



Metech International Limited

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

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO ANNUAL REPORT

The Board of Directors (“**Board**”) of Metech International Limited. (“**Company**”, and together with its subsidiaries, the “**Group**”) sets out its responses to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s Annual Report for the financial year ended 30 June 2021 (“**FY2021**”) prior to the upcoming annual general meeting for FY2021 to be held by way of electronic means on 29 October at 10.00 am. For avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

QUESTION 1:

The Company first announced the proposed acquisition of a 60% equity interest in Blufu Water (Xinmin) Co., Ltd on 21 September 2021 for a consideration of \$516,440. The acquisition was completed the following day after clarification with SGX RegCo.

Soon after that, the Company announced a whole series of proposed corporate actions and developments, which included:

- 24 September 2021: Joint venture agreement with X Diamond Capital Pte. Ltd. for the manufacturing and distribution of lab-grown diamonds
- 30 September 2021: Proposed placement of up to 33,346,550 new shares at an issue price of \$0.21 per placement share and the issuance of up to 16,673,275 free, detachable, transferrable and non-listed warrants with an exercise price of \$0.21
- 8 October 2021: Memorandum of Understanding (“MOU”) to supply India-based Lucinu Jewellery Co., Ltd with lab-grown diamonds
- 8 October 2021: MOU to supply India-based Maitri Diamond with its lab-grown diamonds
- 12 October 2021: A non-binding strategic collaboration agreement with 国家金银饰品质量监督检验中心（天津）(National Testing Centre for Gold and Silver Jewellery (Tianjin) (“NTGS”) whereby NTGS would provide assessment and certification of group’s lab-grown diamonds that are marketed and sold in China
- 12 October 2021: A strategic collaboration agreement with Guangzhou Diamond Exchange (广州钻石交易中心) wherein the parties will utilise their respective resources and networks to further develop and promote healthy and sustainable development of the lab-grown diamond market in China through international trade, standardisation, R&D collaborations, among others

- 12 October 2021: Agreement to supply KDT Diamond Co., Ltd with a steady supply and minimum quantity of rough and polished lab-grown diamonds annually
- 14 October 2021: Collaboration agreement to supply Swiss-based Selene Jewelry Sàrl with its lab-grown diamonds (approximately 10,000cts to 20,000cts per annum); Selene Jewelry will be appointed as the main distributor of its lab-grown diamonds in Europe
- 18 October 2021: Collaboration with Ningbo Crysdiam Industrial Technology Co. Ltd. (宁波晶钻工业科技有限公司) (“Ningbo Crysdiam”) from which AET will procure lab-grown diamonds from Ningbo Crysdiam as part of its supply chain and production strategy

- (i) Would the Board help shareholders recall if shareholders’ approval of the diversification into the diamond industry has been obtained?
- (ii) Would the Group’s risk profile be significantly altered with all the proposed developments in the diamond segment?
- (iii) In addition, what is the level of due diligence carried out by the Board on its partners and customers especially as the Group announced so many corporate developments in such a short time?
- (iv) Who is driving the Group’s entry into the diamond industry? What is the experience and track record of management and of the Board in this new area? On what basis did the Board approve the Group’s diversification into the diamond industry? Please help shareholders understand the business model, the competitive advantage of the Group and any industry research that motivated the Group to venture into this segment.
- (v) Does the Group have sufficient resources to support its growth plans?

COMPANY’S RESPONSE:

The joint venture agreement, MOUs and strategic collaboration agreements are intended to facilitate the Group’s preparatory steps to enter the lab-grown diamond industry, which leverage off the Group’s existing environmental and sustainability business, as a potential new growth area for the Group. This is because lab-grown diamonds are super-hard materials created without environmentally damaging mining activities, and other than aesthetic purposes, are also commonly utilised in industrial applications, such as in medical equipment, aerospace, and semiconductors etc.

At this stage, there is no need for the Company to seek shareholders’ approval. The Company expects to seek shareholders’ approval for this business expansion in due course and/or as and when the Group’s risk profile will be significantly altered in compliance with the Catalist rules. Its current preparatory steps can establish the potential feasibility, viability, profitability and sustainability of this new growth area. If shareholders’ approval is sought subsequently, the shareholders’ circular in relation to such business expansion will also disclose, amongst others, all relevant and associated business, industry and risk factors and considerations, how the Company propose to manage and operate such business, as well as the sources of funding the Group will tap on to progress and advance its interest in such business expansion.

The Company would further assure shareholders that prior to entering into the joint venture agreement, MOUs and strategic collaboration agreements, the Company’s management has engaged in person and/or virtually representatives of its business counterparts. Additionally, the Company has also conducted its own due diligence on these business counterparts through public sources of information and market research. As part of the ongoing preparatory assessment, the Group expects to tap on and benefit from the experience, knowledge and industry connections of its business counterparts.

