



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

**PROPOSED ACQUISITION OF STAKE IN SUBSIDIARY
ENTRY INTO DEFINITIVE AGREEMENT AND INTERESTED PERSON TRANSACTION**

1. INTRODUCTION

- 1.1 The board of directors (the "**Board**") of MeGroup Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 3 April 2019 (the "**Term Sheet Announcement**"), 3 April 2019 and 9 April 2019 (collectively, the "**Relevant Announcements**"). Capitalised terms not defined in this announcement have the meanings ascribed to them in the Term Sheet Announcement.
- 1.2 Further to the Relevant Announcements, the Board wishes to announce that the Parties had on 4 October 2019 entered into a definitive sale and purchase agreement in relation to the Proposed Acquisition (the "**SPA**").

2. THE PROPOSED ACQUISITION

Please refer to the following sections of the Term Sheet Announcement for the following information on the Proposed Acquisition:-

- 2.1 section 2 of the Term Sheet Announcement: information on the Vendors and the Target Company; and
- 2.2 section 3 of the Term Sheet Announcement: rationale for and benefits of the Proposed Acquisition.

3. PRINCIPAL TERMS OF THE SPA

3.1 Consideration

The Aggregate Consideration payable by the Purchaser will be financed through the Company's internal cash resources.

Under the terms of the SPA, the Aggregate Consideration is payable by the Purchaser in two tranches:-

(i) The First Tranche Consideration

The First Tranche Consideration is payable on the business day falling 5 business days after fulfilment of the last of the conditions precedent under the SPA ("**Completion Date**").

The First Tranche Consideration payable by the Purchaser to Mr Tan under the SPA is RM634,352.80 (being 20.0% of (2 x NPAT2019)), and, based on the exchange rate of S\$1:RM3.0239 (the "**SPA Exchange Rate**"), will be satisfied by an issue and allotment of 1,023,315 Consideration Shares to Mr Tan at the issue price of S\$0.205 (the "**Issue Price**"). The Issue Price represents a 13.9% premium to the weighted average price of \$0.18 per MeGroup Share (as defined below) transacted on 24 September 2019, being the latest available full market day in which MeGroup Shares were traded prior to the date of the SPA. As agreed between the Purchaser and Mr Tan, the SPA Exchange Rate is based on the Bank Negara Malaysia exchange rate as of 12 p.m. on 14 August 2019.

The First Tranche Consideration payable by the Purchaser to Mr Wong is RM158,588.20 (being 5.0% of (2 x NPAT2019)) and is payable to Mr Wong in cash on the Completion Date.

(ii) The Second Tranche Consideration

The Second Tranche Consideration is payable by the Purchaser to each of the Vendors in cash on or before the Second Tranche Payment Date, being a date within 30 days after the date of the auditor's report for the audited financial statement of the Company for the financial year ended 31 March 2020.

The Second Tranche Consideration payable to Mr Tan will be a sum equivalent to 20.0% of (2 x NPAT2020) and the Second Tranche Consideration payable to Mr Wong will be a sum equivalent to 5.0% of (2 x NPAT2020).

The maximum Aggregate Consideration payable by the Purchaser to each of the Vendors under the SPA is capped at (i) RM3,000,000 in respect of Mr Tan; and (ii) RM750,000 in respect of Mr Wong.

Please refer to the Company's announcement dated 9 April 2019 for the factors taken into account by the Company in arriving at the Aggregate Consideration.

3.2 **Conditions Precedent**

Completion of the Proposed Acquisition is conditional upon, *inter alia*, the satisfaction of certain conditions precedent, including:-

- (i) if applicable, the Purchaser and the Company obtaining all approval(s) from the board of directors and/or shareholders of the Purchaser and/or the Company in a general meeting, as may be necessary for the transaction contemplated herein,

and such approval remaining valid and in full force and effect and not having been withdrawn or revoked as at the Completion Date;

- (ii) the Purchaser being reasonably satisfied that there has been no material adverse change in the business, assets, financial position, results of operations or prospects of the Target Company;
- (iii) the approval in-principle for the listing and quotation of the 1,023,315 Consideration Shares on the SGX-ST having been obtained from the SGX-ST and such approval being valid and in full force and effect; and
- (iv) each of the representations and warranties provided by the Company and the Vendors under the SPA remaining true in all material respects and not misleading in any material respect as at the date of the SPA and at the Completion Date (as defined below).

3.3 Completion date

The Parties have agreed to extend the long-stop date of the Proposed Acquisition under the SPA. Completion shall now take place no later than 31 December 2019 (the "**Completion Date**"). On the Completion Date, the Purchaser shall become the legal and beneficial owner of the Sale Shares, subject only to payment of stamp duty in Malaysia. Upon completion of the Proposed Acquisition, the Group will be the legal and beneficial owner of 80% of the issued and paid-up share capital of the Target Company.

3.4 Consideration Shares and the General Mandate

The Company's sponsor, CIMB Bank Berhad (Singapore Branch) will be making an application on behalf of the Company to the SGX-ST for listing and quotation and admission of the 1,023,315 Consideration Shares to be issued and allotted to Mr Tan in connection with the Proposed Acquisition. The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Consideration Shares of the Company has been obtained from the SGX-ST.

The Consideration Shares will be issued pursuant to the general share issue mandate (the "**General Mandate**") granted to the Directors by the shareholders of the Company by way of an ordinary resolution at the annual general meeting of the Company held on 30 July 2019 (the "**Relevant AGM**"). The General Mandate authorises the Directors to allot and issue ordinary shares in the share capital of the Company ("**MeGroup Shares**") not exceeding 100% of the total number of issued MeGroup Shares (excluding treasury shares and subsidiary holdings) immediately after the Listing, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to the existing shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

The number of issued MeGroup Shares immediately after the Relevant AGM was 118,500,000. Therefore, the number of MeGroup Shares that may be issued pursuant to the General Mandate is 118,500,000, of which the maximum number of MeGroup

Shares to be issued other than on a *pro rata* basis is 59,250,000. As such, the allotment and issue of a maximum of 1,023,315 Consideration Shares falls within the limits of the General Mandate.

Pursuant to the allotment and issue of the maximum number of Consideration Shares, the Company's issued and paid-up share capital will increase from 118,500,000 MeGroup Shares ("**Existing Share Capital**") to 119,523,315 ("**Enlarged Share Capital**"). The 1,023,315 Consideration Shares to be issued represents 0.864% and 0.856% of the Existing Share Capital and the Enlarged Share Capital of the Company after the completion of the Proposed Acquisition, respectively.

4. DETAILS OF THE INTERESTED PERSON

- 4.1 As announced in the first Term Sheet Announcement, Mr Wong is our Head of Group Expansion & Strategy and Dealerships and is the son of our Executive Chairman and CEO, Mr Wong Cheong Chee, and the brother of our Executive Director, Ms Wong Keat Yee. As such, pursuant to Chapter 9 of the Catalist Rules, Mr Wong is deemed to be an "interested person". Accordingly, all transactions entered into between the Company and Mr Wong would constitute "interested person transactions" under Chapter 9 of the Catalist Rules.
- 4.2 As at the date of this Announcement, Mr Wong has a direct interest in 3,393,264 MeGroup Shares, representing a 2.9% interest in the Company.

5. DETAILS OF THE INTERESTED PERSON TRANSACTION

The aggregate value of all interested person transactions entered into with Mr Wong and his associates for the current financial year ending 31 March 2020 ("**FY2020**"), excluding the amounts payable to Mr Wong under the SPA, is RM151,063, representing approximately 0.4% of the latest audited net tangible assets of the Group as at 31 March 2019 (the "**Latest NTA**"). Aggregating this with the maximum sum payable to Mr Wong under the SPA, the aggregate value of all IPTs entered into with Mr Wong and his associates for FY2020 as at the date of this announcement would be RM901,063, representing approximately 2.2% of the Latest NTA.

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 IN RELATION TO THE PROPOSED ACQUISITION

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2019 ("**FY2019**"), the relative figures for the Proposed Acquisition computed on the bases set out in Rules 1006 (a) to (e) of the Catalist Rules are as follows:-

Rule 1006	Bases of calculation	Relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. Not applicable to an acquisition of assets	Not applicable ⁽¹⁾

(b)	The net profit attributable to the assets acquired, compared with the Group's net profits	18.87 ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	5.80 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	0.86 ⁽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	Not applicable ⁽⁵⁾

Notes:

- (1) This basis is not applicable to an acquisition of assets.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" is defined as profits before income tax, minority interest and extraordinary items. The net profits attributable to the Sale Shares is RM733,746 and the Group's net profits for FY2019 is RM3,887,970.
- (3) The market capitalisation of the Company of approximately S\$21.3 million is based on a total number of 118,500,000 MeGroup Shares in issue (excluding treasury shares and subsidiary holdings) at the weighted average price of S\$0.18 per MeGroup Share transacted on 24 September 2019, being the latest available full market day in which MeGroup Shares were traded prior to the date of the SPA, assuming that the maximum amount of RM3.75 million is paid to the Vendors under the SPA and based on the Bank Negara Malaysia exchange rate of S\$1:RM3.0298 as of 5 p.m. on 3 October 2019.
- (4) Based on the SPA Exchange Rate (S\$1:RM3.0239), the Company will issue an aggregate of 1,023,315 MeGroup Shares to Mr Tan.
- (5) This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company. The Company is not a mineral, oil and gas company.

As indicated above, as the relative figures calculated in accordance with Rules 1006(b) and 1006(c) of the Catalist Rules exceed 5% but does not exceed 75%, the Proposed Acquisition constitutes a discloseable transaction as defined in Chapter 10 of the Catalist Rules.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Acquisition.

The financial effects of the Proposed Acquisition are based on the Target Company's and the Group's audited financial statements for FY2019 and is based on the maximum aggregate payable to the Vendors under the SPA (i.e. RM3.75 million).

Based on the audited accounts of the Target Company for FY2019, the aggregate net book value of the Sale Shares is RM1,334,764 and the net profit attributable to the Sale Shares is RM733,746.

7.1 Net tangible asset ("NTA") per share

Assuming that the Proposed Acquisition had been completed on 31 March 2019, the NTA per share of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RM '000)	41,468	38,955
Number of issued shares ('000)	118,500	119,523
NTA per share (sen)	34.99	32.59

7.2 Earnings per share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 April 2018, the EPS of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders (RM '000)	1,393	2,127
Weighted average number of shares ('000)	118,500	119,523
EPS (sen)	1.18	1.78

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of the Directors of the Company, save as disclosed in this announcement, none of the Directors or controlling shareholders has any interest, directly or indirectly, in the Term Sheets or the Proposed Acquisition, save for their interest arising by way of their shareholdings and/or directorships (as the case may be).

9. AUDIT COMMITTEE'S STATEMENT

Having considered the Proposed Acquisition, as well as the rationale for the Proposed Acquisition, the Audit Committee of the Company is of the view that the Proposed Acquisition is on normal commercial terms and negotiated on an arm's length basis and is not prejudicial to the interests of the Company and its minority shareholders.

10. SPA AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection during normal business hours at the Company's registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, for a period of three (3) months following the date of this announcement.

11. SERVICE CONTRACTS

No new directors are proposed to be appointed to the Board in connection with the Proposed Acquisition. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Acquisition.

12. RESPONSIBILITY STATEMENT

The Directors 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 Acquisition, the Company and its subsidiaries, and the Directors are 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 Directors 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.

13. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the Proposed Acquisition is subject to the relevant conditions precedents being fulfilled and there is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms of the Proposed Acquisition. Shareholders and potential investors

are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants, and/or other professional advisers if they are in doubt about the actions that they should take.

14. FURTHER ANNOUNCEMENTS

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

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer

4 October 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**") in accordance with Rule 226(2)(b) 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 correctness of any of the information, 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.