



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

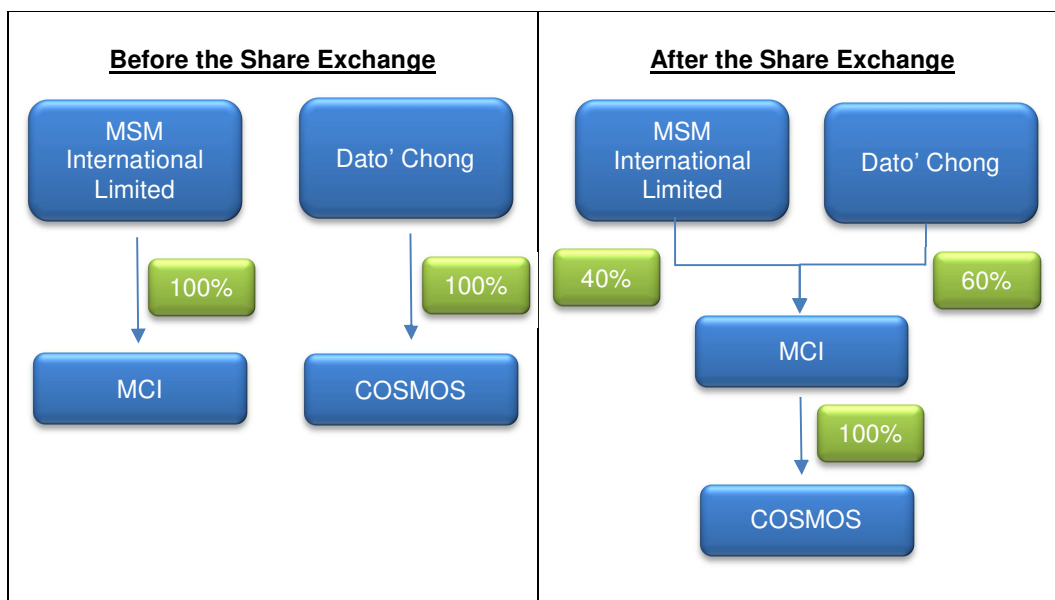
PROPOSED TRANSACTIONS RELATING TO WHOLLY-OWNED SUBSIDIARY, MARC CONLETH INDUSTRIES SDN BHD

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 26 March 2018 entered into a conditional share purchase agreement (“**Disposal SPA**”) with Dato’ Chong Toh Wee (“**Dato’ Chong**” or the “**Purchaser**”) to dispose 60% of its entire shareholding interest of its 100% wholly-owned subsidiary, Marc Conleth Industries Sdn Bhd (“**MCI**”), to the Purchaser (the “**Proposed Disposal**”).

In connection with the above, MCI has on the same day, entered into a separate conditional share and purchase agreement (“**Acquisition SPA**”) with Dato’ Chong to acquire 100% shareholding interest of Cosmos Instruments Sdn Bhd (“**Cosmos**”) (the “**Proposed Acquisition**”).

Upon completion of the Proposed Disposal and Proposed Acquisition (collectively, the “**Share Exchange**”) (“**Completion**”), the Company will own 40% remaining shareholding interest of MCI, and an effective 40% shareholding interest of Cosmos (held through MCI). Consequently, MCI will cease to be a subsidiary of the Company upon Completion. An illustration of the change in shareholding structure of MCI and Cosmos is as follows:



2. KEY TERMS OF THE SHARE EXCHANGE

2.1 Consideration.

Pursuant to the terms and conditions of the Disposal SPA, the Company will transfer 600,000 ordinary shares of MCI, representing 60% of its issued share capital ("**Sale Shares**") free from all claims, charges, liens, encumbrances and equities whatsoever, together with all rights attached thereto, and all dividends rights and distributions declared paid or made in respect thereof as from the Completion Date (as defined in section 2.4).

Pursuant to the terms and conditions of the Acquisition SPA, Dato' Chong will transfer 400,000 ordinary shares of Cosmos, representing the entire issued share capital of Cosmos ("**Acquisition Shares**") free from all claims, charges, liens, encumbrances and equities whatsoever, together with all rights attached thereto, and all dividends rights and distributions declared paid or made in respect thereof as from the Completion Date (as defined in section 2.4).

The consideration for the Share Transfer is RM1,275,000.00, being the equivalent value of (i) 60% of the net tangible assets as at 28 February 2018 of MCI and (ii) 40% of the net tangible assets as at 28 February 2018 of Comos respectively, after adjustments relating to transfer of properties from MCI to the Group and dividends to net off the intercompany balances (as provided under paragraph 2.3).

