



## MeGroup Ltd.

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

### Invitation in respect of 16,500,000 Invitation Shares comprising:

- (a) 1,500,000 Offer Shares (as defined herein) at S\$0.23 each by way of public offer; and
- (b) 15,000,000 Placement Shares (as defined herein) at S\$0.23 each by way of placement, payable in full on application.

### Offer Document Dated 22 October 2018

(Registered by the Singapore Exchange Securities Trading Limited (the "SGX-ST"), acting as agent on behalf of the Monetary Authority of Singapore (the "Authority"), on 22 October 2018)

**This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser(s).**

CIMB Bank Berhad, Singapore Branch (the "Sponsor and Issue Manager") has made an application to the SGX-ST for permission to deal in, and for quotation of all the ordinary shares (the "Shares") in the capital of our Company already issued, the new ordinary Shares (the "Invitation Shares") which are the subject of this Invitation (as defined herein) the new Shares which may be issued pursuant to the awards (the "Awards") to be granted under the MeGroup Performance Share Plan (the "Award Shares") and the new Shares which may be issued on the exercise of the share options (the "Options") to be granted pursuant to the MeGroup Share Option Scheme (the "Option Shares") on Catalist (as defined herein). The dealing in and quotation of the Shares, the Invitation Shares, the Award Shares and the Option Shares will be in Singapore Dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the Shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

**This Invitation is made in or accompanied by this Offer Document that has been registered by the SGX-ST, acting as agent on behalf of the Authority. We have not lodged or registered this Offer Document in any other jurisdiction.**

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor and Issue Manager confirming that our Company is suitable to be listed and complies with the Catalist Rules (as defined herein). Neither the Authority nor the SGX-ST has in any way considered the merits of our Shares and the Invitation Shares being offered for investment.

The registration of this Offer Document by the SGX-ST does not imply that the SFA, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with. Acceptance of applications will be conditional upon, *inter alia*, the issue of the Invitation Shares and the listing and quotation of all our existing issued Shares and the Invitation Shares. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, and you will not have any claims against us and the Sponsor and Issue Manager and the Underwriter and Placement Agent.

*Investing in our Shares involves risks which are described in the section entitled "Risk Factors" of this Offer Document.*

**After the expiration of six months from the date of registration of this Offer Document, no person shall make an offer of our Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.**

Sponsor and Issue Manager



**CIMB Bank Berhad** (13491-P)  
Singapore Branch  
(Incorporated In Malaysia)

Underwriter and Placement Agent



**CGS-CIMB Securities (Singapore) Pte. Ltd.**  
(Company Registration No.: 198701621D)  
(Incorporated in the Republic of Singapore)

# OVERVIEW

MeGroup Ltd. manufactures noise, vibration and harshness (“NVH”) components and other 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 in various parts of Malaysia.

# BUSINESS SEGMENTS

MeGroup Ltd.’s business comprises two segments:–

## Manufacturing

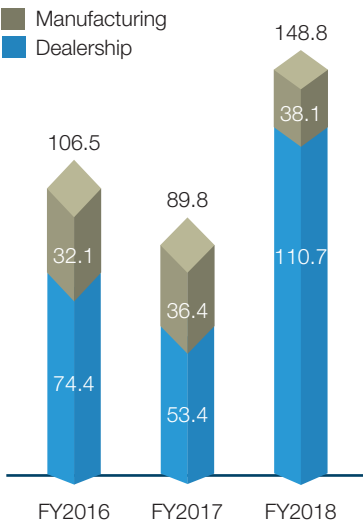
- Operates two plants in the Balakong area in Klang Valley of central Selangor, Malaysia, comprising the Main Manufacturing Plant and the Thermobonded Felt Plant, and an Assembly Line in Pulau Pinang
- Manufactures NVH and non-NVH components, such as headliners, engine outers, parcel trays and board assembly decks that are incorporated into various parts of an automobile
- Manufactures a variety of Thermobonded Felts which are used to manufacture our NVH and non-NVH components
- Qualified as an Approved Supplier of the Malaysian manufacturers of the Honda, Perodua, Mazda and Proton brands of automobiles
- Qualified as an Approved Supplier to supply NVH components to Johnson Controls Hitachi for their HVAC products

