

**Matex International Limited**  
(Company Registration No. 198904222M)  
(Incorporated in Singapore)  
(the “Company”)

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**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE)**

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The Board of Directors (the “**Board**”) of Matex International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the following:

- a) the annual report of the Company for the financial year ended 31 December 2020 (“**FY2020 AR**”);
- b) the notice of the annual general meeting (“**AGM**”) issued on 13 April 2021 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 28 April 2021 at 10:00 am;
- c) the accompanying announcement in relation to the AGM (“**AGM Announcement**”);
- d) the notice of the extraordinary general meeting (“**EGM**”) issued on 13 April 2021 informing the shareholders of the Company that the EGM will be convened and held by way of electronic means on 28 April 2021 at 10:30 a.m. or immediately after the conclusion or adjournment of the AGM of the Company to be held at 10:00 a.m. on the same day by way of electronic means; and
- e) the accompanying announcement in relation to the EGM (“**EGM Announcement**”).

In light of the above, the Company has received questions from the Securities Investors Association (Singapore) (“**SIAS**”). Please refer to SIAS website at <https://sias.org.sg/qa-on-annual-reports/> for the list of questions received from SIAS and the Company’s responses in this announcement to such questions. To clarify, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

In addition, the Board wishes to inform that the Company has not received any comments, queries and/or questions from the shareholders in relation to the Company’s businesses, operations and in particular, the resolutions to be tabled for approval at the AGM and EGM.

By Order of the Board

Dr Tan Pang Kee  
Chief Executive Officer/Managing Director  
27 April 2021

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This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, CIMB Bank Berhad, Singapore Branch (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”).

This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume 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. Jason Chian, Head, Corporate Finance, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.

**Q1.** As noted in the message to shareholders, the group aims to improve its bottom line by selling higher yielding margin products and service solutions in sectors such as antiviral textiles, medical articles (Personal Protection Equipment), and “Athleisure”, which benefitted from COVID-19.

- (i) **Can management help shareholders understand the group’s competitive advantage in these high growth areas?**

Company’s Response:

We are distributing a world leading anti-viral and antimicrobial coating, and other functional finishing solutions of our partners such as HEIQ. Our products have been widely used in textile applications and we have a base of renowned customers who have purchased our solutions.

We expect global markets to demand more Personal Protection Equipment and Athleisure products in the next 1 to 2 years as we continue to work our way through the pandemic. In addition, we aim to grow our solutions and bring in other products to these high growth sectors.

- (ii) **What is the group’s value-add in the value chain?**

Company’s Response:

As a specialty chemical company, we supply and provide the chemicals which are added, applied and washed into the fabrics and garments by our direct customers. This can further be laundered to extend the shelf life of the article and lend better protection to the wearer.

- (iii) **How does the group acquire new customers?**

Company’s Response:

We acquire new customers by three (3) main methods – (i) through direct enquiries, (ii) by engaging consultants or (iii) through our partner networks to work with brands or mills who could potentially use our solutions.

- (iv) **What is the group’s role/involvement in Megapro ECO®? Does the group own or jointly own the intellectual properties of Megapro ECO®? How does the group capture value for shareholders with its involvement in Megapro ECO®?**

Company’s Response:

Megapro ECO® is an innovative salt free process solution developed by Matex. It is made by combining the dyes and chemicals that we produce and formulate, and this process helps our customers to reach a goal of zero waste discharge and to best reuse their resources. In the long run, we believe that this will help our customers to achieve greater sustainability in their dyeing process.

Megapro ECO® is currently patent pending and once approved, the Group will be the sole owner of the intellectual property of Megapro ECO®.

With a better and more competitive product, the Group aims to use Megapro ECO® to increase its market share by replacing the earlier generation of products that requires a significant amount of salt in the dyeing process. As we anticipate that the usage of salt will be significantly reduced by authorities in the foreseeable future, we are working closely with our distributors and customers to transition towards to a more environmentally friendly solution. As such, we forecast Megapro ECO® to be one of our core products that delivers greater value for our customers, and thereby capturing value for shareholders in the near future.

**Q2.** As noted in the corporate governance report, the board comprises five directors, three of whom (including the chairman of the board) are independent and non-executive directors and two are executive directors.

The nominating committee (NC) noted that Dr John Chen has served on the board for 9 or more years from the date of his first appointment. Based on the director's profile (page 10), Dr Chen was appointed the chairman and independent director since 11 July 2003. The NC noted Dr John Chen's long and commendable roles on the board and that he has discharged his duties professionally, ethically and with integrity.

The NC further noted the following:

*Having considered the above, the NC had determined that Dr John Chen has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an independent director. His continued presence as an independent board member will ensure best practices being followed and provide effective oversight and compliance to good corporate governance.*

- (i) **What are the best practices mentioned by the NC in the paragraph above?**

*Company's Response:*

The Independent Directors always ensure that within the business and regulatory environment that the Company operates in, best practices and the regulations that are found in the Code of Corporate of Governance, the Catalist Rules and also the Companies Act, Chapter 50. are complied with strictly by the Company. If there is any deviation from such practices, the Independent Directors will guide and propose ways for the Company to comply. The Independent Directors also sits on the board of several public listed companies and their vast experiences in providing quality guidance and advice to the Board are invaluable.

