



MEGROUP LTD.

(Incorporated in Singapore)
(Company Registration No. 201804996H)

**RESPONSE TO SGX-ST QUERIES ON THE PROPOSED ACQUISITION OF STAKE IN
SUBSIDIARY – ENTRY INTO BINDING TERM SHEET AND INTERESTED PERSON
TRANSACTION**

The Board of Directors (the "**Board**") of MeGroup Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Proposed Acquisition announced by the Company on 3 April 2019 (the "**Announcement**"). Unless otherwise defined, all capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

- 1. Query: Whilst the acquisition of 55% in MJN Motors Sdn. Bhd. ("MJNMSB" or the "Target Company") for RM2.1m in Aug 2017 (at RM2.1m) was pegged to the equity contribution by Menang Nusantara Auto Sdn. Bhd. ("MNASB"), and the acquisition of 25% in MJNMSB pursuant to the term sheets are pegged to 2x of future financial performance of the Target Company (at maximum of RM3.75m), what are the Company's consideration and basis for valuing the Sale Shares as such, especially given that the NBV of the Sale Shares is only RM454k? Are there any cashflow forecast performed for MJNMSB?**

Company's response: The Target Company, MJNMSB, owns and operates the Group's Honda dealerships in Cheras and Kuala Selangor (directly and through a wholly-owned subsidiary, MJN Auto Sdn. Bhd.).

In 2017, the Group had effectively acquired the rights to operate a Honda dealership in Cheras through an acquisition of a 55% stake in MJNMSB (the "**2017 Acquisition**"). The consideration payable by the Group for the 2017 Acquisition was RM2,131,250. In conjunction with the 2017 Acquisition, Mr Tan Kian Boon and Mr Wong Sai Hou also acquired a 25% stake in MJNMSB for a total purchase consideration of RM968,750. Please refer to Illustration 1 in Appendix 1, enclosed with this announcement, for more information.

Prior to the completion of the 2017 Acquisition, the shareholders of MJNMSB were shareholders in another entity, MJ Motors Sdn. Bhd., which owned and operated an existing Honda dealership in Cheras. A condition precedent to completion of the 2017 Acquisition was the transfer of the dealership status from MJ Motors Sdn. Bhd. to MJNMSB. At that point in time, MJNMSB had no operations and generated no revenue, and the Honda dealership operated by MJ Motors Sdn. Bhd. was loss-making.

Upon completion of the 2017 Acquisition, 80% of the shares in MJNMSB were sold to the Group (55%), Mr Wong Sai Hou (5%) and Mr Tan Kian Boon (20%) respectively, with the existing 20% shareholder, Mr Wan Hazmi Bin Wan Mustafa, retaining his interest in MJNMSB.

The Company's basis of valuing the consideration payable under the 2017 Acquisition was largely based on the opportunity to acquire the right to operate a Honda dealership in Cheras, whilst also taking into account that the Honda dealership operating under MJ Motors Sdn. Bhd. was loss-making.

As part of the pre-IPO restructuring exercise, on 21 August 2018, MNHSB entered into a sale and purchase agreement with MNASB to transfer the Group's interest in MJNMSB at an aggregate consideration of RM2,681,195, which was equal to the aggregate amount contributed by MNASB to the paid-up capital of MJNMSB based on the audited financial statements of MJNMSB as at 31 March 2018. MJNMSB recorded a loss for FY2018. Please refer to Illustration 2 in Appendix 1, enclosed with this announcement, for more information.

Through the efforts of MJNMSB's management team, MJNMSB recorded a profit for the first half of FY2019. MJNMSB is also expected to be profitable for the full year FY2019.

On the basis that MJNMSB is expected to turn around from a net loss position in FY2018 to a net profit position in FY2019, and also taking into account the future potential earnings that the Group expects from offering automobile body paintwork and collision repair services, which will be offered upon completion of the upgrading works, the Group had approached both Mr Tan Kian Boon and Mr Wong Sai Hou (the "**Vendors**") for an acquisition of their stake in MJNMSB. The Vendors had agreed to value the Target Company at a combined 2x multiple of the respective FY2019 and FY2020 earnings. In arriving at the 2x multiple of the respective FY2019 and FY2020 earnings, which also represents a 4x multiple of the average of the FY2019 and FY2020 earnings ("**Transaction PER**"), the Company took into account the Group's current price-to-earnings ratio, which was approximately 17 times ("**Current PER**") based on (i) the last twelve months net profit attributable to equity holders of the Company of approximately RM4.2m; (ii) the closing share price of S\$0.205 as at 1 Apr 2019; (iii) the total number of MeGroup shares outstanding of 118,500,000; and (iv) the exchange rate of S\$1:RM3.0113 as at 1 April 2019, and noted that Current PER was well above the Transaction PER.

No cashflow forecast was performed for MJNMSB.

- 2. Query: What was the financial performance of MJNMSB prior to the Company's acquisition of 55% in it, vis-à-vis its recent net profits attributable to the Sale Shares of RM231.5k for 6 months ended 30 Sep 2018?**

Company's response: As disclosed in paragraph 7 of the Announcement, the net loss attributable to the Sale Shares is RM27,445.25 based on the audited accounts of MJNMSB for FY2018. As disclosed in the Company's response to the first query above,

prior to the 2017 Acquisition, MJNMSB had no operations or revenue and the Honda dealership operated by MJ Motors Sdn. Bhd. was loss-making.

