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Meeting details:

Date: 26 Apr 2024

Time: 10.00 a.m.

Venue: 1003 Bukit Merah Central, #01-10, Inno Centre, Singapore 159836

Q1. The group has its vision to be a world-class integrated service provider in clean colour science technologies and states its mission to excel as a global competent solutions provider with pools of innovative talents ready to explore business opportunities and to deliver credible and sustainable business growth [emphasis added]. It also promises to meet the needs of its stakeholders with healthy returns [emphasis added].



(Source: company annual report [sic])

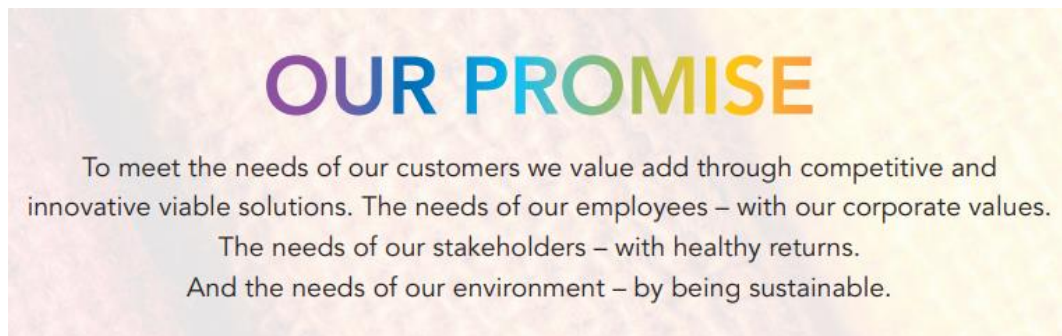
For the financial year ended 31 December 2023, the group recorded a loss of \$(4.0) million, with \$(3.3) million in losses attributable to owners of the company.

	Note	Group	
		2023 \$'000	2022 \$'000
Revenue	4	7,354	14,589
Cost of sales		(5,746)	(12,079)
Gross profit		1,608	2,510
Other income		48	12,460
Selling and distribution expenses		(1,070)	(1,653)
Administrative expenses		(4,961)	(9,622)
Other operating expenses		(36)	(150)
Finance income	5	270	77
Finance expenses	5	(122)	(433)
Write back of loss allowance on trade receivables		238	543
(Loss)/profit before taxation	7	(4,025)	3,732
Income tax expense	8	(16)	(33)
(Loss)/profit for the year		(4,041)	3,699

(Source: company annual report; emphasis added)

It appears that the group's gross profits are grossly inadequate to cover selling and distribution expenses as well as administrative expenses. In the message to shareholders, the company said that it is "clearly committed to delivering value to its shareholders" (page 10, emphasis added).

- (i) **What specific actions did management take in 2023 that delivered tangible value to shareholders? How does management measure value?**
- (ii) **Can management elaborate further on the group's competitive advantage, value proposition and pricing strategies?**
- (iii) **What specific strategies does the company have in place to enhance its profitability?**
- (iv) **Has the board reviewed the track record of management to effectively translate the group's intellectual properties, technologies, products, and services into profitable ventures, as promised to stakeholders (shareholders)?**



- (v) **Has the board considered the potential advantages of bringing new talent into the senior executive team to invigorate the group and infuse fresh perspectives?**

While cash used in operating activities was \$(456,000), the group ended the year with \$16.4 million in cash and cash equivalents after receiving \$1.25 million in proceeds from the share placement. As noted in the announcement dated 5 June 2023, the company placed out 50 million new shares at \$0.025 per share when the last reported NAV per share was \$0.0477 as at 31 December 2022.

- (vi) **Can the board, especially the independent directors, clarify the rationale behind conducting a severely dilutive private placement when the company holds cash and cash equivalents of nearly \$11.9 million as at 31 December 2022?**

Q2. On 26 January 2024, the company subscribed for 276,162 new ordinary shares, which represented 19.12% of the total number of ordinary shares in the enlarged issued and paid-up share capital of AR Bioenergy Tech Pte. Ltd. (“ARB”), for a total consideration of \$1.3 million.

ARB was incorporated to undertake the business of turning low value biomass to high value carbon and activated carbon products.

(i) Is the group’s expertise in dye, specialty chemicals and manufacturing transferrable to the biomass industry?

As noted in the company’s announcement dated 26 January 2024, immediately prior to the company’s subscription, ARB had an issued and paid-up share capital of S\$1,168,376 comprising 1,168,376 shares, 49.45% of which was held by Ms Ye Qing and 50.55% by Cave Investment Pte. Ltd..

The company paid \$4.71 per share (compared to \$1 per share) and ARB had a post-money valuation of \$6.8 million.

ARB and the vendors did not provide any profit guarantee, profit forecast or covenant to the company. In addition, ARB had yet to commence the production or the actual sale of any product or any other revenue generating business or trading although, barring unforeseen circumstances, ARB expected to commence production around February 2024.

(ii) Would it have been more prudent for the company to have conducted an independent valuation before investing in ARB? What were the reasons a valuation was not conducted?

(iii) On what basis did the board approve the \$1.3 million investment in ARB which had a post-money valuation of \$6.8 million? What was the level of due diligence carried out?

(iv) Can management provide shareholders with an update on the progress made by ARB since January 2024? Specifically, has production commenced?

In the annual report, it was noted that the company entered into the ARB investment “through the strategic collaboration with CSF Fund I Pte Ltd”. In the initial announcement on SGXNet, the company disclosed that none of the directors or controlling shareholders of the company have any interest, direct or indirect, in the [ARB] investment other than through their respective shareholdings in the company.

(v) Can the board explain what the company meant “strategic collaboration” and clarify whether CSF Fund I Pte Ltd or any directors associated with it had any direct or indirect interest in the investment?

Q3. On 5 April 2024, the company announced the retirement of Dr John Chen Seow Phun as non-executive chairman with effect on 26 April 2024 at the conclusion of the annual general meeting.

The director was first appointed to the board on 11 July 2003.

As at 31 December 2023, the group and company have accumulated losses of \$(22.1) million and \$(12.7) million respectively. The company last paid a dividend in May 2006 which amounted to \$0.002 per share. The only other time that the company paid a dividend after its listing was in May 2005¹, an amount of \$0.003 per share.

- (i) **What is the total shareholder return (TSR) over the past 5, 10 and 20 years (or since the IPO on 18 February 2004)?**
- (ii) **Has the board monitored and assessed the returns it delivered to shareholders, including using TSR as one of the metrics in its assessment?**
- (iii) **How is the board conducting its search for a new chairman? What criteria will the nominating committee use to shortlist the chairman candidates?**
- (iv) **How does the nominating committee select an incoming chairman with a track record of creating and delivering long-term value for shareholders, especially minority shareholders?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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