED OF AMLY CHEMICALS CO., LTD.

Unless otherwise defined, all capitalised terms herein shall have the same meanings as in the Company's announcement dated 26 August 2021 in relation to the Company's entry into a memorandum of understanding for the disposal of Amly Chemicals Co., Ltd. (安力化学(泰兴)有限公司) ("ACL") (the "MOU Announcement").

1. INTRODUCTION

The Board of Directors of Matex International Limited (the "**Company**") and together with its subsidiaries the "**Group**") refers to the MOU Announcement and wishes to announce the following:

- (i) the Company has on 23 February 2022 entered into a sale and purchase agreement (the "**Agreement**") with Taixing Jinfu Chemistry Co. Ltd, (泰兴锦富化学有限公司) (the "**Purchaser**") in respect of the sale of 100% of the registered capital in ACL holding only land and building to the Purchaser for a cash consideration of RMB 50,000,000 (the "**Consideration**") (the "**Proposed Disposal**"); and
- (ii) pursuant to the Agreement, the Company's wholly-owned subsidiary, Matex Chemical Technologies (Shanghai) Co., Ltd. , (万得化工科技(上海)有限公司) (as borrower) ("**MTL**") has on 23 February 2022 entered into a loan agreement with the Purchaser (as lender) and ACL (the "**Loan Agreement**"), whereby the Purchaser will provide a loan with a principal sum of RMB 24 million to MTL to (a) repay the outstanding payable of approximately RMB 19 million owing by Matex Chemicals (Taixing) Co., Ltd (万得化工(泰兴)有限公司) ("**MCT**") to ACL and (b) the remaining RMB 5 million shall be used by MTL to acquire the outstanding inventory of ACL. ACL will use the RMB 24 million to (a) repay its bank loan of RMB 10 million and (b) the remaining cash of approximately RMB 14 million will be repatriated to the Company

The Consideration was arrived on a willing buyer willing seller basis after taking into consideration the financial information of ACL. Upon completion of the Proposed Disposal, ACL will cease to be a subsidiary of the Company.

2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the People's Republic of China, with its registered address at 8 South Binjiang Road, Taixing Economic Development Zone (泰兴市经济开发区滨江南路8号).

In the MOU Announcement the Company had announced that it had entered into a memorandum of understanding with Kunshan Everfast Chemical Science and Technology Co., Ltd. (昆山恒捷化工科技有限公司) ("**KEC**"). KEC is an associate company of the Purchaser. The change in the entity as the Purchaser for the Agreement is for commercial reasons.

As at the date of this Announcement, the Purchaser (and its ultimate beneficial shareholders) does not have any shareholding interest, direct or indirect in the Company, nor is the Purchaser (and its ultimate beneficial shareholders) related to any of the Directors, Substantial Shareholders, or their respective associates of the Company. None of the Directors or Substantial Shareholders of the Company or their respective associates have any shareholding interests, direct or indirect, in the Purchaser, nor are any of the Directors, Controlling Shareholders and their respective associates related to the Purchaser's directors, controlling shareholders, or their respective associates.

3. INFORMATION AND VALUE OF ACL

ACL is a company with limited liability, incorporated in the People's Republic of China on 21 March 2003. ACL has an existing registered capital of US\$3.01 million, 100% of which is held by the Company.

For the financial year ended 2020 (“**FY2020**”), ACL recorded revenue of RMB 39.8 million (S\$7.9 million) and profit before tax of approximately RMB 545,000 (S\$108,000). As at 31 December 2020, ACL had net tangible assets of approximately RMB 29.7 million (S\$6.03 million).

For the 6 months ended 30 June 2021 (“**1H2021**”), ACL recorded RMB 10.3 million (S\$2.1 million) revenue and loss before tax of approximately RMB 376,000 (S\$77,000). As at 30 June 2021, ACL had net tangible assets of approximately RMB 29.2 million (S\$6.11 million).

ACL is involved in the manufacturing and sale of dyestuffs, auxiliaries, and textile chemicals.

4. SALIENT TERMS OF THE AGREEMENT

4.1. Consideration and Loan Agreement

The Consideration for the disposal of ACL is RMB 50,000,000. Pursuant to the Agreement, the Loan Agreement shall be entered into, whereby the Purchaser will provide a loan with a principal sum of RMB 24 million to MTL to (a) repay the outstanding payable of approximately RMB 19 million owing by MCT to ACL and (b) the remaining RMB 5 million shall be used by MTL to acquire the outstanding inventory of ACL. On 9 February 2022, the Purchaser disbursed RMB 10 million to MTL to fund ACL's repayment of its outstanding RMB 10 million loan owing to Bank of Communications Co., Ltd., Taizhou Branch (“**BCM**”) (the “**BCM Loan**”). The remaining cash of approximately RMB 14 million will be repatriated to the Company.

