



MEGROUP LTD.

(Company Registration No. 201804996H)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF LEASEHOLD INDUSTRIAL LAND WITH BUILDINGS

1. INTRODUCTION

- 1.1 The Board of Directors (the "**Board**") of MeGroup Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's subsidiary, Menang Nusantara Sdn. Bhd. ("**MNSB**") had, on 6 September 2023, entered into a sale and purchase agreement ("**SPA**") with Ngai Ming Plastic Industries (M) Sdn. Bhd. (the "**Vendor**"), for the sale and purchase of the property at Lot 16, Jalan 3, Kawasan Perusahaan Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan (the "**Property**", and such acquisition, the "**Proposed Acquisition**").
- 1.2 In connection with the entry into the SPA, MNSB has entered into a tenancy agreement with the Vendor dated 6 September 2023, under which MNSB will be granted a tenancy of the Property for a period of one (1) year at a rental of RM80,000 per month. The tenancy shall end on completion of the Proposed Acquisition ("**Completion**"), and, upon Completion, MNSB will be the legal and beneficial owner of the Property.
- 1.3 The Group intends to expand its existing manufacturing facilities at the Property. In addition, the Group intends to relocate certain of its management, sales, finance and HR operations that are currently located at its main manufacturing plant at Balakong, Selangor, Malaysia, to the Property.

2. INFORMATION ON THE PROPOSED ACQUISITION

2.1 Information on the Property

The Property is a piece of 99 years leasehold industrial land, the lease of which expires on 30 December 2098, measuring approximately 4,868 square meters held under H.S.(M) 13054, PT 23570, Mukim of Ceras, Daerah Hulu Langat, State of Selangor, together with the building(s) erected thereon. The buildings on the Property include a single storey detached factory with a three-storey office annexed with an estimated built-up area of approximately 3,700 square meters.

2.2 Information on the Vendor

The Vendor is the registered and lawful owner of the Property. The Vendor is a private company limited by shares incorporated in Malaysia with its registered office at 66, Jalan Taming Indah 3, Taman Taming Indah Bandar Sungai Long, 43000 Kajang, Selangor Darul Ehsan. The directors of the Vendor are Wong Yew Hoe, Chai Mee Ching and Wong Yew Kuen. The ultimate beneficial owners of the Vendor are Wong Yew Hoe and Wong Yew Kuen.

None of the Vendor, its shareholders or directors are "interested persons" for purposes of Chapter 9 of Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual (the "**Catalist Rules**").

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration

The aggregate consideration payable by MNSB for the Proposed Acquisition is RM16,200,000 (approximately S\$4,724,960, based on the exchange rate of RM1:S\$3.4286) (the "**Consideration**"). Based on the Property's built-up area of approximately 3,700 square metres, the Consideration values the Property at RM4,378 per square metre.

The Consideration was arrived at on a willing buyer and willing seller basis after arm's length negotiations between MNSB and the Vendor, taking into account, *inter alia*, the indicative market value of properties in the vicinity of the Property. In particular, the Group notes a property in the vicinity of the Property with land area of 6,833 square metres (with built-up area of approximately 3,900 square metres) was sold for RM17,500,000 in January 2023. Based on the property's built-up area, this attributed a value of RM4,487 per square metre to the property.

The Group did not commission a valuation of the Property.

3.2 Material conditions

Completion of the Proposed Acquisition is conditional upon:

- (a) MNSB agreeing to enter into a tenancy of the Property for a period of one (1) year with effect from 1 September 2023 at a rental rate of RM80,000 per month;
- (b) the Vendor obtaining the relevant state authority's written consent for the transfer of the Property to MNSB and/or MNSB's financier, such written consent to be obtained within three (3) months from the date of the SPA;
- (c) MNSB obtaining from the relevant state authority written consent for the acquisition of the Property by a foreign interest pursuant to Section 433B of the National Land Code of Malaysia, such written consent to be obtained within three (3) months from the date of the SPA; and
- (d) all conditions of title and restrictions in interest whether express or implied in the document of title to the Property being fulfilled.

3.3 **Terms of payment**

As at the date of the SPA, MNSB has paid to the Vendor an aggregate of RM486,000 comprising (i) RM324,000 paid to the Vendor prior to the date of the SPA, as part of the initial deposit; and (ii) RM162,000 paid to the Vendor upon execution of, and in accordance with the terms of, the SPA.

