

METAX ENGINEERING CORPORATION LIMITED

Company Registration No. 197500111H

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PROPOSED INVESTMENT IN TRICAFTAN ENVIRONMENTAL TECHNOLOGY PTE. LTD. ("TRICAFTAN")

1. INTRODUCTION

- 1.1 The Board of Directors of Metax Engineering Corporation Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce the proposed acquisition by the Company of an aggregate of 480,000 ordinary shares in the share capital of TriCaftan (the "Proposed Investment"). The Proposed Investment will involve the acquisition of 132,925 TriCaftan Shares (as defined below) (representing 15.58 % of the total number of issued TriCaftan Shares (the "Sale Shares") as at the date of this Announcement) for a consideration of approximately S\$3.41 per Sale Share and the subscription of 347,075 TriCaftan Shares (representing 28.92% of the total number of issued TriCaftan Shares (the "Subscription Shares"), taking into account the Subscription Shares) at an issue price of S\$1 per Subscription Share. The aggregate amount payable pursuant to the Proposed Investment is S\$800,000.
- 1.2 In connection with the Proposed Investment, the Company has today entered into a share sale and purchase agreement with Welly Widjaja Chandra @ Chang Pao Wei (the "S&P Agreement") and a share subscription agreement with TriCaftan and its existing shareholders, namely, Welly, Ng Mei Li Cecilia, Khoo Lip Kee and Tey Poh Lan (the "Subscription Agreement"). Upon completion of the sale and purchase of the Sale Shares and the subscription of the Subscription Shares, the Company would own 40% of the total number of issued ordinary shares of TriCaftan ("TriCaftan Shares") (taking into account the Subscription Shares).

2. ABOUT TRICAFTAN

As at the date hereof, TriCaftan is carrying on the business of providing engineering services in the design, supply, installation and integration of specialised equipment and systems used in the water and wastewater treatment process. TriCaftan presently has an issued and paid-up share capital of S\$852,925 consisting of 852,925 TriCaftan Shares.

3. RATIONALE FOR THE PROPOSED INVESTMENT

The Proposed Investment would enlarge the Company's scope of work to include those undertaken by TriCaftan in their projects. The Proposed Investment would also allow the Company to expand its presence in Malaysia.

4. PRINCIPAL TERMS OF THE PROPOSED INVESTMENT

Consideration for the Proposed Investment

- 4.1 The purchase consideration for the Sale Shares is based on a price-earnings ratio ("PER") of approximately 8.18 times the maximum net profit after tax of TriCaftan of S\$500,000 for the 12 months ended 30 June 2008 (the "NPAT"). The audited net profit after tax for the financial period from 1 July 2007 to 30 June 2008 ("FY08") was S\$936,798 (based on the total number of issued shares of TriCaftan, taking into account the Subscription Shares), to be determined in accordance with the following formula:

$$40\% \times \text{NPAT} \times 4.0,$$

provided always that the purchase consideration shall not exceed S\$452,925, and was arrived at on a willing-seller and willing-buyer basis.

- 4.2 The purchase consideration in respect of the Sale Shares of S\$452,925 shall be satisfied by the issue of up to 2,516,250 new ordinary shares in the Company ("Metax Shares") at S\$0.18 each (the "Consideration Shares") to Welly. 738,472 Consideration Shares will be allotted and issued at a price of S\$0.18 per Consideration Share on completion of the sale and purchase of the Sale Shares (the "Sale Completion"). The balance of the Consideration Shares will be calculated based on the audited NPAT of TriCaftan for FY08, in accordance with the following formula:

$$\text{Balance Consideration Shares to be issued} = \{(\text{NPAT}^* \times 4 \times 40\%) - \text{S\$132,925} - \text{S\$347,075}\} / \text{S\$0.18}$$

(* where NPAT is capped at S\$500,000) (the "Second Allotment").

- 4.3 The aggregate purchase consideration in respect of the Subscription Shares of S\$347,075 is based on a PER of 2.4 times the NPAT and an aggregate consideration of S\$800,000, based on a PER of approximately 4 times the NPAT (based on the total number of issued shares of TriCaftan, taking into account the Subscription Shares), for the Proposed Investment, on a willing-buyer and willing-seller basis, and shall be satisfied in cash on completion of the subscription of the Subscription Shares (the "Subscription Completion").

