

**DAGANG NeXCHANGE BERHAD**  
**[REGISTRATION NO. 197001000738 (10039-P)]**

**- COMMENCEMENT OF ARBITRATION PROCEEDINGS AGAINST MIMASTRONICS TECHNOLOGIES COMPANY LIMITED IN RELATION TO A PROPOSED INVESTMENT IN DAGANG NeXCHANGE BERHAD'S GROUP OF COMPANIES**

**1. INTRODUCTION**

The Board of Directors of Dagang NeXchange Berhad (“**the Company**” or “**DNeX**”) wishes to announce that DNeX Semiconductor Sdn. Bhd. (“**DNeX Semi**”), a wholly-owned subsidiary of the Company, had on 17 November 2022 issued and served a Notice of Arbitration to commence arbitration proceedings against Mimastronics Technologies Company Limited (“**MIMAS**”) under rules 5.3 and 22.4 of the Asian International Arbitration Centre Arbitration Rules, 2021. MIMAS is wholly owned by Tethystronics Technologies Company Limited (“**TTCL**”) a special purpose vehicle ultimately owned by Beijing Integrated Circuit Advanced Manufacturing and High-End Equipment Equity Investment Fund Center (Limited Partnership) (“**CGP**”), which also held 40% equity interest in SilTerra Malaysia Sdn. Bhd. (“**SilTerra**”). SilTerra is a 60% owned subsidiary of DNeX Semi which in turn is a subsidiary of the Company.

**2. BACKGROUND**

DNeX and CGP had respectively acquired, through DNeX Semi and TTCL, 60% and 40% of the shareholding of SilTerra from Khazanah Nasional Berhad (“**Khazanah**”) pursuant to a Share Sale and Purchase Agreement dated 31 March 2021 between DNeX, CGP and Khazanah (“**SilTerra SSPA**”).

DNeX Semi and TTCL aimed to continue with the operations of SilTerra. This necessitated compliance with the conditions imposed on the manufacturing licence (“**the Licence**”) issued to SilTerra pursuant to the Industrial Co-ordination Act 1975. Amongst other things, it was a condition that at least 55% of the shareholding of SilTerra was to be owned by a Malaysian entity. A breach of this condition would trigger a possible revocation of the Licence.

In order to fulfil commitments made by DNeX Semi and TTCL under the SilTerra SSPA, it was necessary for DNeX Semi to raise a sum of RM120 million in SilTerra for the purposes specified in Schedule 4(I) of the SilTerra SSPA.

Various discussions were held between the parties to deliberate on the option of financial instruments to be used for purpose of raising the aforementioned funds. Of the options discussed, the parties had sought to opt for the possible issuance of Irredeemable Convertible Preference Shares (“**ICPS**”) in DNeX Semi amounting to RM100 million to be issued to and subscribed by MIMAS (“**Proposed Investment**”). The Proposed Investment forms the subscription exercise that was the subject of the Subscription Agreement dated 21 January 2022 entered between DNeX Semi, MIMAS and DNeX (“**SSA**”) by which MIMAS would become a 33.33% shareholder of DNeX Semi in return for a payment of RM100 million. The rights of the DNeX Semi and MIMAS as shareholders was to be regulated by the Shareholders Agreement dated 21 January 2022 entered between DNeX Semi, MIMAS and DNeX (“**SHA**”).

The execution of the SSA and SHA was done in accordance with a protocol which stipulates that wet-ink versions of the signing pages were only required for the purposes of stamping. Nonetheless upon executing the two agreements, DNeX reached out to MIMAS to delay the stamping as DNeX will need to seek greater clarity on the matter from the relevant authorities in fear that it might potentially breach any regulatory conditions duly imposed by the Government of Malaysia.

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Accordingly, DNeX and CGP had sought clarification with the Ministry of International Trade and Industry ("MITI") in relation to the possible breach of any regulatory conditions pursuant to the Proposed Investment.

Vide MITI's letter dated 28 February 2022, DNeX and CGP learned that the prior approval of MITI was required in relation to the Proposed Investment. Despite the clarification letter from MITI, MIMAS purported to stamp the SSA and SHA, utilising scanned copies of the signing pages of the said agreements on which DNeX and DNeX Semi signed. This was despite the understanding of the parties that only wet ink copies would be stamped. At all material times, the original wet ink copies of the SSA and SHA are kept in trust by DNeX's solicitors and have not been released to CGP, MIMAS or its solicitors.

**3. CIRCUMSTANCES LEADING TO THE ARBITRATION PROCEEDINGS**

MIMAS took, and still takes, the position that such approval was not required and maintains that the SSA and the SHA are valid and enforceable. It is, further, MIMAS's position that these agreements should not be understood as being conditional upon such approval.

DNeX and DNeX Semi, however, consider such approval as necessary, more so in light of the terms and conditions of the SSA and the SHA which provide for MIMAS becoming a shareholder upon the issuance of the ICPS and not their conversion. If so, this puts the Licence, and thus the operations of SilTerra, at risk. This is also after taking into account the MITI's letter dated 28 February 2022 which stipulates that the prior approval of MITI was required in relation to the Proposed Investment.

It is the position of DNeX and DNeX Semi that the SSA and the SHA are void by reason of Section 21, Contracts Act 1950 as the parties were under a mistake as to a matter of fact essential to the said agreements.

In view of the foregoing, DNeX and DNeX Semi demand that the dispute be referred to arbitration pursuant to the Arbitration Agreements in accordance with the Asian International Arbitration Centre Arbitration Rules, 2021.

DNeX and DNeX Semi will seek the necessary relief to have the SSA and SHA declared null and void.

**4. FINANCIAL AND OPERATIONAL IMPACT**

The Company does not expect any material financial impact by reason of the commencement of the said arbitration proceeding other than legal cost to be incurred. SilTerra remains a 60% owned subsidiary of DNeX Semi which in turn is a subsidiary of the Company. No material operational impact is expected arising from the arbitration.

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**5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interests, direct or indirect, in the aforesaid arbitration proceedings.

**6. MATERIAL DEVELOPMENT**

Further announcements on any material development will be made as and when it is appropriate and/or necessary.

This announcement is dated 17 November 2022.