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer

9 April 2019

*This announcement has been prepared by the Company and its contents have been reviewed by CIMB Bank Berhad (Singapore Branch) (the "**Sponsor**") for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.*

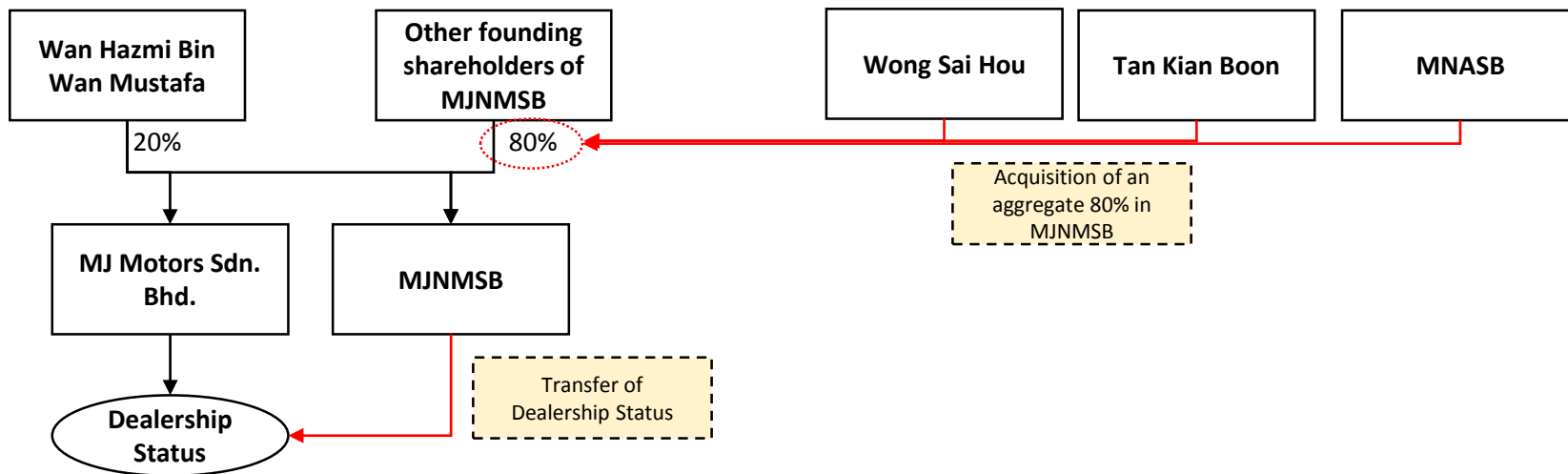
This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

Appendix 1

Illustration 1: Acquisition of 55% interest in MJNMSB by MNASB for a consideration of RM2,131,250, with Wong Sai Hou and Tan Kian Boon acquiring the 25% for a consideration of RM968,750, and the transfer of the dealership status from MJ Motors Sdn. Bhd. to MJNMSB.

Before the acquisition:



After the acquisition:

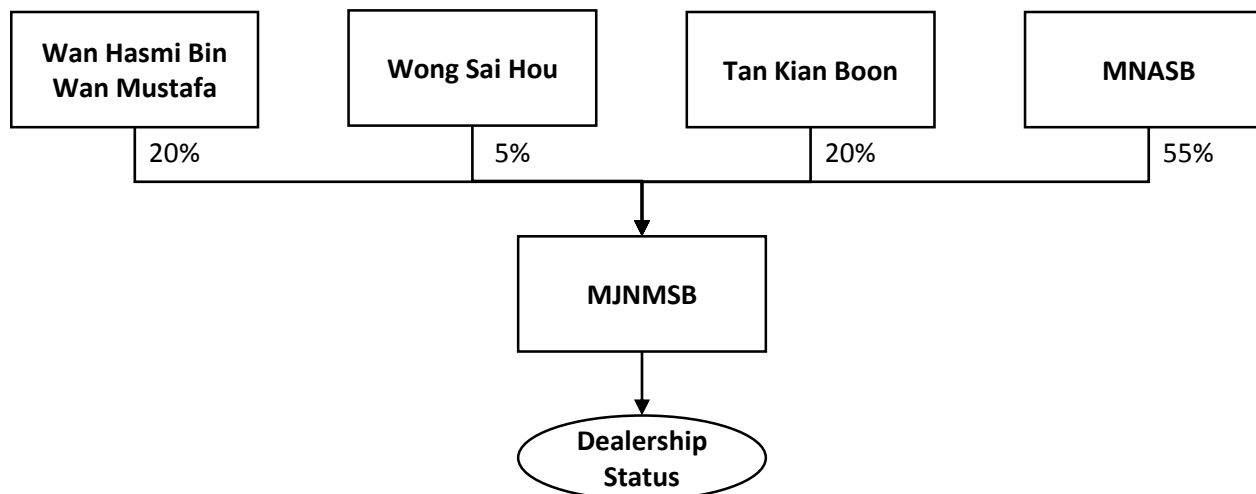
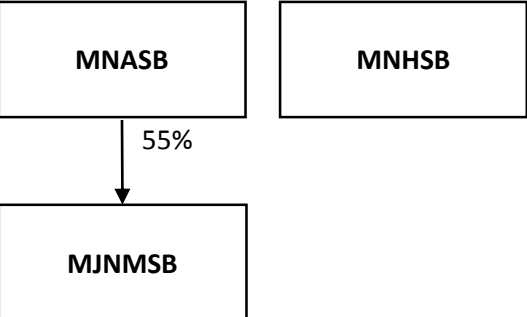


Illustration 2: Acquisition of 55% interest in MJNMSB by MNHSB from MNASB for a consideration of RM2,681,195

Before the Restructuring:



After the Restructuring:

