



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

THE PROPOSED DISPOSAL OF THE COMPANY'S ELECTRONIC WASTE MANAGEMENT BUSINESS

1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of Metech International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 18 September 2018 entered into a conditional sale and purchase agreement (the "**SPA**") with Belle Forte Limited and Eng Wah Len Andrew (collectively, the "**Purchasers**") for the sale of the entire electronic waste management business of the Group (the "**EWM Business**") (the "**Proposed Disposal**"). Further details on the principal terms of the SPA are set out in this announcement.

2. INFORMATION ON THE BUSINESS AND THE PURCHASERS

2.1 Information on the EWM Business

The EWM Business is one of the main businesses of the Group, operating from six locations (five in the United States and one in Singapore). It is presently applying for the requisite licences to operate in Malaysia.

It takes in used electronic equipment from government, enterprises and community and electronic manufacturing waste from electronic manufacturers for repurposing and recycling. While repurposing finds new life for used electronic equipment, recycling serves to recover base and precious metals such as gold, silver and palladium from electronic waste.

The EWM Business consists of the following subsidiaries of the Company:

- (i) Metech Recycling (Singapore) Pte. Ltd.;
- (ii) Metech Recycling (Malaysia) Pte. Ltd. and its subsidiary, namely Metech Recycling (Malaysia) Sdn Bhd; and
- (iii) Metech Recycling (USA) Pte. Ltd. and its subsidiaries, namely Metech Recycling, Inc. and Metech Metals Inc.

(each a "**Target**" and collectively the "**Targets**")

Upon completion of the Proposed Disposal, the Targets will cease to be wholly-owned subsidiaries of the Company

2.2 Information on Belle Forte Limited

Belle Forte Limited (“**BFL**”) is an investment holding company incorporated in the British Virgin Islands. As at the date of this announcement, the directors and shareholders of the BFL are Mr. Simon Eng (“**Mr Eng**”) and his spouse, Mdm Hau Chan Yen (“**Mdm Hau**”). Mr. Eng and Mdm Hau hold 50% of the shareholdings of BFL respectively.

Mr. Eng is the Chairman and Executive Director of the Company. He is also the controlling shareholder of the Company.

As at the date of this announcement, Mr Eng holds a direct interest of 680,000,000 Shares, representing 15.10% of the issued share capital of the Company. He is deemed interested in an aggregate of 355,168,862 Shares held under Fort Canning (Asia) Pte Ltd and BFL, representing 7.9% of the issued share capital of the Company.

2.3 Information about Eng Wah Len Andrew (“**Andrew**”)

Andrew is the Chief Executive Officer and Executive Director of the Company. He is also the Chairman and substantial shareholder of the Company.

As at the date of this announcement, Andrew holds 196,144,385 Shares, representing 4.4% of the issued share capital of the Company.

3. **RATIONALE AND USE OF PROCEEDS**

3.1 Rationale of the Proposed Disposal

As announced by the Company on 27 August 2018 in relation to the Group’s unaudited financial statements for the financial year ended 30 June 2018 (“**FY2018**”), revenue for the EWM Business declined 11.3% from FY2017 and gross profits reversed from a gain of \$4.46m in FY2017 to a loss of \$0.60m in FY2018.

In addition, and despite the efforts, the Group had not been able to secure the relevant licences from the various Malaysian Authorities for its new processing facility in Penang, Malaysia which was set up with the intention to cater to local needs as well as its Multi-national Corporation customers. The Group is also faced with challenges posed by hazardous waste control law at all its facilities in United States especially Gilroy, California. With the above concerns and environmental issues, it would be difficult for the Company to continue to operate the EWM Business in a sustainable manner.

