

MSM INTERNATIONAL LIMITED

(Incorporated in Singapore)

(Company Registration No.: 200918800R)

DISCLOSABLE TRANSACTION RELATING TO 51%-OWNED SUBSIDIARY, FLEXACON AUTOMATION SYSTEM SDN BHD – ACQUISITION OF LAND AND BUILDING

1. INTRODUCTION

The Board of Directors (the “**Board**”) of MSM International Limited (the “**Company**”) and its subsidiaries (the “**Group**”) wishes to announce that Flexacon Automation System Sdn Bhd (the “**Purchaser**”), a 51%-owned subsidiary of the Company, had on 13 May 2019 entered into a sale and purchase agreement with Win Star (M) Sdn Bhd (the “**Vendor**”) (“**S&P Agreement**”), to purchase a piece of freehold industrial land together with the factory building erected thereon bearing postal address No. 11, Jalan Mega 2/1, Kawasan Perindustrian Mega 2, 43500 Semenyih, Selangor, Malaysia (the “**Property**”) for an aggregate cash consideration of RM3,950,000 (the “**Consideration**”) (the “**Property Acquisition**”). The Property Acquisition has been completed on 13 November 2019.

2. INFORMATION OF THE PROPERTY

The Property is held under the Title Geran 313980, Lot 41074, Mukim Semenyih, Daerah Ulu Langat, Negeri Selangor, Malaysia measuring approximately 1731.39 square metres. Prior to the Property Acquisition, the Property was tenanted by the Purchaser for its existing automation business.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Property Acquisition is in line with the Group’s plan to expand its existing business in the automation industries. The Board believes that with the Property Acquisition, the Purchaser will have more flexibility on the use of the Property and it will also be able to increase its production capacity to serve the existing orders and new orders to be secured in future.

4. CONSIDERATION

The Consideration of the Property amounting to RM3,950,000 was arrived at on a willing-buyer and willing – seller basis, after taking into consideration, among others, the market value of the Property based on the valuation report dated 29 July 2019 conducted by an independent valuer, Henry Butcher Malaysia (SEL) Sdn Bhd of RM4,300,000 as at 29 July 2019 (“**Valuation Report**”). The Valuation Report was commissioned by the Purchaser’s banker and the valuation is based on the comparison approach, which is the market approach of comparing the Property with similar properties that were either transacted recently or listed for the sale within the same location or other comparable localities.

Terms of payment

Consideration: RM3,950,000.00

Payment Terms: 10% deposit shall be paid by the Purchaser as follows:

- RM50,000.00 to the Vendor prior to the execution of the S&P Agreement;
- RM118,500.00 to the Purchaser's solicitor as Real Property Gain Tax (RPGT) retention within 60 days from the S&P Agreement; and
- RM226,500.00 to the Purchaser's solicitor for the balance of 10% deposit upon execution of the S&P Agreement.

The payment for the remaining 90% of the Consideration, being RM3,555,000 shall be paid by the Purchaser to the Vendor's solicitor as stakeholder within four months from the date of the S&P Agreement ("**Automatic Completion Period**") or a one month automatic extension from the Automatic Completion Period. However, the Purchaser has paid the remaining 90% Consideration in November 2019 following negotiations with the Vendor.

The Property Acquisition was funded by internal funds and bank borrowings.

5. **RULE 1006**

<u>Rule 1006(a)</u> The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾ .
<u>Rule 1006(b)</u> The net profits attributable to the assets disposed of, compared with the Group's net profits	Not applicable ⁽²⁾ .
<u>Rule 1006(c)</u> 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.	7.35% ⁽³⁾ .
<u>Rule 1006(d)</u> 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 ⁽⁴⁾ .
<u>Rule 1006(e)</u> 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 ⁽⁵⁾ .

Note:

- (1) This basis is not applicable as the transaction is not a disposal of asset.
- (2) This basis is not applicable as there was no income derived from the Property.
- (3) The market capitalisation of the Company of S\$9.00 million, is determined by multiplying the total number of ordinary shares of the Company ("Shares"), being 90,000,000 Shares by the volume-weighted average price of the Shares of approximately S\$0.10 as at 25 March 2019, being the preceding market day on which Shares were last transacted prior to the date of the S&P Agreement. The Consideration used for the computation is based on consideration @ 51% shareholding, being approximately S\$661,164 (at an exchange rate of S\$1 @ RM3.0469 for RM3,950,000, as disclosed in Paragraph 1).
- (4) This basis is not applicable as no Shares were issued as Consideration for the Property Acquisition.
- (5) This basis is not applicable as the Property Acquisition is not a disposal of mineral, oil or gas assets.

As the highest relative figure calculated on the basis pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) exceed 5% but is less than 75%, the Property Acquisition constitutes a “disclosable transaction” within the meaning of Chapter 10 of the Catalist Rules.

6. FINANCIAL EFFECTS

(a) Net Tangible Assets (“NTA”) per Share

Assuming that the Property Acquisition had been completed on 31 March 2019, the effects of the Property Acquisition on the NTA per share of the Group as at 31 March 2019, based on the Group’s audited financial statements for the financial year ended 31 March 2019 (“**FY2019**”) would be as follows:

	Before completion of the Property Acquisition	After completion of the Property Acquisition⁽¹⁾
NTA (RM’000) ^(*)	44,339	44,339
Number of Shares (’000)	90,000	90,000
NTA per Share (Malaysia sen)	49.27	49.27

Note:

(1) Including the value of the Property.

(b) Earnings Per Share (“EPS”)

Assuming that the Property Acquisition had been completed on 1 April 2018, the effects of Property Acquisition on the EPS of the Group for the FY2019, based on the Group’s audited financial statements for FY2019 would be as follows:

	Before completion of the Property Acquisition	After completion of the Property Acquisition
Profit attributable to the shareholders of the Company (RM’000)	2,802	2,802
Weighted average number of Shares (’000)	90,000	90,000
EPS (Malaysia sen)	0.03	0.03

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the future results and financial performance and position of the Group after the completion of the Property Acquisition. No representation is made as to the actual financial position and/or results of the Group after completion of the Property Acquisition.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors 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 Property Acquisition.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents 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:

- (a) S&P Agreement; and
- (b) Valuation Report.

9. 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 Property Acquisition, 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.

BY ORDER OF THE BOARD

CHAN KEE SIENG

Executive Chairman

24 July 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).