Conditions

- 4.4 The purchase of the Sale Shares is conditional upon, *inter alia*, the following:
- (a) the approval of the shareholders of the Company being obtained at an extraordinary general meeting of such shareholders:
 - (i) for the S&P Agreement and all transactions contemplated under the S&P Agreement; and
 - (ii) for the allotment and issuance of the Consideration Shares;

- (b) the approval of the board of directors of the Company being obtained for the S&P Agreement and all transactions contemplated under the S&P Agreement and for the allotment and issuance of the Consideration Shares;
- (c) all necessary approvals, consents and waivers of the Singapore Exchange Securities Trading Limited (the "SGX-ST") required to complete the S&P Agreement (including, where applicable, any exercise for the raising of capital) and all transactions contemplated under the S&P Agreement, including the in-principle approval of the SGX-ST for the listing and quotation of the Consideration Shares being obtained, and if such approvals, consents and waivers are obtained subject to any conditions and where such conditions affect any party, such conditions being acceptable to the party concerned and conditions which require to be fulfilled before the Sale Completion being fulfilled before the Sale Completion;
- (d) the subscription for, issue and allotment, and offering (if any) of, the Consideration Shares not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority in Singapore or in any other jurisdiction affecting the vendor;
- (e) there having been no breach of any warranty, undertaking or obligation of the parties under the S&P Agreement in any respect at the Sale Completion, as if repeated at the Sale Completion and at all times between the date of the S&P Agreement and the Sale Completion;
- (f) the completion of the proposed renounceable non-underwritten rights issue of up to 45,579,545 new Metax Shares (the "Rights Issue");
- (g) the completion of the proposed acquisition by the Company of a further interest of approximately 39.2% of the total number of issued shares of WS Bioengineering Pte. Ltd. (the "WS Bio Acquisition");
- (h) save for the allotment and issue of the Subscription Shares, TriCaftan not having issued any TriCaftan Shares or other equity securities from the date of the S&P Agreement up to and including the date of the Sale Completion, whether in consequence of the conversion of any obligation or liability of the Company, howsoever arising, into TriCaftan Shares or other such equity securities, or not; and
- (i) the Subscription Completion taking place concurrently with the Sale Completion.

4.5 The subscription of the Subscription Shares is conditional upon, the following:

- (a) the Company being satisfied with the results of its due diligence enquiries and investigations into the legal, financial, business and other affairs of TriCaftan;
- (b) the Sale Completion taking place concurrently with the Subscription Completion;
- (c) there having been no breach of any warranty, undertaking or obligation of TriCaftan or Welly under the Subscription Agreement and no default or breach of any covenant by TriCaftan of any agreement with its bankers;
- (d) the Company receiving the management accounts of TriCaftan for the period from 1 July 2008 to 30 November 2008;

- (e) Welly and the other existing shareholders being the legal and beneficial owners of all of the issued and paid-up TriCaftan Shares;
- (f) the appointment of a non-executive director nominated by the Company to the board of directors of TriCaftan;
- (g) the approval of the board of directors and shareholders (if required) of the Company being obtained for the Subscription Agreement and all transactions contemplated under the Subscription Agreement;
- (h) all other necessary consents, approvals and waivers being granted for all transactions contemplated under the Subscription Agreement, not being withdrawn or revoked by third parties (including without limitation, government bodies, stock exchange and other relevant authorities having jurisdiction over the transactions contemplated under the Subscription Agreement), and if such approvals, consents and waivers are obtained subject to any conditions and where such conditions affect any of the parties, such conditions being acceptable to the party concerned, and if such conditions are required to be fulfilled before the Subscription Completion, such conditions being fulfilled before the Subscription Completion;
- (i) the approval of the issue of the Subscription Shares to the Company by the board of directors and by the shareholders of TriCaftan (if required);
- (j) the completion of the Rights Issue;
- (k) the completion of the WS Bio Acquisition;
- (l) there having been no material adverse change in TriCaftan's business, operations, condition (financial or otherwise), affairs, or performance between 30 November 2008 and the Subscription Completion;
- (m) there having been no change, crisis or material deterioration or any development involving a prospective change, crisis or material deterioration in the monetary, political, financial or economic conditions in Singapore or elsewhere which will materially and adversely affect the business, operations or prospects of TriCaftan in the reasonable opinion of the Company after due and careful consideration;
- (n) the subscription for, issue and allotment, and offering (if any) of, the Subscription Shares not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority in Singapore or in any other jurisdiction affecting the Company; and
- (o) save for the allotment and issue of the Subscription Shares, TriCaftan not having issued any TriCaftan Shares or other equity securities from the date of the Subscription Agreement up to and including the Subscription Completion, whether in consequence of the conversion of any obligation or liability of the Company, howsoever arising, into TriCaftan Shares or other such equity securities, or not.

