



MEGROUP LTD.

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

**PROPOSED ACQUISITION OF STAKE IN SUBSIDIARY
ENTRY INTO BINDING TERM SHEET 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**") wishes to announce that the Group, through Menang Nusantara Holdings Sdn. Bhd. (the "**Purchaser**"), had on 2 April 2019 entered into binding term sheets (the "**Term Sheets**") with each of (i) Mr Wong Sai Hou ("**Mr Wong**"); and (ii) Mr Tan Kian Boon ("**Mr Tan**") (collectively, the "**Vendors**", each a "**Vendor**" and the Vendors and the Company collectively, the "**Parties**").
- 1.2 The Term Sheets are in respect of the proposed acquisition by the Group of an aggregate of 250,000 ordinary shares (the "**Sale Shares**") in MJN Motors Sdn. Bhd. (the "**Target Company**") from the Vendors, comprising 25% of the issued and paid up share capital of the Target Company (the "**Proposed Acquisition**").
- 1.3 Upon 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.
- 1.4 The terms, conditions and additional information for the Proposed Acquisition are not limited to those set forth in the Term Sheets and are subject to the Parties' entry into comprehensive agreements (the "**Definitive Agreements**").

2. INFORMATION ON THE VENDORS AND TARGET COMPANY

2.1 Mr Wong as an interested person

Mr Wong is the legal and beneficial owner of 50,000 ordinary shares of the Target Company.

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, Mr Wong is an interested person, for the purposes of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), and the entry into the Term Sheets by Mr Wong and the Group constitutes an interested person transaction.

As at the date of this Announcement, Mr Wong has a direct interest in 3,393,264 shares in the share capital of the Company (each a "**MeGroup Share**"), representing a 2.9% interest in the Company.

2.2 **Mr Tan**

Mr Tan is the legal and beneficial owner of 200,000 ordinary shares of the Target Company. Mr Tan is not related to any of our Directors, Executive Officers, Substantial Shareholders or their associates.

2.3 **Target Company**

The Target Company is a company that was incorporated in Malaysia on 7 July 2017, and is a private limited company, with an issued and paid up capital of RM 1,000,000 comprising 1,000,000 ordinary shares.

Menang Nusantara Holdings Sdn. Bhd. ("**MNHSB**") currently holds 55% of the issued and paid-up share capital of the Target Company. MNHSB is a wholly-owned subsidiary of MeAG Pte. Ltd., which is in turn a wholly-owned subsidiary of the Company. The Target Company owns and operates the Group's Honda dealerships directly and through its wholly-owned subsidiary, MJN Auto Sdn. Bhd. 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.

As at the date of this announcement, the aggregate net book value of the Sale Shares is RM454,008.00 and the net profits attributable to the Sale Shares is RM231,458.50 (based on the unaudited accounts of the Target Company for the six months ended 30 September 2018).

3. **RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

As at the date of this announcement, the Group is the legal and beneficial owner of 55% of the issued and paid up share capital of the Target Company and intends, through the Proposed Acquisition, to consolidate its interest in the Target Company, thereby potentially improving the future earnings of the Group. 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.

In addition, it has been reported that the Honda brand was, for the calendar year 2018, 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 enable the Group to participate in any potential upside from (i) new automobiles sold at the Group's Honda dealerships, in the event this trend continues for the calendar year 2019 and in the future; and (ii) automobile body paintwork and collision repair services to be offered by the Group's Honda dealership in Cheras, Kuala Lumpur upon completion of upgrading works.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

Under the Term Sheets, the Parties have agreed to certain principal terms relating to the Proposed Acquisition, including, the following principal terms.

4.1 Consideration

The actual aggregate purchase consideration payable by the Company to each of the Vendors for the Sale Shares (the "**Aggregate Consideration**") is based on the actual audited net profits after tax of the Target Company calculated in accordance with the formulas set out below:-

4.1.1 *Aggregate Consideration payable to Mr Tan*

Aggregate Consideration = First Tranche Consideration + Second Tranche Consideration.

Where:-

"**First Tranche Consideration**" means a sum equivalent to 20% of (2 x NPAT2019).

"**FY2019 Accounts**" means the audited financial statements of the Target Company for the financial year ended 31 March 2019.

"**FY2020 Accounts**" means the audited financial statements of the Target Company for the financial year ended 31 March 2020.

"**NPAT2019**" means the Target Company's audited net profits after tax as set out in the FY2019 Accounts, excluding one-off, non-recurring items.

