

MEGROUP LTD.

(Incorporated in the Republic of Singapore on 7 February 2018)
(Company Registration Number: 201804996H)

**Half Year Financial Statements and Related Announcement
For The Six Months Ended 30 September 2020**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) 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 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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MeGroup Ltd. (the "**Company**") was incorporated in Singapore on 7 February 2018 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company was admitted to Catalist on 31 October 2018.

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i). An income statement and statement of comprehensive income, or statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease) %
	Six Months Ended 30-Sep-20 RM	30-Sep-19 RM	
Revenue	87,809,246	144,483,489	(39.2)
Cost of sales	(77,335,176)	(130,879,627)	(40.9)
Gross profit	10,474,070	13,603,862	(23.0)
Other income	615,662	174,442	252.9
Other gains and losses, net	46,586	(80,192)	(158.1)
Expenses			
– Selling and distribution	(1,905,087)	(3,107,486)	(38.7)
– Administrative	(6,692,178)	(6,579,909)	1.7
– Finance	(1,140,482)	(985,673)	15.7
Profit before tax	1,398,571	3,025,044	(53.8)
Income tax expense	(477,445)	(925,700)	(48.4)
Total comprehensive income, representing net profit for the financial period	921,126	2,099,344	(56.1)
Total comprehensive income, representing net profit attributable to:			
Equity holders of the Company	785,668	2,006,168	(60.8)
Non-controlling interests	135,458	93,176	45.4
	<u>921,126</u>	<u>2,099,344</u>	(56.1)
Earnings per share for profit attributable to equity holders of the company (Sen)			
Basic and diluted	<u>0.66</u>	<u>1.69</u>	(60.9)

1(a)(ii). Notes to the Combined Statements of Comprehensive Income

The Group's profit before tax is arrived at after crediting / (charging) the following:

	Group		Increase/ (Decrease) %
	Six Months Ended		
	30-Sep-20	30-Sep-19	
	RM	RM	
Interest income	25,869	26,580	(2.7)
Commission received	51,623	43,976	17.4
Fees from Yatta Group Sdn. Bhd.	28,010	66,000	(57.6)
Realised currency exchange loss – net	(18,510)	(99,692)	(81.4)
Gain on disposal of property, plant and equipment	3,960	19,500	(79.7)
Gain on disposal of right-of-use assets	61,136	-	N/A
Sales commission	(1,351,294)	(1,505,542)	(10.2)
Rental of premises	(96,870)	(690,546)	(86.0)
Salary, wages, allowances and bonus	(3,408,511)	(4,321,323)	(21.1)
Directors' remuneration	(1,068,440)	(1,347,775)	(20.7)
Entertainment expenses	(111,456)	(341,856)	(67.4)
Security charges	(245,833)	(226,874)	8.4
Depreciation of property, plant and equipment	(1,641,536)	(1,588,140)	3.4
Depreciation of right-of-use assets	(1,799,025)	-	N/A
Amortisation expense	(331,454)	(331,454)	0.0
Interest on borrowings	(650,480)	(985,673)	(34.0)
Interest on lease liabilities	(490,002)	-	N/A

1(b)(i). A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at		As at	
	30-Sep-20	31-Mar-20	30-Sep-20	31-Mar-20
	RM	RM	RM	RM
ASSETS				
Current assets				
Cash and cash equivalents	11,967,511	12,484,291	859,815	2,063,970
Trade and other receivables	15,461,921	14,036,565	5,447,942	4,654,346
Tax recoverable	1,728,371	1,319,724	-	-
Inventories	10,305,949	15,379,084	-	-
Total current assets	39,463,752	43,219,664	6,307,757	6,718,316
Non-current assets				
Property, plant and equipment	37,529,102	38,472,020	-	-
Right-of-use assets	19,736,123	21,263,796	-	-
Investment in subsidiaries	-	-	26,094,134	26,094,134
Intangible assets	2,310,026	2,641,480	-	-
Total non-current assets	59,575,251	62,377,296	26,094,134	26,094,134
Total assets	99,039,003	105,596,960	32,401,891	32,812,450
LIABILITIES				
Current liabilities				
Trade and other payables	7,871,504	11,977,003	176,767	133,286
Current income tax liabilities	37,240	109,070	-	-
Borrowings	4,169,484	7,276,752	-	-
Lease liabilities	3,184,808	3,507,554	-	-
Total current liabilities	15,263,036	22,870,379	176,767	133,286
Non-current liabilities				
Borrowings	17,027,611	16,474,640	-	-
Lease liabilities	18,917,161	19,262,323	-	-
Deferred income tax liabilities	2,518,115	2,597,664	-	-
Total non-current liabilities	38,462,887	38,334,627	-	-
Total liabilities	53,725,923	61,205,006	176,767	133,286
NET ASSETS	45,313,080	44,391,954	32,225,124	32,679,164
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	37,356,382	37,356,382	37,356,382	37,356,382
Retained earnings / (accumulated losses)	31,168,938	30,383,270	(5,131,258)	(4,677,218)
Other reserves	(24,360,992)	(24,360,992)	-	-
Total equity attributable to equity holders of the Company	44,164,328	43,378,660	32,225,124	32,679,164
Non-controlling interests	1,148,752	1,013,294	-	-
Total equity	45,313,080	44,391,954	32,225,124	32,679,164

1(b)(ii). In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year: (A) the amount repayable in one year or less, or on demand; (B) the amount repayable after one year; (C) whether the amounts are secured or unsecured; and (D) details of any collaterals.

	As at 30-Sep-20			As at 31-Mar-20		
	Secured RM	Unsecured RM	Total RM	Secured RM	Unsecured RM	Total RM
Amount repayable in one year or less, or on demand	3,664,578	504,906	4,619,484	6,767,643	509,109	7,276,752
Amount repayable after one year	15,873,020	1,154,591	17,027,611	15,379,145	1,095,495	16,474,640
Total Borrowings	19,537,598	1,659,497	21,197,095	22,146,788	1,604,604	23,751,392

Details of Collaterals

As at 30 September 2020, the Group's borrowings were secured by:

- Joint and Several Guarantee by the following directors and executive officers of the Company in their personal capacity:
 1. Wong Cheong Chee
 2. Wong Sai Hou
 3. Abdul Razak Bin Montel
- Corporate Guarantee by Menang Nusantara Sdn Bhd for facilities of Menang Nusantara Auto Sdn Bhd, MN Otomobil Sdn Bhd, MJN Motors Sdn Bhd and MJN Auto Sdn Bhd.
- 1st party 1st legal charge over the land and building at Bukit Beruntung for facilities of Menang Nusantara Sdn Bhd.
- 1st party 2nd legal charge over the land and building at Bukit Beruntung for facilities of Menang Nusantara Sdn Bhd.
- Debenture on fixed and floating assets of Menang Nusantara Sdn Bhd.
- Specific debenture on the toolings and related equipment of Menang Nusantara Sdn Bhd.
- Specific debenture on machines of Menang Nusantara Sdn Bhd.
- Debenture in a form of floating charge over all company's stock of Motor Vehicles purchased utilizing floor stock facilities under Menang Nusantara Auto Sdn Bhd, MN Otomobil Sdn Bhd and MJN Motors Sdn Bhd.
- Half-year sinking fund bank deposits of RM75,000 as collateral for facility of MJN Motors Sdn Bhd.
- 1st party all monies legal charge over the property at Lot 1, Jalan 5, Cheras Jaya for facility of Menang Nusantara Sdn Bhd.
- 1st party all monies legal charge over the property at Lot 14, Jalan CJ 1/7, Cheras Jaya for facility of Menang Nusantara Sdn Bhd.
- Corporate Guarantee by MeGroup Ltd for facilities of MJN Motors Sdn Bhd.
- Half year sinking fund bank deposit of RM91,000 as collateral for facility of MJN Auto Sdn Bhd.
- Debenture on building and equipment of MJN Motors Sdn Bhd.
- Working Capital Guarantee by Syarikat Jaminan Perniagaan Berhad ("SJPP") for facility for MJN Auto Sdn Bhd.
- 20 quarterly placement sinking fund bank deposits of RM1,400,000 as collateral for facility for MJN Auto Sdn Bhd.

1(c). A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Six Months Ended	
	30-Sep-20	30-Sep-19
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	1,398,571	3,025,044
Adjustments for:		
Amortisation of intangible assets	331,454	331,454
Depreciation of property, plant and equipment	1,641,536	1,588,140
Depreciation of right-of-use assets	1,799,025	-
Gain on disposal of property, plant and equipment	(3,960)	(19,500)
Gain on disposal of right-of-use assets	(61,136)	-
Interest income	(25,869)	(26,580)
Interest expense	1,140,482	985,673
	<u>6,220,103</u>	<u>5,884,231</u>
Trade and other receivables	(1,425,356)	2,818,543
Inventories	5,073,135	(4,119,314)
Trade and other payables	(4,105,499)	(5,679,511)
Cash generated from/(used in) operations	<u>5,762,383</u>	<u>(1,096,051)</u>
Income tax paid	(1,037,471)	(760,808)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	<u>4,724,912</u>	<u>(1,856,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	25,869	26,580
Purchase of property, plant and equipment	(749,658)	(4,680,763)
Purchase of right-of-use assets	(39,570)	-
Proceeds from disposal of property, plant & equipment	55,000	19,500
Proceeds from disposal of right-of-use assets	194,200	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(514,159)</u>	<u>(4,634,683)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Fixed deposits pledged to licensed banks	(1,236,574)	(8,231)
Proceeds from bank borrowings	-	3,449,676
Repayment of bank borrowings	(3,034,872)	(494,918)
Repayment to finance lease liabilities	-	(352,332)
Repayment to lease liabilities	(1,522,756)	-
Interest paid	(650,480)	(985,673)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	<u>(6,444,682)</u>	<u>1,608,522</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,233,929)</u>	<u>(4,883,020)</u>
CASH AND CASH EQUIVALENTS		
Beginning of financial year	<u>11,334,948</u>	<u>13,802,371</u>
End of the financial period	<u><u>9,101,019</u></u>	<u><u>8,919,351</u></u>

Note:

For the purpose of presenting the statement of cash flows, the cash and cash equivalents comprise the following:

	Group	
	Six Months Ended	
	30-Sep-20	30-Sep-19
	RM	RM
Cash and bank balances	11,967,511	10,929,946
Less: Short-term bank deposits pledged	(2,079,359)	(895,132)
Less: Bank overdraft	(787,133)	(1,115,463)
	<u>9,101,019</u>	<u>8,919,351</u>

1(d)(i). A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group						
	Share capital	Merger reserve	Capital reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM
As at 1 April 2020	37,356,382	(24,594,282)	233,290	30,383,270	43,378,660	1,013,294	44,391,954
Total comprehensive income for the 6 months	-	-	-	785,668	785,668	135,458	921,126
As at 30 September 2020	37,356,382	(24,594,282)	233,290	31,168,938	44,164,328	1,148,752	45,313,080
As at 1 April 2019	36,722,029	(24,594,282)	-	30,245,098	42,372,845	2,399,724	44,772,569
Total comprehensive income for the 6 months	-	-	-	2,006,168	2,006,168	93,176	2,099,344
Acquisition of additional interest in a subsidiary	-	-	(2,674,748)	-	(2,674,748)	(868,193)	(3,542,941)
As at 30 September 2019	36,722,029	(24,594,282)	(2,674,748)	32,251,266	41,704,265	1,624,707	43,328,972

	Company		
	Share capital	Accumulated losses	Total equity
	RM	RM	RM
As at 1 April 2020	37,356,382	(4,677,218)	32,679,164
Total comprehensive loss for the 6 months	-	(454,040)	(454,040)
As at 30 September 2020	37,356,382	(5,131,258)	32,225,124
As at 1 April 2019	36,722,029	(3,736,285)	32,985,744
Total comprehensive income for the 6 months	-	(479,686)	(479,686)
As at 30 September 2018	36,722,029	(4,215,971)	32,506,058

1(d)(ii). Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of Ordinary Shares
As at 31 March 2020 / 30 September 2020	<u>119,523,315</u>

There were no outstanding convertibles, treasury shares or subsidiary holdings at the end of the current financial period, the last financial period reported on, and as at the end of the corresponding period of the immediately preceding financial year.

1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Number of Ordinary Shares	
	As at	
	30-Sep-20	31-Mar-20
Total number of issued shares excluding treasury shares	119,523,315	119,523,315

There were no treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv). A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as the Company did not have any treasury shares as at 31 March 2020 and 30 September 2020.

1(d)(v). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company did not hold any subsidiary holdings as at 31 March 2020 and 30 September 2020.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) Updates on the efforts taken to resolve each outstanding audit issue. (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The financial statements for the financial period ended 30 September 2020 are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The Group has applied the same accounting policies and methods of computation in the Group's financial statement for the current financial period as those applied for the audited consolidated financial statements for the financial year ended 31 March 2020 as set out in the Annual Report.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the following amendments to SFRS(I)s which became effective on 1 January 2020. The Group has also early adopted the Amendments to SFRS(I) 16 on Covid-19 Related Rent Concessions that have been published and effective for accounting period beginning on or after 1 June 2020. The Group applied the practical expedient not to assess a rent concession occurring as a direct consequence of the Covid-19 pandemic as a lease modification.

- Amendments to SFRS(I) 3 Definition of a business
- Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: (a) Based on the weighted average number of ordinary shares on issue; and (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Group	
	Six Months Ended	
	30-Sep-20	30-Sep-19
Total comprehensive income, representing net profit attributable to equity holders of the Company (RM)	785,668	2,006,168
Weighted average number of Shares	119,523,315	118,500,000
Earnings per Share ("EPS") - basic and diluted (Sen)	0.66	1.69

Note:

The basic and diluted EPS of the Group for the respective financial period was calculated based on the weighted average number of ordinary shares in issue for the respective financial period.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at		As at	
	30-Sep-20	31-Mar-20	30-Sep-20	31-Mar-20
NAV per Share (Sen)	36.95	36.29	26.96	27.34
Equity Attributable to Owners of the Company (RM)	44,164,328	43,378,660	32,225,124	32,679,164
Number of Shares used in computation of NAV per Share	119,523,315	119,523,315	119,523,315	119,523,315

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a) Review of Group's Performance

Revenue

Revenue decreased by approximately RM56.67 million or 39.23% from RM144.48 million in 1H2020 to RM87.81 million in 1H2021.

Manufacturing Business

Revenue from manufacturing business decreased by RM6.78 million from RM18.48 million in 1H2020 to RM11.71 million in 1H2021. The decrease was due to the decrease of demand in the volume of NVH components supplied especially since there was no demand for products during the period of Movement Control Order ("MCO") imposed in Malaysia from 18 March 2020 to 1 May 2020 due to Covid-19 pandemic.

Dealership Business

Revenue from dealership business decreased by RM49.90 million or 39.6%, from RM126.00 million in 1H2020 to RM76.10 million in 1H2021. The decrease is mainly due to the closure of all showroom and service centres during MCO in Malaysia. The average monthly revenue from May 2020 to September 2020 (5 months) was RM15.22 million as compared to average monthly revenue of RM21.00 million in 1H2020. Sales had been adversely affected as the demand of new cars and services during this period declined significantly due to the outbreak of Covid-19.

Cost of sales

Cost of sales decreased by approximately RM53.54 million or 40.9% from RM130.88 million in 1H2020 to RM77.34 million in 1H2021.

Manufacturing Business

Cost of sales from manufacturing business decreased by RM4.76 million from RM13.44 million in 1H2020 to RM8.68 million in 1H2021. The decrease is consistent with the significant decline in revenue mentioned above.

Dealership Business

Cost of sales from dealership business decreased by RM48.78 million from RM117.44 million in 1H2020 to RM68.66 million in 1H2021. The decrease is partially attributable to the decrease in revenue as mentioned above and the adoption of the SFRS(I) 16 Leases, where rental expenses are no longer captured in the cost of sales but in the administrative and finance expenses as depreciation of right-of-use assets and lease liabilities interest respectively.

Gross profit and Gross Profit Margin

For the reasons discussed above, gross profit decreased by approximately RM3.13 million or 23.0% from RM13.60 million in 1H2020 to RM10.47 million in 1H2021. The decrease was due to a decrease in gross profit from dealership business of approximately RM1.12 million from RM8.56 million in 1H2020 to RM7.44 million in 1H2021. Gross profit from manufacturing business has also decreased by approximately RM2.02 million from RM5.05 million in 1H2020 to RM3.03 million in 1H2021.

Overall gross profit margin increased by approximately 2.5 percentage points from 9.4% in 1H2020 to 11.9% in 1H2021. The gross profit margin of manufacturing business decreased by 1.4 percentage points from 27.3% in 1H2020 to 25.9% in 1H2021, which was due to higher demand of lower gross profit margin components as compared to higher gross profit margin components. The gross profit margin of dealership business increased by 3.0 percentage points from 6.8% in 1H2020 to 9.8% in 1H2021, the increase is mainly due to the revenue generated from after-sales automobile services being a higher proportion than the revenue contributed from the sales of automobiles compared to 1H2020, where the sales of automobiles generally have a lower gross profit margin compared to after-sales automobile services.

Other income

Other income increased by approximately RM0.45 million or 252.9% from RM0.17 million in 1H2020 to RM0.62 million in 1H2021. This was mainly due to the entitlement of the Wage Subsidy Program from May 2020 amounting to RM0.35 million introduced by the government of Malaysia to assist employers who are economically impacted as a result of Covid-19 to make sure they can continue operating their company while preventing the workers from losing their jobs.

Other gains and losses, net

Other gains and losses were reversed from a net loss of RM0.08 million in 1H2020 to a net gain of RM0.05 million in 1H2021 due to realised forex gain from payment to suppliers.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RM1.20 million or 38.7% from RM3.11 million in 1H2020 to RM1.91 million in 1H2021. This was due to the decrease in staff remunerations, advertising and promotional expenses, travelling expenses, commission and incentive expenses and other sales expenses amounting to RM0.19 million, RM0.05 million, RM0.07 million, RM0.17 million and RM0.03 million respectively. The decrease was also contributed by the decrease in rental expenses amounting to RM0.69 million as a result for the adoption of SFRS(I)16 Leases.

Administrative expenses

Administrative expenses increased by approximately RM0.11 million or 1.7% from RM6.58 million in 1H2020 to RM6.69 million in 1H2021. The slight increase in administrative expenses was mainly due to the increase in depreciation of ROU expenses amounting to RM1.82 million for the adoption of SFRS(I) 16 Leases, which is offset by the decrease in (i) directors remuneration amounting to RM0.28 million, (ii) staff remuneration amounting to RM0.22 million, (iii) travelling and accommodation expenses amounting to RM0.20 million, (iv) rental expenses amounting to RM0.22 million as a result for the adoption of SFRS(I)16 Leases, (v) entertainment expenses amounting to RM0.22 million, (vi) professional fees, secretarial fees, advisory fees, sponsorship fees, training and subscription fees amounting to RM0.39 million and other administration expenses amounting to RM0.18 million.

Finance expenses

Finance expenses increased by approximately RM0.15 million or 15.7% from RM0.99 million in 1H2020 to RM1.14 million in 1H2021. This was mainly due to recognition of RM0.49 million of interest expense on lease liabilities following the adoption of SFRS(I) 16 Leases, offset by the decrease in floor stock interests amounting to RM0.17 million arising from the floor stock financing in the dealership segment and term loan interest from manufacturing segment amounting to RM0.11 million.

Profit before tax

As a result of the aforementioned, the Group recorded a lower profit before tax of approximately RM1.40 million in 1H2021, compared to RM3.03 million in 1H2020, a decrease of RM1.63 million or 53.8% as compared to 1H2020.

(b) Review of Group's Financial Position

Current assets

Current assets decreased by approximately RM3.76 million or 8.7% from RM43.22 million as at 31 March 2020 to RM39.46 million as at 30 September 2020. This was largely due to the (i) reduction in cash and bank equivalents amounting to RM0.51 million, from RM12.48 million as at 31 March 2020 to RM11.97 million as at 30 September 2020 for the purchase of machines and tooling using internal generated funds (ii) decrease in inventories by approximately RM5.07 million due to low holding of stocks as at 30 September 2020. The decrease is offset by an increase in trade and other receivables amounting to RM1.43 million due the sales made in end of September 2020 where payment received subsequent to the reporting period and increase in tax recoverable amounting to RM0.41 million arising from the tax instalments paid.

Non-current assets

Non-current assets decreased by approximately RM2.80 million or 4.5% from RM62.38 million as at 31 March 2020 to RM59.58 million as at 30 September 2020. This was largely due to depreciation of property, plant and equipment and ROU assets during the period.

Current liabilities

Current liabilities decreased by approximately RM7.61 million or 33.3% from RM22.87 million as at 31 March 2020 to RM15.26 million as at 30 September 2020. This was largely due to: (i) a decrease in trade and other payables of RM4.11 million or 34.3% from RM11.98 million as at 31 March 2010 to RM7.87 million as at 30 September 2020 mainly due to the repayment to the automobile principals in the dealership business and raw materials supplier in the manufacturing business; (ii) a decrease in current bank borrowings amounting to RM3.11 million due to settlement of floor stock financing in retail business; (iii) decrease in lease liabilities amounting to RM0.32 million due to disposal of right-of-use assets in manufacturing business and (iv) decrease in income tax liabilities amounting to RM0.07 million due to payment of income tax during the financial period.

Non-current liabilities

Non-current liabilities slightly increased by approximately RM0.13 million or 0.31% from RM38.33 million as at 31 March 2020 to RM38.46 million as at 30 September 2020. This was due to the drawdown of hire purchase facility during the financial period.

Equity

The increase in equity of approximately RM0.92 million from RM44.39 million as at 31 March 2020 to RM45.31 million as at 30 September 2020 was mainly due to net profit during the financial period of RM0.92 million.

(c) Review of Group's Cash Flows

The Group recorded net cash generated from operating activities of approximately of RM4.72 million mainly due to sales generated from the decrease in the inventories of RM5.07 million mainly from the dealership business, partially off-set by income tax paid amounting to RM1.04 million based on the estimated tax payable on instalments submitted to the Inland Revenue Board in Malaysia.

The Group recorded net cash used in investing activities of approximately of RM0.51 million mainly due to the purchase of new tools and machineries from the manufacturing business of approximately RM0.75 million partially offset by the proceeds from the disposal of right-of-use assets amounting to RM0.19 million.

The Group recorded net cash used in financing activities amounting to RM6.44 million due to (i) repayment of bank borrowings of bank borrowings of approximately RM3.03 million, (ii) repayment of lease liabilities including finance lease of approximately RM1.52 million and (iii) interest paid of approximately RM0.65 million during the financial period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outbreak of Covid-19 pandemic has adversely affected many businesses including the automotive sector. Based on the sales and production statistics published by the Malaysian Automotive Association (MAA), the 9 months September 2020 calendar year-to-date total registration of new passenger and commercial vehicles in Malaysia was 341,489 units as compared to the 12 months December 2019 calendar year-to-date totalling 604,287 units. MAA also reported on the total passenger and commercial vehicles produced and assembled in Malaysia for the 9 months September 2020 calendar year-to-date was 315,863 units as compared to the 12 months December 2019 calendar year-to-date totalling 571,632 units.

The production and registration of new vehicles in Malaysia for the last quarter of calendar year 2020 are expected to remain stable with the sales tax exemption of up to 100% for completely-knocked down passenger vehicles and 50% on completely build up cars for registration before 31 December 2020.

The outlook of the automotive sector remains challenging with the uncertainty due to the outbreak of Covid-19 pandemic. The Group is cautiously optimistic about its business performance with the current existing and new projects awarded in the manufacturing segment and the existing and new models launching by the brand principals in the dealership segment. The Group is continuously looking at opportunities to expand its product offerings in the automotive sector.

Manufacturing

The Group has started its sustainable production cost optimisation project to embark into renewable energy mainly in the area of electricity consumption within the production plant. The adoption of solar energy in our main production plant is expected to complement the sustainable production with lower production overhead.

As part of the effort to reduce the reliance on foreign workers, the Group has rolled out automation programmes by phases to increase the productivity and aimed to attract more local skilled workers in ensuring excellent product quality delivery to the customers.

Dealership

The Group currently has a line-up of 9 automobile dealerships under the brand of Ford, Honda, Hyundai, Mazda, Mitsubishi and Peugeot.

The construction of the new 3S facilities for MJN Auto Sdn Bhd (Honda) at Kuala Selangor is expected to be completed by 4th quarter FY2021 with bigger service capacity to take on customers intake services and one stop centre for car showroom and vehicle service centre.

MN Wheels Sdn Bhd (Mitsubishi) had started its car showroom operation in August 2020 and is expected to commence its after-sales service operation by 4th quarter FY2021.

The launching of new models by the respective brands in 2020 (i.e. New Ford Ranger FX4, New Ford Ranger Raptor, All New 5th Generation Honda City 2020, New Honda BR-V 2020, All New 10th Generation Honda Accord 2020, New Honda Civic 2020, All New 8th Generation Hyundai Sonata 2020, All New Hyundai Kona 2020, All New Mazda CX-30 2020, New Mitsubishi Xpander 2020 etc) are expected to contribute positively to the sales of the retail dealership segment.

11. If a decision regarding dividend has been made: (a) Whether an interim (final) ordinary dividend has been declared (recommended); (b) (i) Amount per share, cents (ii) Previous corresponding period, cents; (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated); (d) The date the dividend is payable; (e) the date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

(a) Dividend Declared (Recommended) for the Current Financial Period Reported On

No

(b) Dividend Declared (Recommended) for Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared (recommended), a statement to that effect and reason(s) for the decision.

There was no dividend declared or recommended for the current reporting period as the Group intends to conserve cash for expansion and other business opportunities.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained an IPT mandate.

14. Negative confirmation pursuant to the Rule 705(5)

We, Wong Cheong Chee and Wong Keat Yee, being directors of the Company ("Directors"), hereby confirm on behalf of the board of Directors that, to the best of the Directors' knowledge, nothing has come to the attention of the board of Directors which may render the unaudited consolidated financial statements of the Group for the six months ended 30 September 2020 to be false or misleading in any material aspect.

On behalf of the board of Directors,

Wong Cheong Chee
Executive Chairman and CEO

Wong Keat Yee
Executive Director

15. Acquisition or sale of shares in subsidiaries and/or associated companies under Rule 706(A)

On 3 April 2019, the Company announced that its wholly-owned subsidiary, Menang Nusantara Holdings Sdn. Bhd. (the "**Purchaser**") had entered into binding term sheets with each of Mr Wong Sai Hou and Mr Tan Kian Boon for the Purchaser's acquisition (the "**Proposed Acquisition**") of an aggregate of 250,000 ordinary shares in MJN Motors Sdn. Bhd. (the "**Target Company**"). As at the date of the announcement, each of the Purchaser, Mr Tan Kian Boon and Mr Wong Sai Hou owned 55.0%, 20.0% and 5.0% of the share capital of the Target Company, respectively. On completion, the Purchaser would acquire Mr Tan Kian Boon's and Mr Wong Sai Hou's stake in the Target Company (the "**Sale Shares**") to become the legal and beneficial owner of 80% of the share capital of the Target Company. The parties entered into definitive agreement in respect of the Proposed Acquisition (the "**SPA**") on 4 October 2019.