Other Salient Terms

Under both the S&P Agreement and the Subscription Agreement, Welly has warranted and represented to the Company that (i) he will not seek representation on the Board of

Directors of the Company, (ii) he is acting on his own accord and not in accordance with or under the instructions of any of the existing shareholders of the Company or pursuant to any other understanding, arrangement or agreement to obtain or consolidate effective control of the Company, and (iii) none of his concert parties or related parties, or himself are acting in concert with any of the directors of the Company.

Under the Subscription Agreement, the Company and Welly have agreed to grant to each other a call option and a put option, respectively, for the purchase by the Company of additional TriCaftan Shares representing 30% of the total number of issued TriCaftan Shares (taking into account the Subscription Shares) upon the fulfillment of certain conditions (collectively the "Options"). The Options may be exercised at any time and at one or more times between 1 July 2009 and 31 December 2013 and such exercise of the Options is subject to the fulfillment of the following conditions by TriCaftan:

- (i) the average of the audited net profit after tax of TriCaftan for any two (2) consecutive financial years being not less than S\$600,000;
- (ii) TriCaftan not having incurred any loss in the financial year, prior to the date of exercise; and
- (iii) the completion of the Second Allotment.

Upon each exercise of the Options by the Company or Welly, as the case may be, the TriCaftan Shares subject of such exercise shall be sold and purchased at a price based on the latest audited net profit after tax of TriCaftan (subject to a maximum of S\$700,000) and a price-earnings ratio of 5 times, to be paid by the Company in cash or by an issue of Metax Shares, at its absolute discretion, provided that the Metax Shares to be issued shall not in aggregate exceed five per cent (5%) of the total number of existing issued Metax Shares, being 91,159,091 and the value of the Metax Shares shall be based on the average closing price of Metax Shares for five consecutive market days whereby Metax Shares were traded prior to the issue.

Welly has undertaken to the Company that he will continue to hold not less than the total number of TriCaftan Shares required to be transferred to the Company upon its exercise of its call option, from the date of the Subscription Agreement up to the expiry of the option period.

Upon the exercise of the Options by the Company or Welly, as the case may be, and subject to the Company becoming the controlling shareholder of TriCaftan, Welly and the other directors of TriCaftan (where necessary) shall enter into service agreements with TriCaftan on terms and conditions to be agreed between TriCaftan with Welly and such directors.

Under the Subscription Agreement, the Company has undertaken not to sell, transfer, realise or otherwise dispose of any part of the Subscription Shares for a period of six months from the date of the issue of the Subscription Shares and to retain at least 50% of the Subscription Shares for a period of six months thereafter.

Under the S&P Agreement, Welly has undertaken not to sell, transfer, realise or otherwise dispose of any of the Consideration Shares for a period of six months from the date of the issue of the Consideration Shares and to retain at least 50% of the Consideration Shares for a period of six (6) months thereafter.

Under the Subscription Agreement, the existing shareholders of TriCaftan shall be entitled to declare dividends out of the net profit after tax of TriCaftan for the financial

period ending 30 June 2007 and the financial year ending 30 June 2008, provided that the profits set aside and maintained as reserves of TriCaftan as at the dates of such declaration shall not be less than S\$500,000.

