



MULTISTACK INTERNATIONAL LIMITED
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Multistack International Limited

ASX Announcement – Superlink supply arrangements

Multistack International Limited (ASX:MSI) (**Company**) wishes to advise that it received a letter from ASX on 4 April 2022 (**ASX Letter**) in relation to compliance with ASX Listing Rule 10.1 stemming from the Company's inventory supply arrangements with the Superlink companies (**Supply Arrangements**). A copy of the ASX Letter, which sets out the relevant factual particulars, is attached to this announcement.

While the Company was of the view that it was acting in accordance with the ASX Listing Rules in relation to the Supply Arrangements, the Company will comply with the ASX Letter and intends to hold an extraordinary general meeting as soon as practicable (to be held by no later than 29 July 2022). The meeting will be convened to obtain Listing Rule 10.1 shareholder approval for the past Supply Arrangements and also to approve the Supply Arrangements for a forward looking three year period.

The Company has determined that it will immediately cease purchasing goods from the Superlink companies until the date on which it receives shareholder approval of the Supply Arrangements.

The Company has assessed the two options given to it by ASX – ceasing purchases from the Superlink companies pending shareholder approval or suspending trading of its securities – and determined that the potential negative effects of suspension outweighed the risks associated with ceasing purchases.

MSI notes, however, that it has to-date provided several quotations and recommendations to its customers based on specifications of products from Superlink. While MSI will do all things reasonable in the circumstances to mitigate impacts, ceasing purchases from Superlink may in turn result in termination of quotations or cause delay in our supply of products to our customers potentially leading to a material financial detriment to the Company. Financial impacts also may be exacerbated in relation to future sales if customers lose confidence in MSI as their supplier.

A notice of meeting and accompanying independent expert's report will be released to ASX and sent to shareholders in due course.

Yan Wong
Company Secretary
Multistack International Limited

12 April 2022



4 April 2022

Reference: 49461

Ms Yan Wong
Company Secretary
Multistack International Limited
17 Friars Rd
Moorabbin VIC 3189

By email

Dear Ms Wong

Multistack International Limited ('MSI'): Listing Rule 10.1 Breach

ASX Limited ('ASX') refers to the following:

- A. The appointment of Mr Stephen Leung as a Director of MSI on 10 October 1991.¹
- B. The appointment of Mr Siu Wai Yan as a Director of MSI on 10 October 1991.
- C. MSI's admission to the official list of ASX on 29 January 1993.
- D. That Superlink Australia Pty Ltd and Super Link Company Ltd (together the '**Superlink Companies**') are related parties of Messrs Leung and Yan (see paragraphs E, F and I below).²
- E. MSI's full year statutory accounts for the financial year ended 31 December 2019 lodged on the ASX market announcements platform ('**MAP**') on 27 March 2020 ('**FY19 Accounts**') which disclosed the following related party transactions in Note 20(d) - Other transactions and balances with key management personnel:

'Multistack International Limited and its controlled entities purchased inventory from Superlink Australia Pty Ltd (a related party of S. Yan and S. Leung) on normal commercial terms and conditions. The aggregate purchases for the year were \$332,377 (2018: \$501,898). At the year-end total purchases payable were \$200,838 (2018: \$157,649).'

ASX observes that:

- The inventory purchases from Superlink Australia Pty Ltd for the financial year ended 31 December 2018 ('**FY18**') that were disclosed in the FY19 Accounts were not disclosed in MSI's full year statutory accounts for FY18 lodged on MAP on 22 March 2019.
- Note 3 to the FY19 Accounts disclosed that total raw materials and consumables amounted to \$478,671 in FY19 and \$547,609 in FY18. Therefore, the purchases of inventory from Superlink Australia Pty Ltd accounted for 69% and 92% of MSI's total inventory purchases in FY19 and FY18 respectively.

¹ Mr Leung was also appointed as the Chief Executive Officer of MSI in 1997.

Page 44 of the FY21 Accounts also discloses that '*Messrs. Yan and Leung through their interests in the above entities are registered as having a substantial shareholder interest*', and that this substantial shareholding interest is in a total of 64,895,799 shares (which equates to a 47.6% shareholding at 24 February 2022).

² In addition, page 3 of the FY20 Accounts states '*... Super Link Company Limited which is owned by interests associated with MSI's major shareholders (S W Yan and Stephen Leung, both of whom are also Directors of MSI).'*'

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- F. MSI's full year statutory accounts for the financial year ended 31 December 2020 lodged on MAP on 31 March 2021 ('**FY20 Accounts**') which disclosed the following related party transactions in Note 21(d) - Other transactions and balances with key management personnel:

'Multistack International Limited and its controlled entities purchased inventory from Super Link Company Ltd (a related party of S. Yan and S. Leung) on normal commercial terms and conditions. The aggregate purchases for the year were \$411,067 (2019: \$332,377). At year-end total payable was \$370,815 (2019: \$200,838).'