"**NPAT2020**" means the Target Company's audited net profits after tax as set out in the FY2020 Accounts, excluding one-off, non-recurring items.

"**Second Tranche Consideration**" means a sum equivalent to 20% of (2 x NPAT2020).

The First Tranche Consideration payable to Mr Tan shall be subject to a maximum cap of RM800,000 and the Aggregate Consideration payable to Mr Tan shall be subject to a maximum cap of RM3,000,000.

The Aggregate Consideration payable to Mr Tan is as follows:-

- (i) on Completion Date (as defined below), the First Tranche Consideration due to Mr Tan shall be satisfied either (a) 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 (b) by a payment in cash to Mr Tan of a sum equivalent to Mr

Tan's First Tranche Consideration, at the Purchaser's discretion, subject always to the First Tranche Consideration payable to Mr Tan not exceeding RM800,000; and

- (ii) within 30 days after the date of the auditors' report in connection with the FY2020 Accounts, the Second Tranche Consideration due to Mr Tan shall be satisfied by a payment in cash to Mr Tan of a sum equivalent to Mr Tan's Second Tranche Consideration, subject always to the Aggregate Consideration payable to Mr Tan not exceeding 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.

4.1.2 ***Aggregate Consideration payable to Mr Wong***

Aggregate Consideration = First Tranche Consideration + Second Tranche Consideration.

Where:-

"First Tranche Consideration" means a sum equivalent to 5% of (2 x NPAT2019).

"FY2019 Accounts" means the audited financial statements of the Target Company for the financial year ended 31 March 2019.

"FY2020 Accounts" means the audited financial statements of the Target Company for the financial year ended 31 March 2020.

"NPAT2019" means the Target Company's audited net profits after tax as set out in the FY2019 Accounts, excluding one-off, non-recurring items.

"NPAT2020" means the Target Company's audited net profits after tax as set out in the FY2020 Accounts, excluding one-off, non-recurring items.

"Second Tranche Consideration" means a sum equivalent to 5% of (2 x NPAT2020).

The First Tranche Consideration payable to Mr Wong shall be subject to a maximum cap of RM200,000 and the Aggregate Consideration payable to Mr Wong shall be subject to a maximum cap of RM750,000 and is payable as follows:-

- (i) on Completion Date (as defined below), the First Tranche Consideration due to Mr Wong shall be satisfied by a payment in cash to Mr Wong of a sum equivalent to Mr Wong's First Tranche Consideration; and

- (ii) within 30 days after the date of the auditors' report in connection with the FY2020 Accounts, the Second Tranche Consideration due to Mr Wong shall be satisfied by a payment in cash to Mr Wong of a sum equivalent to Mr Wong's Second Tranche Consideration, subject always to the Aggregate Consideration payable to Mr Wong not exceeding RM750,000.

4.2 **Conditions Precedent for the Proposed Acquisition**

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 Consideration Shares (as defined below) on the Singapore Exchange Securities Trading Limited (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 warranties under the Definitive Agreements remaining true in all material respects and not misleading in any material respect as at the date of the Term Sheets, the Definitive Agreements and at completion.

4.3 **Completion**

Completion shall take place no later than 30 September 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.

4.4 **Consideration Shares and the General Mandate**

The Company's Sponsor, CIMB Bank Berhad (Singapore Branch) (the "**Sponsor**"), will be making an application on behalf of the Company to the SGX-ST for the admission of and the listing and quotation of the Consideration Shares to Catalist of the SGX-ST ("**Catalist**"). The Proposed Acquisition would result in the allotment and issue of a maximum of 1,295,931 Consideration Shares of the Company, representing approximately 1.08% of the enlarged issued and paid-up share capital of the Company (assuming an exchange rate of S\$1:RM3.0113 as at 1 April 2019). 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 extraordinary general meeting of the Company held on 26 September 2018, prior to the Company's admission to Catalist on 31 October 2018 (the "**Listing**"). The General Mandate authorises the Directors to allot and issue 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 Listing 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 1,295,931 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 119,795,931 ("**Enlarged Share Capital**"). The maximum number of 1,295,931 Consideration Shares to be issued represents 1.09% and 1.08% of the Existing Share Capital and the Enlarged Share Capital of the Company after the completion of the Proposed Acquisition, respectively.