## Dealership

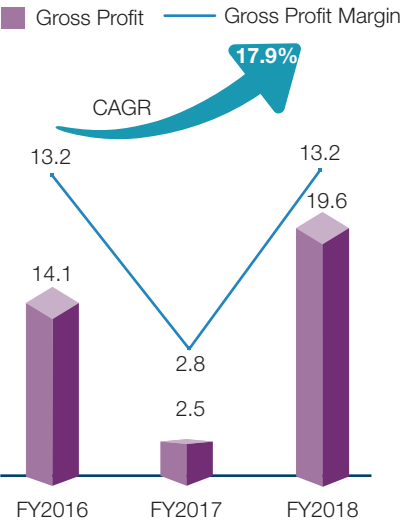
- Authorised automobile dealership operator for the Honda, Mazda, and Peugeot brands
- Owns and operates 3S and 4S dealerships
  - o 3S dealership: an automobile dealership offering the sale of new automobiles, automobile parts and accessories, and the provision of after-sales services
  - o 4S dealership: an automobile dealership offering the services of a 3S dealership with the addition of automobile body paintwork and collision repair services



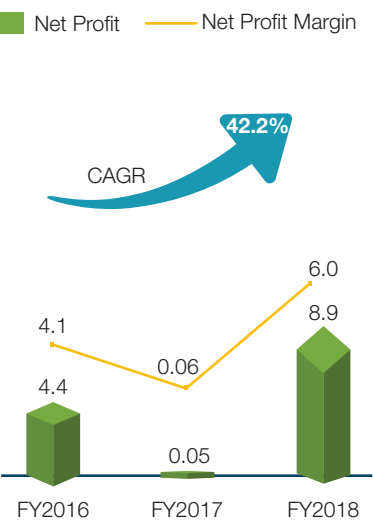
REVENUE (RM’ MIL)



GROSS PROFIT (RM’ MIL) AND GROSS PROFIT MARGIN (%)



NET PROFIT (RM’ MIL) AND NET PROFIT MARGIN (%)



\* For the Financial Years Ended 31 March 2016, 2017 and 2018





## COMPETITIVE STRENGTHS

### Developed long-standing partnerships with our manufacturing customers

- Reputed as a reliable manufacturer and supplier of quality NVH components and non-NVH components to the automotive industry in Malaysia
- Established track record with long-standing relationships with leading Malaysian automobile manufacturers and assemblers which manufacture and assemble automobile brands such as Perodua, Honda, Mazda and Proton, amongst others

### A diversified and balanced portfolio of business within the Malaysian automotive industry

- Business spans across the Malaysian automotive industry value chain and includes manufacturing and assembling, as well as sales and after-sales services
- This provides diversification of revenue streams and sustainable growth prospects

### Maintain established relationships with our Principals

- Our Principals, who are leading Malaysian automobile distributors, are selective in entering into dealership agreements, especially for 4S dealerships
- Reputation as an established dealership operator with proven track record provides a competitive advantage in obtaining new dealership agreements from Principals as well as obtaining new dealership agreements from other Malaysian automobile distributors for other brands of automobiles

### An experienced and committed management team with proven track record

- Executive Chairman and CEO, Mr Wong Cheong Chee, and Executive Director, Ms Wong Keat Yee, collectively have more than 50 years of experience in the Malaysian automotive industry
- Board is assisted by senior management, the majority of whom have more than 15 years of experience in the automotive industry

## STRATEGIES AND FUTURE PLANS

### Upgrade machinery and equipment and acquire new technology to expand upstream activities

- Invest in new technologies to increase manufacturing capability and cost efficiency
- Upgrade machinery and equipment to increase productivity
- Acquire new technologies to manufacture other types of raw materials required in NVH components and non-NVH components

### Diversification into other NVH components and non-NVH components businesses

- Diversify into other NVH components businesses to achieve greater economies of scale
- Leverage on existing manufacturing capabilities and establish reputation as a reliable supplier
- Approved Supplier to supply NVH components to Johnson Controls Hitachi which will be incorporated into their HVAC products

### Expansion of business through investments, acquisitions, joint ventures, strategic alliances and/or new product offerings

- Expand business in Malaysia, Singapore or overseas, through investments, acquisitions, joint ventures and/or strategic alliances to complement current and future business
- Expand portfolio of NVH components and non-NVH components, leverage on Approved Supplier status to sell wider variety of components to existing customers
- Enter into new dealership agreements or acquire other dealership businesses