ASX notes that Note 3 to the FY20 Accounts disclosed that total raw materials and consumables amounted to \$530,504 in FY20 and \$478,671 in FY19. Therefore, the purchases of inventory from Super Link Company Ltd accounted for 77% and 69% of MSI's total inventory purchases in FY20 and FY19 respectively.

- G. MSI's equity interests of:

- (i) \$2,482,378 as at 31 December 2017 as disclosed in the balance sheet in its full year statutory accounts for the financial year ended 31 December 2017 lodged on MAP on 21 March 2018;
- (ii) \$1,749,723 as at 31 December 2018 as disclosed in the balance sheet in its FY19 Accounts;
- (iii) \$847,368 as at 31 December 2019 as disclosed in the balance sheet in its FY19 Accounts; and
- (iv) \$479,052 as at 31 December 2020 as disclosed in the balance sheet in its FY20 Accounts.

ASX notes that 5% of MSI's equity interests in sub-paragraphs (i), (ii), (iii) and (iv) above equates to \$124,119, \$87,486, \$42,368, and \$23,953 respectively.

- H. MSI's email to ASX dated 14 April 2021 in response to ASX's email of 7 April 2021 ('**ASX Email**') which requested, inter alia, information in relation to MSI's purchases of inventory from Superlink Australia Pty Ltd, namely a summary of the purchases of inventory in FY19 and FY20 and the attendant invoices.

ASX notes that all of the invoices provided were issued by 'Guangzhou Panyu Super Link Co Ltd'.

- I. MSI's quarterly activities reports and Appendices 4C for:

- (i) the March 2021 quarter which were released on MAP on 3 May 2021 and included the following statement:

'Payments of \$188,363, noted under section 6.1 of the Appendix 4C for this quarter are for purchases from Super Link Company Ltd (a related party of S. Yan and S. Leung) on arm's length and commercial terms and conditions.'

- (ii) the June 2021 quarter which were released on MAP on 28 July 2021 and included the following statement:

'Payments of \$217,270, noted under section 6.1 of the Appendix 4C for this quarter were for purchases from Super Link Company Ltd (a related party of S. Yan and S. Leung) on arm's length and commercial terms and conditions.'

- (iii) the December 2021 quarter released on MAP on 27 January 2022 which included the following statement:

'Payments of \$84,904 (at 6.1) for purchases from Super Link Company Ltd (a related party of S. Yan and S. Leung) on normal commercial terms and conditions.'

(together the '**Quarterly Reports**')

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- J. MSI's full year statutory accounts for the financial year ended 31 December 2021 lodged on MAP on 25 March 2022 ('FY21 Accounts') which disclosed the following related party transactions in Note 20(d) - Other transactions and balances with key management personnel:

'Multistack International Limited and its controlled entities purchased inventory from Super Link Company Ltd (a related party of S. Yan and S. Leung) on normal commercial terms and conditions. The aggregate purchases for the year were \$225,672 (2020: \$411,067). At year-end total payable was \$104,095 (2020: \$370,815).'

ASX notes that Note 3 to the FY21 Accounts disclosed that total raw materials and consumables amounted to \$348,986 in FY21 and \$530,504 in FY20. Therefore, the purchases of inventory from Super Link Company Ltd accounted for 65% and 77% of MSI's total inventory purchases in FY21 and FY20 respectively.

- K. Listing Rule 10.1 which states:

'An entity (in the case of a trust, the responsible entity) must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, any of the following persons without the approval of holders of the entity's ordinary securities.'

10.1.1 A related party of the entity.

10.1.2 A child entity of the entity.

10.1.3 A person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the entity.

10.1.4 An associate of a person referred to in rules 10.1.1 to 10.1.3.

10.1.5 A person whose relationship to the entity or a person referred to in rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by security holders.'

- L. Listing Rule 10.2 which states:

'An asset is substantial if its value or the value of the consideration being paid or received by the entity for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity, as set out in the latest accounts given to ASX under the listing rules.'

10.2.1 In determining whether an asset meets the threshold in rule 10.2 to be a substantial asset:

...

- separate acquisitions or disposals will be aggregated if, in ASX's opinion, they form part of the same commercial transaction.'*

- M. Section 6.5 of Guidance Note 24 which sets out the application of Listing Rule 10.1 to the particular case of term contracts as follows:

'An agreement by an entity to buy goods from a 10.1 party over an extended term is an acquisition of those goods by the entity from the 10.1 party for the purposes of Listing Rule 10.1 ...'