5. INTERESTED PERSON TRANSACTIONS

- 5.1 The aggregate value of all interested person transactions entered into with Mr Wong and his associates for the financial year ended 31 March 2019 ("**FY2019**"), excluding the amounts payable to Mr Wong under the Term Sheet, is RM312,630, representing approximately 0.83% of the latest audited net tangible assets of the Group as at 31 March 2018 (the "**Latest NTA**"). Aggregating this with the maximum sum payable to Mr Wong under his Term Sheet, the aggregate value of all interested person transactions entered into with Mr Wong and his associates for FY2019 would be RM1,062,630, representing approximately 2.82% of the Latest NTA. As such, the Company is required to comply with Rule 905 of the Catalist Rules.
- 5.2 The Audit Committee is of the view that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

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

Based on the latest unaudited consolidated financial statements of the Group for the six months ended 30 September 2018 ("1H2019"), 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	5.90 ⁽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	5.71 ⁽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	1.09 ⁽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 Group's unaudited net profit for 1H2019 was RM3,925,178 and the unaudited net profit attributable to the Sale Shares for 1H2019 was RM231,458.50.
- (3) The market capitalisation of the Company of approximately S\$21.83 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\$0.1842 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, assuming that the maximum amount of RM3.75 million is paid to the Vendors under the Term Sheets and based on the exchange rate of S\$1:RM3.0113 as at 1 April 2019.

- (4) On the assumption that (i) Mr Tan's First Tranche Consideration amounts to RM800,000; and (ii) the Company elects to pay Mr Tan's First Tranche Consideration entirely through an issue and allotment of Consideration Shares at the Subscription Price, and based on the exchange rate of S\$1:RM3.0113 as at 1 April 2019, the Company will issue an aggregate of 1,295,931 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 the financial year ended 31 March 2018 ("FY2018") and is based on the maximum aggregate payable to the Vendors under the Term Sheets (i.e. RM3.75 million).

Based on the audited accounts of the Target Company for FY2018, the aggregate net book value of the Sale Shares is RM923,475.00 and the net loss attributable to the Sale Shares is RM27,445.25.

7.1 Net tangible asset ("NTA") per share

Assuming that the Proposed Acquisition had been completed on 31 March 2018 and 1,295,931 Consideration Shares were issued to Mr Tan to fulfil the First Tranche Consideration due to him, the NTA per share of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RM '000)	35,564	32,639
Number of issued shares ('000)	118,500	119,796
NTA per share (sen)	30.01	27.25

Assuming that the Proposed Acquisition had been completed on 31 March 2018 and Mr Tan's First Tranche Consideration was satisfied entirely in cash, the NTA per share of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RM '000)	35,564	31,839
Number of issued shares ('000)	118,500	118,500
NTA per share (sen)	30.01	26.87

7.2 Earnings per share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 April 2017 and 1,295,931 Consideration Shares were issued to Mr Tan to fulfil the First Tranche Consideration due to him, the EPS of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders (RM '000)	8,944	8,917
Weighted average number of shares ('000)	118,500	119,448
EPS (sen)	7.55	7.47

Assuming that the Proposed Acquisition had been completed on 1 April 2017 and Mr Tan's First Tranche Consideration was satisfied entirely by cash, the EPS of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders (RM '000)	8,944	8,917
Weighted average number of shares ('000)	118,500	118,500
EPS (sen)	7.55	7.52

The above financial effects of the Proposed Acquisition have been calculated based on the Target Company's audited financial statements for FY2018, which the Target Company recorded a net loss. Based on the unaudited accounts of the Target Company for the six months ended 30 September 2018, the net profits attributable to the Sale Shares is RM231,458.50 and the aggregate net book value of the Sale Shares is RM454,008.00.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of the Directors, save for their respective shareholding interests in the Group and as disclosed in this announcement, none of the Directors or controlling shareholders has any interest, direct or indirect, in the Term Sheets or the Proposed Acquisition.

9. TERM SHEETS AVAILABLE FOR INSPECTION

A copy of the Term Sheets 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.

10. 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.

11. 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.

12. CAUTIONARY STATEMENT

The Company wishes to highlight that completion of the Proposed Acquisition is subject to the Parties entering into the Definitive Agreements and the relevant conditions precedents being fulfilled and there is no certainty or assurance that the Parties will enter into the Definitive Agreements or 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.

13. FURTHER ANNOUNCEMENTS

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.

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer

3 April 2019

This announcement has been prepared by the Company and its contents have been reviewed by 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.

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