

Media Release

MeGroup to increase stake in its subsidiary operating the Honda Dealerships

- **By acquiring an additional 25% stake, MeGroup will raise its stake in subsidiary MJN Motors Sdn. Bhd. to 80%. MJN Motors Sdn. Bhd. owns and operates the Group's Honda dealerships**

Singapore, 3 April 2019 – SGX-Catalist listed MeGroup Ltd. (“MeGroup” or the “Company”, and together with its subsidiaries, the “Group”) would like to announce that through Menang Nusantara Holdings Sdn. Bhd. (the “Purchaser”), it has entered into binding term sheets (the “Term Sheets”) to acquire an additional 250,000 ordinary shares (the “Sale Shares”) in MJN Motors Sdn. Bhd. (the “Target Company”) from Mr Wong Sai Hou (“Mr Wong”) and Mr Tan Kian Boon (“Mr Tan”) (collectively, the “Vendors”) (the “Proposed Acquisition”). The completion of the Acquisition shall take place no later than 30 September 2019 (the “Completion Date”).

Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd. commented: “By increasing our stake in MJN Motors, we can consolidate our interest and potentially improve future earnings. Last year, Honda was Malaysia’s top non-Malaysian car marque and we want to capitalise on the strong demand trend for Honda cars in Malaysia. We also expect to see an increase in business from the Honda 4S Dealership in Cheras, which will be offering 4S (body and paint) services upon the completion of the upgrade works to its current facilities, as well as the new Honda 3S Dealership in Kuala Selangor, which has been operating at its interim location for less than half a year.”

The Target Company owns and operates the Group's Honda dealerships and the Sale Shares comprise 25% of the issued and paid up share capital of the Target Company. After the completion of the Proposed Acquisition, it is intended that both Mr Tan and Mr Wong will continue to serve as directors of the Target Company. The terms, conditions and additional information for the Proposed Acquisition are not limited to those in the Term Sheets, and are subject to the Parties' entry into comprehensive agreements (the “Definitive Agreements”).

MeGroup is currently the legal and beneficiary owner of 55% of the issued and paid up share capital of the Target Company, and upon completion of the Proposed Acquisition, MeGroup will increase its equity stake in the Target Company to 80%.

Mr Wong is the legal and beneficial owner of 50,000 ordinary shares of the Target Company and is the Head of Group Expansion & Strategy and Dealerships at MeGroup Ltd. and the son of the Group's Executive Chairman and CEO, Mr Wong Cheong Chee, and the brother of Executive Director Ms Wong Keat Yee. Mr Tan is the legal and beneficial owner of 200,000 ordinary shares of the Target Company and is not related to any of the Company's Directors, Executive Officers, Substantial Shareholders or their associates.

Rationale for Acquisition

With the Proposed Acquisition, the Group intends to consolidate its interest in the Target Company with its ownership of 80% of its issued and paid-up share capital, and potentially improve the future earnings of the Group. It was reported that for the year 2018, the Honda brand was the top selling non-national marque in Malaysia (with 102,282 units sold) and was ranked number two in the overall standings, behind Perodua. The consolidation of the Group's interest in the Target Company would also enable it to participate in any potential upside in the event that Honda continues to sell well in Malaysia in 2019 and in the future, as well as any potential upside from the 4S (body and paint) services, which will be offered by the Honda 4S dealership in Cheras upon the completion of the upgrade of its existing facilities

Purchase Consideration

The actual aggregate purchase consideration payable by MeGroup to the Vendors is contingent on the financial performance of the Target Company for the financial years ended 31 March 2019 and 31 March 2020. The Aggregate Considerations payable to Mr Tan and Mr Wong comprise a First Tranche Consideration of a sum equivalent to 20% and 5% of (2 times of NPAT2019¹) respectively, and a Second Tranche Consideration of a sum equivalent to 20% and 5% of (2 times of NPAT2020²) respectively.

¹ The audited net profits after tax as set out in the financial statements of the Target Company for the financial year ended 31 March 2019 ("FY2019"), excluding one-off, non-recurring items.

² The audited net profits after tax as set out in the financial statements of the Target Company for the financial year ended 31 March 2020 ("FY2020"), excluding one-off, non-recurring items.

On Completion Date, the First Tranche Consideration due to Mr Tan will be satisfied either through an issue and allotment of new MeGroup Shares (the "Consideration Shares") at a price equivalent to S\$0.205 per Consideration Share (the "Subscription Price") or by a payment in cash, at the Purchaser's discretion. Within 30 days after the release of the auditor's report in connection with the FY2020 Accounts, the Second Tranche Consideration will be satisfied by a payment in cash to Mr Tan. The First Tranche Consideration payable to Mr Tan is subject to a maximum cap of RM800,000 and the Aggregate Consideration payable is subject to a maximum cap of RM3,000,000.

The Subscription Price represents an 11.3% premium to the weighted average price of S\$0.1842 per MeGroup Share transacted on 4 March 2019, being the latest available full market day in which MeGroup Shares were traded prior to the date of the Term Sheets.

On Completion Date, the First Tranche Consideration due to Mr Wong will be satisfied by cash, and within 30 days after the date of the auditors' report in connection with the FY2020 Accounts, the Second Tranche Consideration due shall also be satisfied by a payment in cash. The First Tranche Consideration payable to Mr Wong is subject to a maximum cap of RM200,000 and the Aggregate Consideration payable to Mr Wong shall not exceed RM750,000.

The completion of the Proposed Acquisition is subject to the Parties entering into the Definitive Agreements and the relevant conditions precedents being fulfilled, as well as the necessary regulatory approval under the Catalist Rules. The Company will make further announcements where necessary upon the signing of the Definitive Agreements, or as and when there any material developments in relation to the Proposed Acquisition.

End.

Note: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

About MeGroup (<https://me-grp.com/>)

MeGroup Ltd. is a company involved in the manufacturing of noise, vibration and harshness (“NVH”) components and non-NVH components primarily for the automotive industry in Malaysia. It also owns and operates several 3S and 4S automobile dealerships for the sale of new automobiles under the Honda, Mazda and Peugeot brands in various parts of Malaysia.

MeGroup has developed long-standing partnerships with its manufacturing customers and is an Approved Supplier to the Malaysian manufacturers of the Perodua, Honda, Mazda and Proton brand of automobiles and heating, ventilation and air-conditioning (“HVAC”) manufacturer Johnson Controls Hitachi. The Group also maintains an established relationship with its dealership principals.

Issued on behalf of the Company by Cogent Communications Pte Ltd.
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This press release has been prepared by the Company and its contents have been reviewed by the Sponsor, CIMB Bank Berhad (“Sponsor”) for compliance with the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This press release has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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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