2.2 Conditions Precedent.

2.3 The completion of the Proposed Disposal is conditional upon the following conditions precedent having been fulfilled and/or waived on or before 26 September 2018 or such other date as mutually agreed in writing:

- (a) the Acquisition SPA has been duly executed by the Purchaser and MCI and all the conditions precedent provided therein (if any) have been duly satisfied and the transactions contemplated in the Acquisition SPA being completed in accordance with the terms therein;
- (b) if required, the Company obtaining the approval of its' shareholders in a general meeting for the sale of the Sale Shares; and
- (c) the approval or consent of any other relevant authority(ies) or person(s) for the sale and purchase of the Sale Shares, if required,

(collectively, the "**Disposal Conditions Precedent**").

The completion of the Proposed Acquisition is conditional upon the following conditions precedent having been fulfilled and/or waived on or before 26 September 2018 or such other date as mutually agreed in writing:

- (i) MCI is satisfied with the results of the due diligence exercise conducted on Cosmos;
- (ii) Disposal SPA has been duly executed and all the conditions precedent provided therein (if any) have been duly satisfied;

- (iii) MCI obtaining the approval of its shareholders in a general meeting for the purchase of the Sale Shares; and
- (iv) the approval or consent of any other relevant authority(ies) or person(s) for the sale and purchase of the Sale Shares, if required,

(collectively, the “**Acquisition Conditions Precedent**”).

Pursuant to Clause 6.1(iii) of the Disposal SPA, MCI will sell and/or transfer the property (“**MCI Property**”) known as Lot 1801, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia to the Group.

Pursuant to Clause 6.1(iii) of the Acquisition SPA, Cosmos will sell and/or transfer the property (“**Cosmos Property**”) known as No. 6, Jalan IMP 1/3, Pusat Teknologi Sinar Meranti, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan and held under HS(D) 284666 PT No. 5889, Pekan Puchong Perdana, Daerah Petaling, Negeri Selangor to an unrelated third party.

2.4 **Completion.**

In relation to the Proposed Disposal and Proposed Acquisition, completion shall take place on a day falling on or before the expiry of fourteen (14) days from the date of the fulfilment of the respective Disposal Conditions Precedent and Acquisition Conditions Precedent, or if such a day is not a business day, the next succeeding Business Day (“**Completion Date**”).

On the Completion Date, the respective parties to the Proposed Disposal shall execute a shareholders’ agreement (the “**Shareholders’ Agreement**”). There is no such agreement to be entered into between the respective parties of the Proposed Acquisition. Please refer to paragraph 3 of this announcement for more information on the key terms of the Shareholders’ Agreement.

2.5 **Covenants and Undertakings; Representations and Warranties.** Pursuant to the respective Disposal SPA and the Acquisition SPA, the parties to each agreement have provided such covenants and undertakings, and representations and warranties as are customary for transactions of this nature or other similar transactions.

2.6 **Indemnity.** The Company shall indemnify the Purchaser against any tax liability or taxation assessable or recoverable on or from the Company in excess of that provided for in the audited accounts of the MCI for the financial year ended 31 December 2016 and the management accounts as at 31 December 2017. Notwithstanding the completion of the Disposal SPA, all warranties, undertakings, covenants, representations and obligations of the MCI contained within the Disposal SPA shall continue thereafter to subsist for so long as may be necessary to give effect to each and every one of them in accordance with the terms thereof. The Company shall, notwithstanding the completion of the Disposal SPA, indemnify the Purchaser against any loss, cost and expense which the Purchaser may directly or indirectly suffer as a result of any breach of any of the warranties, representations, covenants, undertakings and obligations set out within the Disposal SPA.

The Purchaser shall indemnify the Company and MCI against any tax liability or taxation assessable or recoverable on or from the Cosmos in excess of that provided for in the audited accounts of Cosmos for the financial year ended 30 April 2017 and the management accounts as at 28 February 2018. Notwithstanding the completion of the Acquisition SPA, all warranties, undertakings, covenants, representations and obligations of Cosmos contained within the Acquisition SPA shall continue thereafter to subsist for so long as may be necessary to give effect to each and every one of them in accordance with the terms thereof. Dato' Chong shall, notwithstanding the completion of the Acquisition SPA, indemnify the Company against any loss, cost and expense which the Company may directly or indirectly suffer as a result of any breach of any of the warranties, representations, covenants, undertakings and obligations set out within the Acquisition SPA.

3. KEY TERMS OF THE SHAREHOLDERS' AGREEMENT

3.1 Board of Directors of MCI after Completion

- (a) The board of directors of MCI shall consist of not less than two and not more than eight directors. The shareholders of MCI shall be entitled to nominate one director each to the board of directors of MCI.
- (b) In the event that a shareholder of MCI sells or transfers his shares, then simultaneously with the completion of the sale or transfer of the shares, such shareholder shall cause such director as shall have been nominated by it/him to resign from office.
- (c) The chairman of the board of directors of MCI shall be appointed by the directors at the meeting. The chairman shall have a casting vote.