A deposit of RMB 1,000,000 (approximately S\$212,000) has been paid by KEC, the associate company of the Purchaser, to the Company, which will be repaid by the Company to the Purchaser within five business days after the execution of the Agreement.

Pursuant to Rule 1014(5) of the Catalist Rules and under the Agreement, the Company has appointed Beijing Colliers International Real Estate Valuation Co., Ltd (北京高丽国标房地产评估有限公司) as the competent and independent valuer of the Equity (“**Equity Valuation**”). Further details on the Equity Valuation will be set out in a circular to be despatched to shareholders in due course, which will set out, amongst others, further information on the Proposed Disposal, together with the notice of extraordinary general meeting (“**EGM**”).

4.2. Conditions

The conditions of the Agreement include, inter alia, the following:

- 4.2.1. The Company has passed a valid resolution (including Company's shareholders approval at an EGM to be convened) to approve the following matters: execution, delivery and performance of the Agreement and related matters involved in the completion of the equity transfer;
- 4.2.2. ACL to remove mortgage registration of ACL's land and building. Unless it is impossible due to the government's policy on non-financial institution's registration of mortgages, ACL shall file and register the mortgage of the same with the relevant authorities for the Purchaser, which shall be valid until the date on which all seals, certificates, documents of ACL, and its land and building are handed over to the Purchaser;
- 4.2.3. ACL's assets and equity are free from any pledge, mortgage, guarantee, seizure, preservation and other third-party rights other than those of the Company, or any restriction of rights as determined by relevant government departments, nor are they subject to any government expropriation, requisition, repossession, penalty, fine, etc.;
- 4.2.4. Except for the contracts of ACL which the Purchaser agrees to retain, the Company has transferred or terminated all on-going or outstanding contracts, agreements or arrangements to which ACL or the project company is a party (except for contracts which the Purchaser has agreed in writing to retain), all of which shall be performed or terminated, and the Company shall bear relevant costs arising from the termination or transfer and execute the corresponding termination or transfer contract to confirm that there are no longer any outstanding matters and disputes with ACL;
- 4.2.5. The Company shall procure ACL to terminate the employment relationship with all of its employees (including full-time and part-time employees, whether or not they have signed written employment contracts) and to complete severance procedures for all employees with all amounts related to economic compensations and indemnities (if any) to be legally assumed and fully paid by the Company or ACL before the closing, and to obtain written confirmation of severance (confirming all payments have been settled and there are no unresolved matters, disputes and other necessary matters) signed by all employees individually;
- 4.2.6. The Purchaser has completed pre-closing financial and legal due diligence and confirmed that all Closing Conditions (as defined in the Agreement) have been satisfied and that there are no material adverse impacts that may prevent the transaction from being completed;
- 4.2.7. The Purchaser and the Company have signed a full set of legal documents that are required to be registered/filed with industrial and commercial registration department for the corresponding changes as a result of the equity transfer, including but not limited to the valid resolutions for approving the transaction by the authorities of both the Purchaser and the Company, the amendments to the articles of association ACL, the appointment letter of the directors and supervisors of ACL by the Purchaser and the removal letter of the directors and supervisors and legal representative of the ACL by the Company.

4.3. Representations and Warranties

Pursuant to the Agreement, the parties have furnished to each other various representations and warranties customary for transactions of a similar nature as the Proposed Disposal.

4.4. Governing Law and Dispute Resolution

The Agreement is governed by the laws of the People's Republic of China. Any dispute arising out of or in connection with the interpretation and performance of the Agreement shall be settled by the Parties through amicable negotiation firstly. If the negotiation fails, either Party may submit the dispute to arbitration at the Shanghai International Arbitration Center in accordance with the arbitration rules in force at that time.

5. RATIONALE OF THE PROPOSED DISPOSAL

The Group's financial results in recent years have been greatly impacted and will foreseeably continue to face challenging market conditions and competitive business headwinds given the protracted current COVID pandemic conditions.

ACL had also to undergo various retrofitting during recent years, as required by the national and local governments in China. Collectively, this has resulted in higher and increasing cost to maintain ACL's operations, and has thus resulted in the gradual reduction of ACL's profitability over the years.

Therefore, the Company is of the view that it is in the best interest of the Company to dispose ACL given the conditions above and through this sale, unlock further value for the Group with an asset light strategy.

After the disposal of ACL, the Group intends to focus on value added specialty chemicals, widen its customer base beyond the textile industry, deliver more cost-effective and eco-friendly solutions and accelerate its distribution of functional chemicals to meet immediate market demands. The Group is also looking to expand into the area of liquid filtration and wastewater treatment systems by licensing technologies on patented nano-membranes.