Upon completion of the Proposed Investment and based on the values as reflected in the latest audited financial statements as at 30 June 2008, the net book value ("NBV") and the net tangible asset ("NTA") of the TriCaftan Shares to be acquired would be S\$543,745 (based on a shareholding of 40%). Upon exercise of the above mentioned options in full, the NBV and NTA would be S\$951,553 (based on a shareholding of 70%). No valuation for the TriCaftan Shares to be acquired was done in relation to the Proposed Investment.

A summary of the information required under Rule 1010 (3) is, as follows:

Asset	Consideration (S\$)	Basis
Subscription Shares	347,075	1 share for S\$1 based on a PER of approximately 2.4 times the NPAT (based on the total number of issued TriCaftan Shares and taking into account the Subscription Shares).
Sale Shares	452,925	1 share for S\$3.41 based on a PER of approximately 8.18 times the NPAT (based on the total number of issued TriCaftan Shares and taking into account the Subscription Shares).
Maximum number of TriCaftan Shares to be acquired upon exercise of the Options	1,050,000	PE ratio of 5 times based on a maximum net profit after tax of S\$700,000
Aggregate	1,850,000	

5. FUNDING FOR THE PROPOSED INVESTMENT

The Company is proposing to use various methods, not limited to bank borrowings, to satisfy the purchase consideration for the Subscription Shares.

6. FINANCIAL EFFECTS

NTA	FY2008
Before the Proposed Investment	
NTA attributable to Shareholders ⁽¹⁾ (S\$'000)	6,089
Add:	
NTA attributable to 40% acquisition of equity interest in WS Bioengineering Pte. Ltd. ⁽²⁾	3,098
	9,187
NTA attributable to Shareholders ⁽¹⁾ (S\$'000)	
Number of Metax Shares	91,159,091
NTA per Metax Share ⁽³⁾ (cents)	10.08

After the Proposed Investment⁽⁴⁾

Add:	
NTA attributable to Proposed Investment ⁽⁵⁾ (S\$'000)	544
Number of Consideration Shares pursuant to Proposed Investment	2,516,250
NTA attributable to Shareholders ⁽¹⁾ (S\$'000)	9,731
Number of Metax Shares	93,675,341
NTA per Metax Share ⁽³⁾ (cents)	10.39

After the exercise of the Options⁽⁶⁾

Add:	
NTA attributable to exercise of the Options (S\$'000)	408
Number of Metax Shares to be issued pursuant to the exercise of the Options	4,557,954
NTA attributable to Shareholders ^{(1) (7)} (S\$'000)	10,139
Number of Metax Shares ⁽⁷⁾	98,233,295
NTA per Metax Share ^{(3) (7)} (cents)	10.32

Notes :-

- 1) Consolidated NTA excludes amount that is attributable to minority interests and is based on the consolidated NTA attributed to Shareholders as at the end of FY2008.
- 2) The amount represents the issuance of shares of the Company for the 40% equity interest in WS Bioengineering Pte. Ltd.
- 3) Consolidated NTA per Metax Share is based on the consolidated NTA attributable to Shareholders of the Company (excluding minority interest) and the number of Metax Shares as described above.
- 4) Assuming that the Proposed Investment is completed as at the end of FY2008 and disregarding any interest, revenue and/or returns that may arise.
- 5) Includes the effect of the share consideration of Proposed Investment.
- 6) Assuming that the exercise of Options is completed as at the end of FY2008 and disregarding any interest, revenue and/or returns that may arise.
- 7) Include the effects of Proposed Investment and exercise of Options.