3.2 Shareholders' Meetings

All matters other than those set out below may be carried by a simple majority of the directors of MCI, or the shareholders of MCI, as the case may be, present and voting. All decisions and/or resolutions of the board of directors of MCI (and where relevant the shareholders of MCI in general meeting) relating to any of the matters set out below shall, require the consent of at least one director representing each of the shareholders who is represented at such meeting:

- (a) any purchase or other acquisition of any fixed assets or disposal, any sale, transfer, lease or disposal of all or any part of MCI's business undertaking, property or assets (whether by a single transaction or series of transactions related or not) which subject to a certain threshold in any financial year;
- (b) the entering into of any covenant or engagement or any agreements or any contracts of a material nature which subject to a certain threshold;
- (c) any payment of dividends, bonuses or other distribution by MCI; and
- (d) the determination of the directors' remuneration and/or any increment thereof.

3.3 Transfer of Shares

- (a) Otherwise than in accordance with provisions of the Shareholders' Agreement, no shareholder of MCI shall (i) pledge, mortgage (whether by way of fixed or floating charge) or otherwise encumber its legal or beneficial interest in his shares; (ii) sell, transfer or otherwise dispose of any shares (or any legal or beneficial interest therein); (iii) enter into any agreement in respect of the votes attached to shares; or (iv) agree, whether or not subject to any condition precedent or subsequent, to do any of the foregoing.
- (b) Each shareholder of MCI shall grant the other shareholder a right of first refusal in respect of shares of MCI held by such shareholder, at the price per share based on the latest net tangible assets of MCI (as determined by the external and independent auditors of MCI) divided by all the issued ordinary shares of MCI. Such offer, when made, shall remain open for acceptance for a period of 30 days from the date such offer is received by the other shareholder. In the event the right of first refusal is not exercised by the offeree shareholder, the offeror shareholder shall be entitled to sell his shares to third parties PROVIDED THAT (i) in the event the offeror shareholder sells all (and not part of) his shares to third parties, the offeror shareholder shall be required to cause the third parties to also purchase the shares from the offeree shareholder on the same terms; and (ii) the third parties having undertaken in writing to the offeree shareholder (in a form reasonably acceptable to the offeree shareholder) and to be bound by the Shareholders' Agreement.

4. MARC CONLETH INDUSTRIES SDN BHD

4.1 Background

MCI (Company No. 911359-A) is a company incorporated in Malaysia and having registered address at UOA Business Park, Tower 3, 5th Floor, K03-05-13A, 1, Jalan Pengaturcara U1/51A Section U1,40150 Shah Alam, Selangor Darul Ehsan. As at the date of the announcement, MCI is a 100% wholly-owned subsidiary of the Company.

MCI is involved in metal engineering work for oil and gas and environmental related industries, focusing on high precision and critical work.

- 4.2 **Net Tangible Assets of MCI.** Based on MCI's unaudited financial statements for the 12 months financial period ended 31 December 2017 ("12M2017"), the net tangible assets of MCI as at 31 December 2017 is RM2,230,995.57 (after adjustments relating to transfer of MCI Property to the Group and dividends to net off the intercompany balances).

- 4.3 **Net Profit of MCI.** Based on MCI's latest unaudited financial statements for 12M2017, the net profit is approximately RM2,631,916.58.

5. COSMOS INSTRUMENTS SDN BHD

5.1 Background

Cosmos (Company No. 660916-X) is a company incorporated in Malaysia and having registered address at No. 63C, Jalan SS25/2, Taman Bukit Emas, 47301 Petaling Jaya, Selangor. Cosmos is a 100% wholly-owned company of Dato' Chong Toh Wee.

Cosmos is involved in the field of Process Control Instrumentation and Process Automation since 1993, employing cutting edge technology and offering superior quality services.

5.2 Net Tangible Assets of Cosmos. Based on Cosmos's unaudited financial statements for the 10 months financial period ended 28 February 2018 ("**10M2018**"), the net tangible asset value is RM3,187,709.35 (after adjustments relating to proposed dividend and transfer of Cosmos property to unrelated third party).

5.3 Net Profit of Cosmos. Based on Cosmos's latest unaudited financial statements for 10M2018, the net profit is approximately RM1,651,557.82.

6. RATIONALE OF THE SHARE EXCHANGE

Cosmos's business is strongly synergetic to the MCI's existing business. The Share Exchange is part of a business relationship that allows MCI to expand beyond its oil and gas segment into the Fluid Mechanical Technology Segment.

Cosmos's strengths lie within the industry of field instrument for process automation, in which they provide products and services such as project management, process control, monitoring and automation of instrumentation engineering to major water and waste industries such as water treatment plant flow systems, upgrading, supplied, installed, commissioned and supported installations in Malaysia, Indonesia and other regional countries.