## PROSPECTS



### Steady growth in Malaysia's GDP

- The Malaysian economy grew 5.9% in 2017, supported by faster expansion in both private and public sector spending, and is projected to grow by 5.5% - 6.0% in 2018 according to Bank Negara Malaysia<sup>1</sup>
- Rising affluence and spending power of Malaysian consumers will likely to lead to more discretionary spending and provide greater business potential for a wide range of services



### Launch of New Models of Automobiles

- Manufacturing Business – Actively tendering and positioned to be appointed as supplier of NVH components and non-NVH components for newer models under the Perodua, Mazda, Proton and Honda brands
- Dealership Business – Honda, Mazda and Peugeot have unveiled new models which are likely to attract existing automobile owners and prospective buyers. Sales typically increase when new models are launched as they create consumer interest for their respective brands



### Attractiveness of Malaysia as an automotive production hub

- Malaysia has attracted investments and acquisitions by global automotive players in recent years
- Investments in the Malaysian automotive industry are expected to result in the increase in production of automobiles in Malaysia, which in turn is likely to lead to an increase in demand for automotive components manufactured in Malaysia



### Steady growth in Malaysia's Total Industry Volume

- Projected stable growth in the total industry volume of automobile sales in Malaysia from 2017 to 2022
- Projected compound annual growth rate from 2017 to 2022 for passenger vehicles, commercial vehicles and total vehicles is approximately 2.2%, 2.4% and 2.2% respectively<sup>2</sup>



Sources:

1. Bank Negara Malaysia Annual Report 2017
2. Market Review for 2017 and Outlook for 2018 by the Malaysian Automotive Association

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## CORPORATE INFORMATION

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Board of Directors	:	Mr Wong Cheong Chee (Executive Chairman and CEO) Ms Wong Keat Yee (Executive Director) Mr Chee Teck Kwong Patrick (Lead Independent Director) Mr Benjamin Choo (Independent Director) Mr Edmund Lai Sou Wei (Independent Director)
Joint Company Secretaries	:	Mr Lai Kuan Loong, Victor (Asean CPA, Public Accountant (Singapore)) Mr Cho Form Po (ACIS)
Registered Office	:	50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Principal place of business	:	Lot 1, Jalan 5 Taman Cheras Jaya 43200 Balakong Selangor Darul Ehsan, Malaysia
Share Registrar and Share Transfer Agent	:	<b>Boardroom Corporate &amp; Advisory Services Pte. Ltd.</b> 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Sponsor and Issue Manager	:	<b>CIMB Bank Berhad, Singapore Branch</b> 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623
Underwriter and Placement Agent	:	<b>CGS-CIMB Securities (Singapore) Pte. Ltd.</b> 50 Raffles Place #16-02 Singapore Land Tower Singapore 048623
Solicitors to the Invitation and Legal Advisers to our Company as to Singapore law	:	<b>TSMP Law Corporation</b> 6 Battery Road, Level 41 Singapore 049909
Legal Advisers to our Company as to Malaysia law	:	<b>Naqiz &amp; Partners</b> Suite 9B.01 & 9B.02 Level 9B, Wisma E&C Lorong Dungun Kiri Damansara Heights 50490 Kuala Lumpur, Malaysia

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## CORPORATE INFORMATION

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Independent and Reporting Auditor	:	<b>Nexia TS Public Accounting Corporation</b> 100 Beach Road Shaw Tower, #30-00 Singapore 189702  Director-in-charge: Mr Philip Tan Jing Choon (a practising member of the Institute of Singapore Chartered Accountants)
Principal Bankers	:	<b>Malayan Banking Berhad</b> Menara Maybank 100, Jalan Tun Perak 50050, Kuala Lumpur, Malaysia  <b>AmBank (M) Berhad</b> Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200, Kuala Lumpur, Malaysia  <b>Public Bank Berhad</b> Menara Public Bank 146 Jalan Ampang, Peti Surat 12542 50450, Kuala Lumpur, Malaysia
Receiving Bank	:	<b>CIMB Bank Berhad, Singapore Branch</b> 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623

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## DEFINITIONS

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In this Offer Document and the accompanying Application Forms, and, in relation to Electronic Applications, the instructions appearing on the screens of the ATMs of Participating Banks and the IB websites and mobile banking interfaces of the relevant Participating Banks, unless the context otherwise requires, the following definitions apply throughout where the context so admits:

### Business Segments

- “Dealership Business”* : Our Dealership Business segment, involved in the owning and operation of 3S and 4S automobile dealerships for the sale of new automobiles under the Honda, Mazda and Peugeot brands
- “Manufacturing Business”* : Our Manufacturing Business segment, involved in the design and manufacture of NVH components and other non-NVH components