To determine the value of those goods, ASX will typically look at the total purchase price payable for the goods under the agreement over its term (including any option to renew) to determine whether or not it equals or exceeds 5% of the equity interests of the entity, as set out in the latest accounts given to ASX under the Listing Rules. If it does, ASX will regard the goods as a substantial asset and the transaction will require security holder approval under Listing Rule 10.1.'

ASX notes that MSI has not obtained shareholder approval pursuant to Listing Rule 10.1 or a waiver from Listing Rule 10.1 in relation to the purchases of goods from the Superlink Companies as set out below.

Purchase of goods from the Superlink Companies

ASX notes that Messrs Leung and Yan have been related parties of MSI since 10 October 1991. Given MSI was admitted to the official list of ASX on 29 January 1993, they have been Listing Rule 10.1 parties since that time. Given the Superlink Companies are owned and controlled by Messrs Leung and Yan, they are also parties to which Listing Rule 10.1 applies.

MSI has an arrangement with the Superlink Companies to purchase goods from them over an extended term which constitutes an acquisition of goods from a Listing Rule 10.1 party for the purposes of Listing Rule 10.1 (see section 6.5 of Guidance Note 24).

Based on the disclosure in its FY19 Accounts, FY20 Accounts and Quarterly Reports, MSI has made purchases of goods from the Superlink Companies totalling \$1,471,014, as set out in the table below. In aggregate, the purchases of goods from the Superlink Companies between FY18 and FY21 have exceeded 5% of MSI's equity interests at 30 June 2017 given MSI's equity interests were \$2,482,378 at that time (and 5% was \$124,119). Furthermore, the purchases of goods from the Superlink Companies between FY19 and FY21 have exceeded 5% of MSI's equity interests in each respective financial year. See paragraph G above. Therefore, the purchases of goods from the Superlink Companies are substantial assets for the purposes of Listing Rule 10.1.

\$	FY18	FY19	FY20	FY21	Total
Purchase of goods	501,898	332,377	411,067	225,672	1,471,014
5% of MSI's equity interests*	124,119	87,486	42,368	23,953	

* Calculated based on MSI's equity interests at the start of the relevant reporting period.

ASX is of the view that Listing Rule 10.1 applies to the purchases of goods from the Superlink Companies. These constitute acquisitions of goods from a Listing Rule 10.1 party for the purposes of Listing Rule 10.1. Consequently, these purchase transactions required security holder approval under Listing Rule 10.1, and future purchase transactions would require security holder approval under Listing Rule 10.1.

Action Required

In light of the above and pursuant to Listing Rule 18.8(e), ASX advises MSI that it is required to convene a meeting of security holders to seek approval under Listing Rule 10.1 for the following:

1. The past purchases of goods from the Superlink Companies detailed above.
2. Future purchases of goods from the Superlink Companies for a period of up to 3 years to an estimated maximum value of goods that would be purchased from the Superlink Companies.

So as not to exacerbate the Listing Rule 10.1 breach, ASX requires MSI to either:

- cease purchasing goods from the Superlink Companies until it obtains shareholder approval for future purchases of goods;³ or
- request a voluntary suspension of the quotation its securities until such time that it can obtain shareholder approval for future purchases of goods.

Please refer to section 7 of Guidance Note 24 for further information in relation to the requirements for notices of meeting and independent expert reports for the purposes for Listing Rule 10.1.

³ Pursuant to Listing Rule 18.8(c), ASX requires MSI to not enter into or perform any further agreements or transactions with the Superlink Companies given they would breach Listing Rule 10.1.

ASX also reminds MSI that it must provide ASX with a draft notice of meeting (**'Notice'**) convening a general meeting of MSI's shareholders to seek approval for the abovementioned transactions together with the requisite independent expert report(s).

The general meeting should be held as soon as reasonably possible and, in any event, by no later than **29 July 2022**.

MSI is also required to make an announcement to the market in a form acceptable to ASX advising of the breach of Listing Rule 10.1 and the remedial action which is to be undertaken. This announcement should be made as soon as reasonably possible and, in any event, by no later than **9:30am AEDT on Monday, 11 April 2022**. Please provide a draft of the announcement to me via email prior to this time.

Compliance with the Listing Rules

ASX reminds MSI of its contract to comply with the Listing Rules. Please note that ASX is required to record details of breaches of the Listing Rules by listed entities as part of its reporting obligations.

Release of correspondence between ASX and MSI

We reserve the right to release a copy of this letter and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please contact me.

Yours sincerely

Kate Kidson
Principal Adviser, Listings Compliance (Melbourne)