The Share Exchange will allow MCI and the Group an opportunity to offer its existing manufacturing services to process automation industries. The Board believes that the Group's existing expertise in this area, combined with the Cosmos's client base and industry reputation, will create positive synergies and to undertake new investment opportunities that may arise in the future towards achieving a higher level of shareholders' value.

7. USE OF PROCEEDS

The Company will be receiving 40% effective equity interest in Cosmos (through the Proposed Acquisition) as full settlement to the consideration in relation to Proposed Disposal. For the avoidance of doubt, the Company will not be receiving any cash in connection with the Proposed Disposal.

8. RULE 1006

Basis	In Relation to the Proposed Disposal
<u>Rule 1006(a)</u> The net asset value of the assets to be disposed of, compared with the Group's net asset value	2.9% ⁽¹⁾
<u>Rule 1006(b)</u> The net profits attributable to the assets disposed of, compared with the Group's net profits	39.5% ⁽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.	11.9% ⁽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.
<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.

Notes:

- (1) The net asset value of 60% interest of MCI as at 31 December 2017 was approximately RM1,338,597 (after adjustments relating to transfer of MCI Property and dividend to net off the intercompany balances). The net asset value of the Group as at 31 December 2017 was approximately RM45,698,000. Under Rule 1002(3) of the Catalist Rules, "net assets" means total assets less total liabilities.
- (2) The net profit attributing to 60% interest of MCI for 12M2017 was approximately RM1,579,149.95. The net profit of the Group for the financial period ended 31 December 2017 was approximately RM3,997,000. Under Rule 1002(3) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The market capitalisation of the Company, being S\$3.6 million, is determined by multiplying the total number of Shares of 90,000,000 Shares by the volume-weighted average price of the Shares of approximately S\$0.04 as at 16 March 2018, being the preceding market day on which Shares were last transacted, to the Disposal SPA and Acquisition SPA. The consideration used for the computation is based on 60% of the proceeds to be paid, being S\$429,293 (Exchange Rate of S\$1 @ RM2.97 for RM1,275,000, as disclosed in Paragraph 2.1).

As the relative figures computed on the bases pursuant to Catalist Rule 1006 above exceed 5% but is less than 50%, the Proposed Disposal constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules. Accordingly, shareholders' approval is not required for the Proposed Disposal.

9. FINANCIAL EFFECTS

The financial effects of the Share Exchange (comprising of both Proposed Acquisition and Proposed Disposal) on the NTA per Share and earnings per Share (“EPS”) of the Group as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and results of the Group following the completion of the Share Exchange (i.e consolidation of Cosmos into the financial results of MCI). The financial effects of the Proposed Disposal are computed based on the Group’s audited financial statements for the financial year ended 31 December 2016.¹

NTA per Share

Assuming that the Share Exchange had been completed on 31 December 2016, the effects of the Share Exchange on the NTA per Share of the Group as at 31 December 2016, based on the Group’s audited financial statements for FY2016 would be as follows:

	Before the Share Exchange	After the Share Exchange
NTA (RM’000) ^(*)	42,693	42,693
Number of Shares (’000)	90,000	90,000
NTA per Share (Malaysia sen)	47.44	47.44

Note:

- (*) The audited NTA value of 60% interest of MCI for FY2016 was approximately RM1,024,503.72 (after adjustments relating to transfer of properties to the Group and dividend to net off the intercompany balances). The unaudited NTA value of 40% interest of Cosmos for the financial period ended 31 December 2016 was approximately RM1,024,503.72 (after the adjustments relating to proposed dividend and transfer of property to the Group).

¹ The latest audited financial statements of the Company are for the financial year ended 31 December 2016.

(a) EPS

Assuming that the Share Exchange had been completed on 1 January 2016, the effects of the Share Exchange on the EPS of the Group, based on the Group's audited financial statements for FY2016 would be as follows:

	Before the Share Exchange	After the Share Exchange
Profit attributable to the shareholders of the Company (RM'000)	146	364 (**)
Weighted average number of Shares ('000)	90,000	90,000
Profit per share (Malaysia sen)	0.16	0.40

Note:

(**) The audited net profit of MCI for the financial year ended 31 December 2016 was approximately RM235,000. The unaudited net profit of Cosmos for the financial period ended 31 December 2016 was approximately RM1,024,000. The loss of profit attributable to sale of 60% interest of MCI would be RM192,000 and gain due to acquisition of 40% interest of Cosmos would be RM410,000.

10. SERVICE CONTRACTS

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

11. INTERESTS OF DIRECTORS AND CONTROLLING 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 Share Exchange.

12. 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) Disposal SPA;
- (b) Acquisition SPA; and
- (c) Shareholders' Agreement

13. 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.

BY ORDER OF THE BOARD

CHAN KEE SIENG

Executive Chairman
26 March 2018

*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**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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 Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).