Under the terms of the SPA, the remaining Consideration will be paid in the following manner:

- (a) RM 1,134,000 to be paid to the Vendor on the date where all the conditions precedent to the SPA are satisfied; and
- (b) RM 14,580,000 to be paid to the Vendor no later than 30 April 2024.

3.4 **Source of funds**

The Group has secured bank financing of RM36.02 million ("Facility") for its expansion of manufacturing facilities. The Proposed Acquisition will be fully funded by the said bank borrowings and the Group's internal resources. The Facility will be secured by way of a charge over the Property and a corporate guarantee by the Company.

4. **RATIONALE FOR THE PROPOSED ACQUISITION**

At present, the Group currently operates a manufacturing plant, an assembly plant, a thermobonded felt plant and a warehouse all located at Balakong, Selangor, Malaysia. In addition, the Group operates an assembly plant in Kulim District, Kedah, Malaysia.

As disclosed above, the Group intends to expand its existing manufacturing facilities at the Property. In addition, the Group intends to relocate certain of its management, sales, finance and HR operations that are currently located at its main manufacturing plant at Balakong, Selangor, Malaysia, to the Property. As such, the Proposed Acquisition would enable the Group to increase its production capacity.

The Board is of the view that the Proposed Acquisition is in the best interests of the Group and is in line with the Group's business operations.

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

5.1 The relative figures of the Proposed Acquisition under Rule 1006 of the Catalist Rules based on the Group's audited consolidated financial statements for the financial year ended 31 March 2023 ("FY2023", being the latest announced consolidated accounts) are set out below.

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value ("NAV") of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets.	Not applicable ⁽¹⁾
(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable ⁽²⁾
(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	35.9% ⁽³⁾
(d)	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⁾
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven 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. If the reserves are not directly comparable, the SGX-ST may permit valuations to be used instead of volume or amount.	Not applicable ⁽⁵⁾

Notes:

- (1) This basis is not applicable as the Proposed Acquisition does not involve disposal of assets.
- (2) There are no net profits attributable to the Property.
- (3) Based on the Consideration (approximately S\$4,724,960) and the market capitalisation of the Company of approximately S\$13,147,565 as at 28 August 2023. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 119,523,315 ordinary shares, and the volume weighted average price of S\$0.11 per share on 28 August 2023, being the last market day on which the Company's shares were traded before the date of the SPA.
- (4) This basis is not applicable as no equity securities are to be issued as part of the Consideration.
- (5) This basis is not applicable as the Company is not a mineral, oil and gas company.

5.2 As the relative figure under Rule 1006(c) of the Catalist Rules exceeds 5.0% but does not exceed 75.0%, the Proposed Acquisition constitutes a "discloseable transaction" as defined in Chapter 10 of the Catalist Rules.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 General

The proforma financial effects of the Proposed Acquisition on the net tangible asset ("NTA") per share and the earnings per share ("EPS") of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the Group for FY2023.

The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after the Proposed Acquisition has been fully completed.

6.1.1 NTA

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the Group's NTA per share, assuming that the Proposed Acquisition had been completed on 31 March 2023, being the end of the most recently completed financial year, are set out below:

NTA	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to the owners of the Group (RM)	42,529,557	42,529,557
Number of issued shares	119,523,315	119,523,315
NTA per share (RM cents)	35.58	35.58

6.1.2 Earnings per Share

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the consolidated earnings of the Group, assuming that the Proposed Acquisition had been completed on 1 April 2022, being the beginning of the most recently completed financial year, are set out below:

EPS	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to the owners of the Group (RM)	6,192,858	5,522,804
Weighted average number of issued shares	119,523,315	119,523,315
EPS – Basic (RM cents)	5.18	4.62

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Acquisition.

8. DIRECTORS' SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA are available for inspection during normal business hours at the Company's registered office at 133 Cecil Street #14-01, Keck Seng Tower, Singapore 069535, for a period of three (3) months commencing from the date of this announcement.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements in relation to the Proposed Acquisition as and when there are material developments.

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer
6 September 2023

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

This announcement has not been examined or approved by the SGX-ST and 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.

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