In FY2015 and FY2016, when EWM Business was the sole business in the Group, the Group also suffered losses. Those losses and the loss in FY2018 show that there were still major challenges facing the EWM Business. Strict environmental regulations, high costs and stiff competitions were some of these challenges. The outlook of the EWM Business is also uncertain. Ongoing global trade disputes, especially between China and the United States, would have a negative impact on the EWM Business. The restrictive importation policies adopted by the various countries in relation

to the regime of the electronic waste recycling have made it more challenging for the Company to operate the EWM Business.

The challenging operating environment and the future prospect of the EWM Business would be best served by maintaining very substantial capital investments in addition to a high level of working capital in the EWM Business. As part of the Board's effort to avoid depletion of working capital and mitigate the risk of further losses, the Board had reviewed its business and decided on the Proposed Disposal.

3.2 Use of Proceeds and Gain on Disposal

The Consideration (as defined below) represents an excess of S\$727,000 (refer to 5(c)) over the net asset value of the Sale, and the amount of gain from the Proposed Disposal is estimated to be approximately S\$727,000, based on the indicative corporate valuation of the Targets, taking into consideration the aggregated proforma financials of the Targets as at 30 September 2018.

The Consideration is nominal, nevertheless, the Company intends to use the entire proceeds from the Proposed Disposal as working capital.

4. **SALIENT TERMS OF THE SPA**

4.1 Subject to the terms and conditions of the Sale and Purchase Agreement, the Company has agreed to sell, and the Purchasers have agreed to purchase, the whole of the EWM Business of the Group, comprising the entire issued and paid up shares owned by the Group in (collectively, the "**Sale Shares**") in the Targets:

4.2 Consideration

The Consideration for the Sale Shares shall be a nominal sum of S\$1.00 (the "**Consideration**"), which was arrived at arm's length, on a willing buyer and willing seller basis, based on the indicative corporate valuation of the Targets, taking into Consideration the aggregated proforma financials of the Targets as at 30 September 2018, of which the aggregate NTA is negative. As provided by the Independent Valuer (as defined hereinbelow), the fair value of the Targets based the aggregated proforma financials is estimated to be S\$ Nil as at 30 September 2018. The Consideration shall be paid in the following manner:

Name of Purchaser	Amount payable by Purchaser
Belle Forte Limited	S\$0.70
Andrew Eng	S\$0.30

The Consideration shall be satisfied by the payment thereof to the Company immediately on the date of completion of the Proposed Disposal to an account designated by the Company.

4.3 Conditions Precedents

The obligations of the parties under the Sale and Purchase Agreement to complete the Proposed Disposal are conditional upon, *inter alia*, the following salient conditions being fulfilled before Completion:

- (a) the due diligence conducted by the Purchasers being satisfactory;
- (b) there shall be no total intercompany debts owing by the Targets as at 30 September 2018;
- (c) the Vendor obtaining the prior approval of its shareholders in a general meeting to be convened for the sale of the Sale Shares on the terms and subject to the conditions of the Sale and Purchase Agreement;
- (d) all consents and approvals as may be necessary from any third party, governmental or regulatory body or relevant competent authority under any and all Applicable Laws for the transfer of the Sale Shares being obtained and such approval not having been withdrawn or amended on or before the Completion Date and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchasers in their sole and absolute discretion;
- (e) the Targets shall preserve and maintain in full force and effect their corporate existence;
- (f) the Targets shall be substantially carried on in compliance in all respects with all material Applicable Laws, rules, regulations and orders to which they are subject and as a going concern in the ordinary and usual course as carried on prior to the date of this Agreement and in a manner consistent with past practices, save in so far as agreed in writing by the Purchasers;
- (g) the Purchasers having the rights to retain the business names, branding and corporate logo of the Targets;
- (h) no court, arbitrator or relevant authority shall have issued or advised the issuance of any order, and there shall not exist or be advised the coming into existence of any statute, rule or regulation, restraining the effective operation by the Purchasers of the EWM Business after the Completion, and no proceeding challenging this Agreement or the transaction contemplated herein or seeking to prohibit, alter, prevent or materially delay the Completion shall have been instituted by any person, competent authority or other relevant authority or before any court, arbitrator or governmental authority and be pending or shall otherwise be threatened by any such person or governmental authority; and
- (i) there shall have been no material adverse change in the businesses of the Targets.

If the required consents and approvals cannot be obtained or the conditions precedent are not satisfied within 90 days from the date of the Sale and Purchase Agreement (the “**Completion Date**”) or 31 December 2018 (the “**Long Stop Date**”) or such other date as the parties may agree in writing, the Sale and Purchase Agreement shall *ipso facto* cease and determine and no party shall have claim against the other party for costs, expenses, damages, losses, compensation or otherwise.

4.4 Completion

On Completion Date, the Company will provide the Purchasers with the relevant documents and items required to complete the Proposed Disposal. These include the customary documents such as share transfer form, share certificates, stamp duty documents and statutory records of the Targets.

Subject to all the conditions precedent having been satisfied, fulfilled or waived, the Completion of the Proposed Disposal is scheduled to take place on or about Completion Date or such other date as the Company and the Purchasers may mutually agree in writing. Upon Completion, the Targets will cease to be subsidiaries (direct or indirect) of the Company.

4.5 Independent Valuation

For the purpose of the Proposed Disposal, the Company has commissioned BDO Advisory Pte Ltd (the “**Independent Valuer**”) to prepare the Independent Valuation Report to provide an indicative corporate valuation of the Targets as at 30 September 2018 (the “**Valuation Date**”).

The following is an extract from the valuation report of the Independent Valuer:

“*Valuation Summary*

<i>Indicative Valuation in S\$</i>	
	<i>Asset-based approach</i>
<i>Entities</i>	<i>= S\$NIL</i>

Based on the asset-based approach, the Entities are in aggregate net liabilities of S\$0.727million as at the Valuation Date. This may cast significant doubt on the Entities ability to continue as a going concern. Accordingly, the fair value of the Entities based on the aggregated pro-forma financials is estimated to be approximately S\$NIL as at the Valuation Date.”

5. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

(a) Assumption

FOR ILLUSTRATIVE PURPOSES ONLY, the *pro forma* financial effects of the Proposed Disposal on the Group are set forth below and were prepared based on the unaudited financial statements for the financial year ended 30 June 2018, being the most recently completed financial year of the Group, subject to the following assumptions:

- (i) the expenses incurred by the Company in connection with the Proposed Disposal are disregarded for the purposes of calculating the financial effects;
- (ii) for the purpose of computing the NTA per Share, it is assumed that the Proposed Disposal was completed on 30 June 2018¹; and

(iii) for the purpose of computing the EPS of the Group, it is assumed that the Proposed Disposal was completed on 1 July 2017.

(b) Share Capital

The Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company as the Proposed Disposal does not involve the allotment and issuance of any new Shares in the Company and the Consideration is wholly satisfied in cash.

(c) NTA per Share

	Before the Proposed Disposal¹	After the Proposed Disposal²
NTA of the Group attributable to Shareholders (S\$)	3,978,000	4,705,000
Number of Shares	4,501,984,229	4,501,984,229
NTA per Share (cents)	0.088	0.105

(d) EPS

	Before completion of the Disposal¹	After completion of the Disposal
Net (losses) of the Group attributable to Shareholders (S\$)	(7,611,000)	(3,466,000)
Weighted average number of Shares	4,434,054,051	4,434,054,051
EPS (cents)	(0.172)	(0.078)

¹ As latest available audited figures of FY2017 may not provide a meaningful assessment for the financial impact on the NTA, the figures as at the latest announced unaudited financial statements for the financial year ended 30 June 2018 have been used for the above computation.

² This is computed based on the indicative corporate valuation of the Targets, taking into consideration the aggregated proforma financials of the Targets as at 30 September 2018 which would provide more accuracy on the financial impact to the NTA after the Proposed Disposal.