6. USE OF PROCEEDS

The Company will apply the consideration received from the Proposed Disposal for general working capital and to repay outstanding liabilities of the Group.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after completion of the Proposed Disposal. They are prepared based on the latest announced audited consolidated financial statements of the Group for FY2020, and are subject to the following key assumptions:

- (a) the Consideration is RMB 50,000,000 (or approximately S\$10.638 million);
- (b) the effect of the Proposed Disposal on the Group's consolidated net tangible assets ("NTA") per share is based on the assumption that the Proposed Disposal had been effected at the end of FY2020;
- (c) the effect of the Proposed Disposal on the Group's consolidated loss per share ("LPS") is based on the assumption that the Proposed Disposal had been effected at the beginning of FY2020; and
- (d) the expenses to be incurred in connection with the Proposed Disposal are estimated to be approximately S\$175,000.

NTA

	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA (S\$'000)	12,208	16,641 ⁽¹⁾
Number of shares	311,698,153	311,698,153
Consolidated NTA per share (cents)	3.92	5.34

Note:

- (1) NTA is computed based on total assets less total liabilities, intangible assets and non-controlling interests. Estimated gain on disposal of ACL is S\$4.433 million, which is computed as follows: proceeds of S\$10.638 million from the Proposed Disposal less net assets of ACL of S\$6.03 million and estimated expenses of S\$175,000 incurred in connection with the Proposed Disposal.

LPS

	Before the Proposed Disposal	After the Proposed Disposal
Profit/(Loss) attributable to equity holders of the Company (S\$'000) ⁽¹⁾	(6,375)	(2,017)
Weighted average number of shares	267,756,478	267,756,478
Consolidated EPS/(LPS) (cents)	(2.38)	(0.75)

Note:

- (1) The loss attributable to equity holders of the Company is computed as follows: the sum of the Group's loss of S\$6.375 million attributable to equity holders of the Company for FY2020 and the estimated gain of S\$4.433 million on disposal of ACL, less profit after tax of ACL of S\$75,000 for FY2020.

8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") SECTION B: RULES OF CATALIST ("CATALIST RULES")

The relative figures in relation to the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, based on the Group's latest announced unaudited consolidated financial statements for the Group for 1H2021, are as follows:

Rule	Bases	Relative Figure
Rule 1006(a)	Net asset value of assets to be disposed, compared with the Group's net asset value	56.9% ⁽¹⁾

Rule 1006(b)	Net loss attributable to the assets acquired or disposed of, compared with the Group's net losses	2.3% ⁽²⁾
Rule 1006(c)	Aggregate value of consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	129.3% ⁽³⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable.
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable.

Notes:

- (1) The net asset value of ACL is S\$6.11 million as at 30 June 2021, compared with the Group's net asset value of S\$10.74 million as at 30 June 2021. The relative figure is calculated by dividing S\$6.11 million by S\$10.74 million;
- (2) The loss before tax of ACL is approximately S\$77,000 for 1H2021, compared with the Group's loss before tax of S\$3.31 million for 1H2021. The relative figure is calculated by dividing S\$77,000 by S\$3.31 million; and
- (3) Based on the Consideration of RMB 50,000,000 (or approximately S\$10.638 million) compared with the Company's market capitalisation of approximately S\$8.104 million (based on the Company's existing issued share capital of 311,698,153 shares (excluding treasury shares) and the volume weighted average price of S\$0.026 per Share on 22 February 2022, being the last full market day on which trades were recorded on Catalist of the SGX-ST immediately preceding the date on which the Agreement was entered into. The relative figure is calculated by dividing S\$10.482 million by S\$8.104 million.

As the relative figure computed under Rule 1006(c) of the Catalist Rules exceeds 50%, the Proposed Disposal constitute a "major transaction" under Chapter 10 of the Catalist Rules. Therefore, the Proposed Disposal is subject to the approval of the shareholders at an EGM to be convened.

In addition, pursuant to Rule 1014(5), as the relative figure computed under Rule 1006(c) exceeds 75%, the Company has appointed Beijing Colliers International Real Estate Valuation Co., Ltd (北京高丽国标房地产评估有限公司) to carry out an independent valuation of ACL for the purpose of the Proposed Disposal.

9. FURTHER ANNOUNCEMENTS

The Company will make further announcements as and when appropriate or when there are further developments on the same, including information required under the Catalist Rules.

10. CIRCULAR AND EGM

The Company will be convening an EGM to seek the shareholders' approval for the Proposed Disposal, and a circular containing, *inter alia*, the notice of the EGM and details of the Proposed Disposal will be despatched to the shareholders in due course.

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. INTEREST IN THE TRANSACTION

As at the date of this announcement, none of the Directors or Substantial Shareholders of the Company or their respective Associates have any interest, direct or indirect, in the Proposed Disposal other than through their respective shareholdings in the Company.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

14. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their shares in the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. In the event that shareholders and potential investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

Further announcement(s) will be made as appropriate when there are material developments to the Proposed Disposal.

By Order of the Board

Dr. Tan Pang Kee
Chief Executive Officer / Managing Director
23 February 2022

This announcement has been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. (the "Sponsor"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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