- (ii) **In addition, can the other directors confirm that they are familiar with corporate governance best practices and do they, individually and collectively, also provide effective oversight?**

*Company's Response:*

Yes, the directors are familiar with the Code of Corporate Governance and its best practices, and they do provide effective oversight. Furthermore, the Board is regularly updated on risk management, corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial standards by the auditors, company secretary and any other professionals engaged by the Company. The Independent Directors are also engaged full time in their respective profession, keeping them updated in their fields of knowledge.

Besides its statutory responsibilities, the board also provides entrepreneurial leadership, and guidance on the overall strategic direction; oversees the proper conduct of the business, performance and affairs of the group; and ensures that the necessary financial, human and operational resources are in place for the group to meet its objectives, amongst others (page 26).

The chairman also provides close oversight, guidance, advice and leadership to the CEO & MD and senior management.

In FY2010, equity attributable to owners of the company was \$41.7 million. As at 31 December 2020, it has fallen to \$16.9 million even after the recent fund raising. No dividend has been given out since 2006.

- (iii) **Can the board members, especially the long-tenured non-executive directors, help shareholders understand their effectiveness as board directors, especially in the area of entrepreneurial leadership and setting the strategic direction to create value for shareholders?**

*Company's Response:*

For long-tenured non-executive directors, they would still be effective as they understand the business and the history of the Company in comparison with the newer members of the Board. As such, they are able to advise and provide a clearer direction to the management based on

their familiarity of the business of the Company. Furthermore, the board members, through their years of diversified working experience, have provided advice and guidance on compliance to good corporate governance in all business practices to the management.

With the Board's advice and guidance, the Company had completed the rights issue in December 2020, which raised approximately S\$1.2 million and has helped to improve the financial position and capital base of the Company. Furthermore, the Board has provided adequate considerations and advice to the management for the proposed disposal of Matex Chemical (Taixing) Co., Ltd..

- (iv) **Would the board be reviewing how the human and operational resources could be further strengthened?**

*Company's Response:*

The Group reviews its human and operational resources on an on-going basis. For example, the Board meets with the external and internal auditor on a yearly basis without the presence of the management, and will provide recommendations to the management for improvement after the meeting. Recommendations may include, amongst others, matters involving human and operational resources.

**Q3.** On 30 October 2020, the company proposed to undertake a renounceable non-underwritten rights issue of up to 106,956,928 new ordinary shares in the capital of the company, at an issue price of \$0.027 for each rights share on the basis of two rights shares for every five existing ordinary shares in the issued and paid-up capital of the company held by entitled shareholders.

The company announced that valid acceptances and valid excess applications received were for a total of 44,305,833 rights shares. The controlling shareholder, Dr. Tan Pang Kee, who had given his undertaking for the rights issue subscribed to a total of 29,629,630 rights shares – 23,337,200 rights shares under his entitlements and 6,292,430 rights shares under excess application.

This represented approximately 41.42% of the rights shares available for the subscription under the rights issue. Not considering the acceptance and excess application by the controlling shareholder, it is estimated that minority shareholders took up only 10.4% of their entitlement (17.6% if valid acceptance and excess applications are considered).

- (i) **Has the board carried out a review to understand the reasons for the low valid acceptances by shareholders (other than the undertaking shareholder)?**

*Company's Response:*

The issue price of S\$0.027 for each right share was priced at a discount which was in line with market precedents and norms. In addition, the issue price of S\$0.027 represented a significant discount to the Group's net asset value. As such, the Board had considered the issue price of S\$0.027 to be reasonable.

The Board is unable to definitively ascertain or comment on the reasons for the level of acceptances by shareholders, as different shareholders have different financial circumstances and objectives which the Board is not privy to. The Board surmised that the ongoing pandemic might have impacted investors' willingness to increase their stake in the Company.

- (ii) **With the benefit of hindsight, what could the board have done differently?**

*Company's Response:*

As mentioned in the response to Question 3(i), the Board is of the view that the terms of the rights issue was reasonable. In view of the pandemic, the Board believes that this was the best that the Company can do to raise funds and strengthen its capital base during that period of time.

- (iii) **Has the board/management evaluated the market's understanding of the group and the appreciation of the group's business model and growth prospects?**

*Company's Response:*

The Board and management had evaluated the market's understanding of the Group and the appreciation of the Group's business model and growth prospects. The Company endeavours to provide updates to shareholders on the Group's business and growth prospects, and has consistently made the requisite disclosures through periodic announcements, annual reports and other documents, the Company's website, as well as at the Company's AGM.

- (iv) **Did the board consider the attractiveness of the rights issue given that 30% to 100% of the net proceeds was to be used to repay the shareholder loan?**

*Company's Response:*

The Board had considered the attractiveness of the rights issue as it will certainly strengthen the Group's financial position and capital base through the repayment of its shareholder loan. In addition, any further amount of proceeds from the rights issue will be used for the Group's working capital purposes. Please also refer to the responses to Questions 3(i) and 3(ii) above.