Earnings per Share ("EPS")**Before the Proposed Investment**

Profit/(Loss) after taxation attributable to Shareholders ⁽¹⁾ (S\$'000)	(3,044)
Number of Metax Shares	91,159,091
EPS ⁽²⁾ (cents)	(3.34)

After the Proposed Investment ⁽³⁾

Add:	
Earnings attributable from the Proposed Investment ⁽⁴⁾ (S\$'000)	375
Number of Consideration Shares pursuant to the Proposed Investment	2,516,250
Profit/(Loss) after taxation attributable to Shareholders ⁽¹⁾ (S\$'000)	(2,669)
Number of Metax Shares	93,675,341
EPS ⁽²⁾ (cents)	(2.85)

After the exercise of the Options⁽⁵⁾

Add:	
Earnings attributable from exercise of the Options (S\$'000)	281
Number of Metax Shares to be issued pursuant to the exercise of the Options	4,557,954

Profit/(Loss) after taxation attributable to Shareholders ⁽¹⁾ ⁽⁶⁾ (S\$'000)	(2,388)
Number of Metax Shares ⁽⁶⁾	98,233,295
EPS ⁽²⁾ ⁽⁶⁾ (cents)	(2.43)

Notes :

- 1) The profit attributable to Shareholders excludes profit attributable to minority interests.
- 2) EPS is based on the profit attributable to Shareholders and the number of Metax Shares as described above.
- 3) Assuming that the Proposed Investment is completed as at the beginning of FY2008 and disregarding any interest, revenue and/or returns that may arise.
- 4) Earnings attributable from the Proposed Investment are based on 12 months NPAT.
- 5) Assuming that the exercise of Options is completed as at the beginning of FY2008 and disregarding any interest, revenue and/or returns that may arise.
- 6) Include the effects of Proposed Investment and exercise of Options.

7. RELATIVE FIGURES COMPUTED ON THE BASES IN RULE 1006

<u>Rule 1006</u>	<u>FY2008</u>
(a) The net asset value of the assets to be disposed of, compared with the group's net asset value.	Applicable for disposal only
(b) The net profits attributable to the assets acquired, compared with the group's net profit	NM ⁽¹⁾
(c) Aggregate value of the consideration given for acquiring TriCaftan and the Metax Shares issued pursuant to the exercise of options, compared with the Group's market capitalisation ⁽²⁾ ⁽³⁾	9.7%
(d) The number of equity securities issued by the issuer as consideration for acquiring TriCaftan and Metax Shares issued pursuant to the exercise of options, compared with the number of equity securities previously in issue ⁽⁴⁾	7.8%

Notes :

- (1) Not meaningful as the net profits attributable to the Group is a loss.
- (2) Market capitalization of approximately S\$19,143,409 has been determined by multiplying the number of Metax Shares in issue by the weighted average price of such Shares transacted on the Market Day preceding the date of the S&P Agreement.
- (3) We have aggregated the purchase consideration of the Proposed Investment of approximately S\$800,000 with the purchase consideration for the Options of approximately S\$1,050,000.
- (4) We have aggregated the number of equity securities of the Proposed Investment of approximately 2,516,250 with the number of equity securities issue pursuant to the exercise of the Options of approximately 4,557,954.

8. INTERESTS OF CONTROLLING SHAREHOLDERS AND DIRECTORS

None of the Directors (other than in his capacity as a Director or shareholder of the Company) and controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Investment.

9. DETAILS OF SERVICE CONTRACTS OF DIRECTORS PROPOSED TO BE APPOINTED TO THE COMPANY

There are no appointments to be made to the Board of Directors of the Company in connection with the Proposed Investment.

10. **FURTHER ANNOUNCEMENTS**

Further announcements on this matter will be made in due course as and when appropriate.

11. **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, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

Where information relating to TriCaftan has been extracted from published or otherwise available sources or is otherwise based on information obtained from TriCaftan or the vendors thereof, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources or, as the case may be, reflected or reproduced in this Announcement.

12. **APPROVALS**

Shareholders' approval is required for the Options, pursuant to Rule 1018 of the Rules of Catalist.

13. **DOCUMENTS FOR INSPECTION**

A copy each of the S&P Agreement and the Subscription Agreement may be inspected during normal business hours at the registered office of the Company at 28 Third Lok Yang Road, Singapore 628016 for a period of three months from the date of this Announcement.

As there is no assurance that the Proposed Investment will be completed, Shareholders are advised to refrain from taking any action which may be prejudicial to their interests before seeking advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers (as appropriate).

By Order of the Board

Tan Tze Wen
Managing Director
3 November 2008