QUESTION 2:

In the Chairman's message to shareholders, it was also mentioned that the Group will "capitalise on [its] reputation and experience in the recycling industry", utilise its extensive industry knowledge and business network and continue with general wholesale trading of metal products, as well as management and advisory of recycling services.

- (i) Can the Chairman elaborate further on the group's "reputation and experience" in metal recycling? From the consolidated statements of financial position, it can be seen that the company's equity has decreased to \$1.96 million after \$(177.1) million in accumulated losses. In other words, 98.9% of the company's share capital of \$179.01 million has been lost and only \$1.96 million (1.1%) remains as at 30 June 2021.
- (ii) Can the Chairman provide greater clarity on the ways the Group can capitalise on its "extensive industry knowledge and business networks" to create long-term value for all shareholders, especially minority shareholders? How much more capital will the Group be committing to the metal recycling segment?
- (ii) What is the group's competitive advantage in the waste and wastewater treatment industry, especially in the PRC? Does the group have the financial resources to support its investments in the capital-intensive industry? Is the board conducting a formal and systematic deal sourcing for its new projects?

COMPANY'S RESPONSE:

As announced by the Company on 31 May 2021 in the entry into the joint venture agreement with Jurong Barrels & Drums Industries Pte Ltd ("**Jurong BD**"), following the disposal and exit of its electronic waste treatment business in 2019, the Company will continue to explore opportunities to augment its supply chain management business while leveraging on its long history of involvement in the renewable and sustainability industry to build a new engine of growth. In the same announcement, it was disclosed that Jurong BD's controlling shareholders and management have a long-standing business relationship with Metech's principal shareholders and management. Going forward, the Group intends to build on and explore other environmental and sustainability business opportunities, which draws on its industry knowledge, business networks and experience operating in PRC.

The Company's acquisition of Blufu Water (Xinmin) Co., Ltd is an example, and the Company intends to position itself to secure additional operation and maintenance contracts of a similar nature, which do not require intensive capital investment and can contribute positively to Group revenue and profitability. The Group also has management personnel who have experience in the setting up, operation and maintenance of wastewater treatment plants in China.

Subject to its preparatory assessment, business expansion into the lab-grown diamond industry could represent another potential new growth area for the Group.

QUESTION 3:

Resolution 5 in the notice of annual general meeting is to seek shareholders' approval for the payment of \$274,000 (FY2021: \$174,000) as directors fees for the financial year ending 30 June 2022, to be paid quarterly in arrears.

In the company's corporate governance report, the company has not disclosed the remuneration of the directors in a manner required by Provision 8.1 of the Code of Corporate Governance 2018.

- (i) Can the board elaborate further on the "competitive" pressure if the company discloses the fees for non-executive directors? How relevant is this "competitiveness" given that some of the non-executive directors have multiple (and as many as 8) board representations?

(ii) In view of the significant increase in directors' fees, and that there have been several changes in the board composition, please disclose the fees paid to the directors as required by Provision 8.1 of the Code.

(iii) In addition, as disclosed on page 7, in the profile of Mr Chng Hee Kok, it was disclosed that:

Mr Chng currently serves as independent director in Full Apex (Holdings) Limited, Luxking Group Holdings Limited, United Food Holdings Limited, The Place Holdings Ltd., Blackgold Natural Resources Limited, as chairman and independent director in Ellipsiz Ltd. (retiring in October 2021), as an independent director in KTL Global Limited and interim chief executive officer of Chemical Industries (Far East) Limited (appointed in October 2021).

Despite already being on 8 boards, Mr Chng has taken up a CEO position in a company that is going through a transition. Can the director help shareholders understand how he is able to commit sufficient time, energy and attention to the affairs of the group, especially as the group is diversifying into new areas which would require significant involvement by the board?

COMPANY'S RESPONSE:

The Company continually assesses the suitability and performance of its directors and management on an ongoing basis and has also taken into account prevailing market practice relating to such disclosures. The nominating committee has assessed that Mr Chng's performance is satisfactory and does not take issue with the current directorships that Mr Chng holds. As set out in its Corporate Governance practices in relation to Provision 1.5 of the Code of Corporate Governance 2018, the Board does not set a maximum cap on the number of directorships a Director may hold as each Director would be able to manage and assess his own capacity and ability to take on obligations or commitments when serving on the Board. Independent directors with multiple appointments are similarly assessed to ensure they are able to contribute sufficient time and focus to the Group's affairs in their non-executive capacity.

To provide for additional flexibility, taking into account its aforesaid strategy and business plans, the Company is seeking shareholders' approval for an increase in directors' fees in the upcoming annual general meeting to be held on 29 October 2021, so that it can consider appointing individuals with relevant industry knowledge, expertise and experience who can contribute positively to the Board. For the avoidance of doubt, there are no changes to director fees payable to current members of the Board.

By Order of the Board of Directors of
Metech International Limited

Samantha Hua Lei
Executive Director and Deputy CEO

28 October 2021

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"). The Sponsor has not independently verified the contents of this announcement.

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.