



**MSM INTERNATIONAL LIMITED**  
(Incorporated in Singapore)  
(Company Registration No.: 200918800R)

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## **PROPOSED DISPOSAL OF MARC16 EQUIPMENT MANUFACTURING SDN BHD**

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### **1. INTRODUCTION**

The board of directors (“**Board**” or “**Directors**”) of MSM International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 6 August 2021, entered into a conditional share purchase agreement (“**Disposal SPA**”) with Gene Tech Sdn Bhd (“**GeneTech**” or the “**Purchaser**”) to dispose 100% of its entire shareholding interest of 1,000,000 ordinary shares in the capital of its wholly-owned subsidiary, MARC16 Equipment Manufacturing Sdn Bhd (“**MARC16**”) (“**Sale Shares**”), to the Purchaser for a cash consideration of RM1,000,000 (“**Consideration**”) (the “**Proposed Disposal**”). Upon the completion of the Proposed Disposal, MARC16 will cease to be a subsidiary of the Company.

The Company is also considering to rent part of the premises owned by MARC16 for the Group’s own operations and is currently in the midst of discussing the terms of the rental agreement with the Purchaser.

### **2. INFORMATION ON THE PURCHASER**

The Purchaser was incorporated in Malaysia on 6 September 2018 as a private company limited by shares and is primarily involved in the business of wholesale of industrial machinery, equipment and supplies. The sole director and shareholder of the Purchaser is Ding Kuoi Jean, who is an ex-staff of another subsidiary of the Company. There are no introducer fees paid or to be paid by the Company in connection with the Proposed Disposal. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its beneficial owner are third parties independent of the Company, its Directors and controlling shareholders, and are not related to the Company.

### **3. INFORMATION ON MARC16**

MARC16 was incorporated in Malaysia on 14 November 2008 as a private company limited by shares and is primarily involved in the business of trading, design and supply of machines. As at the date of this announcement, MARC16 has an issued and paid-up share capital of RM1,000,000 comprising 1,000,000 ordinary shares.

Based on the audited financial statements of MARC16 as at 31 March 2021, the net tangible liabilities and net liabilities value of MARC16 amounted to RM2.71 million. The audited net book value of investment in MARC16 at Company level as at 31 March 2021 is RM0.90 million. MARC16 recorded a loss before taxation of RM1.42 million for the financial year ended 31 March 2021. There is no market value of MARC16 as the shares of MARC16 are not publicly traded and no valuation was commissioned by the Company in respect of the Proposed Disposal.

Assuming that the Proposed Disposal had been completed on 31 March 2021 and taking into consideration the Write-Off (as defined in Section 4.1 below) of RM2.00 million, the Proposed Disposal would result in a gain on disposal and an excess of the Consideration over the book value of MARC16 of approximately RM1.71 million to the Group.

#### **4. MATERIAL TERMS OF THE PROPOSED DISPOSAL**

##### **4.1 Consideration**

In addition to the Consideration, the Company has also agreed to, upon completion of the Proposed Disposal, write-off RM2.00 million from the amounts owing by MARC16 to the Company (“**Write-Off**”), which comprise part of the advances by the Company to MARC16 to support its working capital for the past few years.

The Consideration and the Write-Off was arrived at pursuant to arm’s length negotiations between the Company and the Purchaser on a willing buyer willing seller basis, after taking into account prevailing market conditions, and the rationale for the Proposed Disposal as disclosed in paragraph 5 below.

The Consideration will be paid by the Purchaser to the Vendor upon execution of the Disposal SPA. The Company has, as at the date of this announcement, received the Consideration from the Purchaser.

##### **4.2 Completion**

The Proposed Disposal will complete within 3 months of receipt of the full payment by the Purchaser of the Consideration upon delivery or procurement of the delivery to the Purchaser in respect of the Company (if the same is held by the Vendor, its officers or agents) the original share certificates of the Sale Shares together with the duly executed valid and registrable transfer in respect of the Sale Shares in favour of the Purchaser.

#### **5. RATIONALE OF THE PROPOSED DISPOSAL**

The Company is of the view that the Proposed Disposal is in the best interest of the Group given that MARC16 had been loss making for the past 6 financial years and is in a net liabilities position as at 31 March 2021. As such, divesting this investment is expected to improve the Group’s future financial position and operational performance. The Proposed Disposal will also allow the Group to focus on its other businesses, and re-strategise and re-allocate its financial and capital resources resulting in more working capital for the expansion of the Group’s other businesses or into new businesses. This may, in turn, enhance long-term shareholders’ value of the Company.

The Proposed Disposal will also not have any material impact on the Group’s core businesses and/or business segments.