6. SHAREHOLDER'S APPROVAL

6.1 Relative figures under Rule 1006 of the Catalyst Rules

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalyst Rules, based on the latest announced unaudited financial statements for the financial year ended 30 June 2018 are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	Not meaningful ³
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	Not meaningful ⁴
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares	0% ⁵
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁶
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable ⁷

³ (397.06) % computed based on the net asset value of the EWM Business of S\$(15.795 million) as at 30 June 2018 compared with the Group's net asset value of S\$3.978 million as at 30 June 2018. As EWM net asset is negative amount, the computation is not meaningful.

⁴ 54.46% computed based on the net loss after tax attributed to the EWM Business of S\$4.145 million for FY 2018 compared with the Group's net losses for the financial year ended 30 June 2018 of S\$7.611 million. Both EWM and Group are in loss position, therefore the computation is not meaningful.

⁵ As at the date of this announcement, the market capitalization of the Company is approximately S\$4,501,984.23 based on 4,501,984,229 Shares in issue at a volume weighted average price of \$0.001 for each share on 17 September 2018, being the last full market day preceding the date of this Circular.

⁶ This is not an acquisition.

⁷ This is not a disposal of mineral, oil or gas assets by a mineral, oil or gas company.

In accordance with Rule 1007(1), if any of the relative figures computed pursuant to Rule 1006 is a negative figure, the Company is required to consult the Exchange through its sponsor on the applicability of Chapter 10 of the Catalist Rules. However, since the Proposed Disposal would amount to a disposal of the Company's substantial part of its core business which would result in a material change to the nature of the Company's business pursuant to paragraph 8(a) of Practice Note 10A of the Catalist Rules, the Company, nevertheless, would be seeking the approval of the shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Catalist Rules.

6.2 Interested Person Transaction

The Proposed Disposal constitutes an interested person transaction as defined in Chapter 9 of the Catalist Rules. Based on the unaudited financial statements for the financial year ended 30 June 2018, the Consideration constitutes 0.03% of the NTA of the Group. As the aggregate value of the Proposed Disposal does not exceed the threshold of 5%, no Shareholders' approval is required for the Proposed Disposal under Chapter 9 of the Catalist Rules.

6.3 Audit Committee's Opinion

The Audit Committee, having reviewed and considered, *inter alia*, the terms and conditions of, financial effects of, rationale for and benefit of the Proposed Disposal as well as the Independent Valuation Report, is satisfied that the terms of the Proposed Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

7. **DIRECTORS' SERVICE CONTRACTS**

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

8. **INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save for Mr. Simon Eng and Mr. Andrew Eng who are Directors and shareholders of the Company, none of the Directors and, as far as the Directors are aware, none of the Substantial Shareholders have any interest, direct or indirect, in the Proposed Disposal.

9. **EXTRAORDINARY GENERAL MEETING AND DESPATCH OF CIRCULAR**

A circular to shareholders containing further information on the Proposed Disposal, together with a notice of the Extraordinary General Meeting (the "EGM") will be despatched to Shareholders in due course.

10. ABSTENTION FROM VOTING

Mr. Simon Eng and Mr. Andrew Eng, being the interested persons of the Company in relation to the Proposed Disposal, have taken to abstain and ensure that their associates will abstain, from voting in respect of their respective shareholding in the Company and will not accept nominations as proxy or otherwise for voting at the EGM.

11. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 65 Tech Park Crescent, Singapore 637787, for a period commencing three (3) months from the date of this announcement.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and the directors of the Company jointly and severally accept full responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

13. CAUTION IN TRADING

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

For and on behalf of the Board of Directors of
METECH INTERNATIONAL LIMITED

Francis Lee
Chairman of AC Committee and Non-Executive Director

Date: 18 September 2018

*This announcement had 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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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.

The contact person for the Sponsor is Mr. Shervyn Essex, Tel: 6381 6757.