The consideration for the Proposed Acquisition was based on 2x multiple of the actual audited net profits after tax of the Target Company ("**NPAT**") for FY2019 and FY2020 attributable to the Sale Shares and was payable in two tranches. Under the terms of the SPA, the first tranche consideration payable to Mr Tan Kian Boon was RM634,352.80 (being 20.0% of (2 x NPAT for FY2019) and was to be satisfied by an issue and allotment of 1,023,315 new ordinary shares in the capital of the Company at an issue price of S\$0.18 per share (representing a 13.9% premium to the weighted average price of S\$0.18 per share transacted on 24 September 2019) (the "**Consideration Shares**"). The first tranche consideration payable to Mr Wong Sai Hou was RM158,588.20 (being 5.0% of (2 x NPAT for FY2019), payable in cash on completion date.

On 14 November 2019, the Company announced the completion of the Proposed Acquisition and the payment of the first tranche consideration, including the issue and allotment of the Consideration Shares to Mr Tan Kian Boon. The Purchaser also became the legal and beneficial owner of 80% of the share capital of the Target Company.

On 4 November 2020, the Company announced the payment of the second tranche consideration in accordance with the terms of the SPA, being RM245,536.04 in cash to Mr Tan Kian Boon (being 20.0% of (2 x NPAT for FY2020) and RM61,384.01 in cash to Mr Wong Sai Hou (being 5.0% of (2 x NPAT for FY2020).

The aggregate value of the consideration paid for the Proposed Acquisition is RM1,099,861.05. Based on the unaudited accounts of the Target Company for the six months ended 30 September 2018, the aggregate net book value of the Sale Shares was RM454,008.00 and the net profits attributable to the Sale Shares was RM231,458.50. The purchase consideration was arrived at after taking into account the future plans, expected financial performance and business prospects of the Target Company. The Target Company is principally engaged in operating the Group's Honda dealerships. The Group did not commission any independent valuation of the Target Company.

Please refer to the Company's announcements dated 3 April 2019, 9 April 2019, 4 October 2019, 8 November 2019, 14 November 2019 and 4 November 2020 for more information.

Save as disclosed above, there is no other acquisition and/or sale of shares in any subsidiaries or associated companies of the Group during FY2021 or 1H2021 which is required to be reported under Rule 706(A) of the Catalist Rules.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

17. Update on use of IPO proceeds

The Company was listed on Catalist of the SGX-ST on 31 October 2018. The initial public offering of the Company raised gross proceeds and net proceeds of approximately S\$3.80 million and approximately S\$2.38 million respectively.

	Amount allocated as stated in the offer document (S\$' million)	Amount utilised as at the date of this announcement (S\$' million)	Balance of net proceeds as at the date of this announcement (S\$' million)
Business expansion (including organic expansion and mergers and acquisitions)	1.80	0.99 ⁽¹⁾⁽²⁾⁽³⁾	0.81
General working capital purposes	0.58	0.58 ⁽⁴⁾	-
	<u>2.38</u>	<u>1.57</u>	<u>0.81</u>

Notes:

- (1) An amount of S\$0.33 million was utilised on 16 April 2019 for the issued and paid up capital of MN Automart Sdn Bhd.
- (2) An amount of S\$0.33 million was utilised on 8 July 2019 for the issued and paid up capital of MN Otomart Sdn Bhd.
- (3) An amount of S\$0.33 million was utilised on 2 January 2020 for the issued and paid up capital of MN Wheels Sdn Bhd.
- (4) General working capital includes payment to the principals in the dealership business to purchase additional car inventories and to the raw materials supplier in the manufacturing business.

The use of the IPO proceeds as at the date of this announcement is in accordance with the intended uses as stated in the Company's Offer Document.

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer

11 November 2020