#### **6. USE OF PROCEEDS**

The proceeds from the Proposed Disposal will be used for working capital purposes and repayment of debts of the Group.

## 7. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

Based on the latest announced consolidated financial statements of the Group (being the audited consolidated financial statements for the financial year ended 31 March 2021), the relative figures for the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Catalist Rules, are as follows:

<u>Rule 1006</u>	<b>Bases of computation</b>	<b>Relative Figure</b>
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value <sup>(1)</sup>	-2.51% <sup>(2)</sup>
(b)	The net profits attributable to the assets disposed of, compared with the Group's net profits <sup>(3)</sup>	-14.75% <sup>(4)</sup>
(c)	The aggregate value of the consideration received compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	35.09% <sup>(5)</sup>
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable <sup>(6)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable <sup>(7)</sup>

### Notes:

- (1) Under Rule 1002(3)(a) of the Catalist Rules, "net assets" means total assets less total liabilities.
- (2) Based on the audited financial statements of MARC16 for the financial year ended 31 March 2021, the negative net assets value of MARC16 was RM2.71 million and after adding MARC16's gain on waiver of debts pursuant to the Write-Off of RM2.00 million, the negative net assets value of MARC16 is RM0.71 million. Based on the audited financial statements of the Group for the financial year ended 31 March 2021, the net asset value of the Group was RM28.43 million. The relative figure would be -9.54% if the computation is based on the audited negative net assets value of MARC16 as at 31 March 2021 (without adding MARC16's gain on waiver of debts).
- (3) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (4) Based on the audited financial statements of MARC16 and the Group for the financial year ended 31 March 2021, the net loss attributable to MARC16 was RM1.42 million and the net loss of the Group was RM9.61 million, respectively.

- (5) The Consideration to be received is RM1.00 million and the Write-Off is RM2.00 million. The Company's market capitalization is approximately RM8.55 million (based on an exchange rate of S\$1.00 to RM3.12), determined by multiplying the total issued shares of 105,391,186 ordinary shares in issue by the volume weighted average price of shares of S\$0.0260 per share on 16 July 2021, being the last traded full market day immediately preceding the date of the Disposal SPA on 6 August 2021.
- (6) The Proposed Disposal is a disposal of assets not an acquisition of assets. No equity securities will be issued by the Company in connection with the Proposed Disposal.
- (7) The Company is not a mineral, oil and gas company.

The Proposed Disposal involves the disposal of a loss-making company with a negative net asset value. Notwithstanding, the Proposed Disposal would result in a gain on disposal of RM1.71 million. As the absolute relative figures computed involves negative figures which falls within the situations set out in Paragraphs 4.4 (c) and (e) of Practice Note 10A of the Catalist Rules, that is (i) the absolute relative figure computed on the basis of Rule 1006(c) of the Catalist Rules exceed 5% but does not exceed 50%; and (ii) the Proposed Disposal does not result in a loss on disposal, Rule 1014 of the Catalist Rules would not apply to the Proposed Disposal and hence, the approval of shareholders of the Company is not required for the Proposed Disposal. However, the Company must immediately announce the information required pursuant to Paragraph 4.4 of Practice Note 10A of the Catalist Rules.

## 8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal as set out below are computed based on the Group's latest audited consolidated financial statements for the financial year ended 31 March 2021 and assuming, *inter alia*, that (a) the Proposed Disposal was completed on 31 March 2021 for computing the financial effects on the net tangible assets ("**NTA**") per share of the Company; (b) the Proposed Disposal was completed on 1 April 2020 for computing the financial effects on the loss per share ("**LPS**") of the Company; and (c) the costs and expenses incurred or to be incurred in connection with the Proposed Disposal was disregarded. The financial effects below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Company and the Group following the completion of the Proposed Disposal.

(a) NTA per Share

	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
NTA (RM'000)	28,428	32,142
Number of Shares	105,391,186	105,391,186
NTA per Share (Malaysia sen)	26.98	29.55

(b) Loss per Share ("**LPS**")

	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Loss attributable to the shareholders of the Company (RM'000)	10,143	8,431
Weighted average number of Shares	105,391,186	105,391,186

**9. SERVICE CONTRACTS**

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

**10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

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

**11. RESPONSIBILITY STATEMENT**

The Board 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, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Board is not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Board has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

**12. DOCUMENTS FOR INSPECTION**

Copies of the Disposal SPA are available for inspection during normal office hours at the Company's registered office at Lot 1909, Jalan KPB5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, for a period of three (3) months from the date of this announcement.

**BY ORDER OF THE BOARD****CHAN KEE SIENG**

Executive Chairman

6 August 2021

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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