### Group Companies

- “Company”* : MeGroup Ltd.
- “Group”* : Our Company and its subsidiaries pursuant to the Restructuring Exercise
- “Group Company”* : Any of (i) our Company, (ii) any subsidiary of our Company or (iii) any Associated Company of our Company as at the date of this Offer Document
- “MeAG”* : MeAG Pte. Ltd.
- “MeMG”* : MeMG Pte. Ltd.
- “MNSB”* : Menang Nusantara Sdn. Bhd.
- “MNASB”* : Menang Nusantara Auto Sdn. Bhd.
- “MNHSB”* : Menang Nusantara Holdings Sdn. Bhd.
- “MJNASB”* : MJN Auto Sdn. Bhd.
- “MJNMSB”* : MJN Motors Sdn. Bhd.
- “MNOSB”* : MN Otomobil Sdn. Bhd.

### Other Corporations and Agencies

- “AmBank”* : AmBank (M) Berhad
- “Authority”* : The Monetary Authority of Singapore



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## DEFINITIONS

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<i>“Bermaz”</i>	:	Bermaz Motor Trading Sdn. Bhd.
<i>“Bursa Malaysia”</i>	:	Bursa Malaysia Berhad
<i>“CGS-CIMB Securities” or “Underwriter and Placement Agent”</i>	:	CGS-CIMB Securities (Singapore) Pte. Ltd.
<i>“CIMB” or “Sponsor and Issue Manager”</i>	:	CIMB Bank Berhad, Singapore Branch
<i>“CDP” or “Depository”</i>	:	The Central Depository (Pte) Ltd
<i>“Honda Malaysia”</i>	:	Honda Malaysia Sdn. Bhd.
<i>“Independent and Reporting Auditor”</i>	:	Nexia TS Public Accounting Corporation
<i>“Johnson Controls Hitachi”</i>	:	Johnson Controls Hitachi Air Conditioning Malaysia Sdn. Bhd.
<i>“MayBank”</i>	:	Malayan Banking Berhad
<i>“MayBank Islamic”</i>	:	Malayan Islamic Banking Berhad
<i>“Nasim”</i>	:	Nasim Sdn. Bhd.
<i>“Participating Banks”</i>	:	United Overseas Bank Limited ( <b>“UOB”</b> ), DBS Bank Ltd (including POSB) ( <b>“DBS Bank”</b> ) and Overseas-Chinese Banking Corporation Limited ( <b>“OCBC”</b> )
<i>“Principals”</i>	:	Honda Malaysia, Bermaz and Nasim
<i>“Public Bank”</i>	:	Public Bank Berhad
<i>“SGX-ST” or “Exchange”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar and Share Transfer Office”</i>	:	Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Yatta Group”</i>	:	Yatta Group Sdn. Bhd.

### General

<i>“Application Forms”</i>	:	The printed application forms to be used for the purpose of the Invitation which form part of this Offer Document
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## DEFINITIONS

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<i>“Application List”</i>	:	The list of applications for subscription for the Invitation Shares
<i>“associate”</i>	:	<p>In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:</p> <p>(a) his immediate family (being his spouse, child, adopted child, step-child, sibling and parent);</p> <p>(b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or</p> <p>(c) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more.</p> <p>In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more</p>
<i>“Associated Company”</i>	:	A company in which at least 20.0% but not more than 50.0% of its shares are held by our Company or Group
<i>“ATM”</i>	:	Automated teller machine of a Participating Bank
<i>“Audit Committee”</i>	:	The audit committee of our Company as at the date of this Offer Document, unless the context requires otherwise
<i>“Awards”</i>	:	The contingent awards of Shares granted or which may be granted pursuant to the MeGroup Performance Share Plan
<i>“Award Shares”</i>	:	The Shares which are the subject of the Awards under this Offer Document, unless the context requires otherwise
<i>“Board” or “Board of Directors”</i>	:	The board of Directors of our Company as at the date of this Offer Document, unless the context requires otherwise
<i>“Catalist”</i>	:	The sponsor-supervised listing platform of the SGX-ST
<i>“Catalist Rules”</i>	:	Section B of the Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time

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## DEFINITIONS

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<i>“CEO”</i>	:	The chief executive officer of our Company as at the date of this Offer Document
<i>“Code of Corporate Governance”</i>	:	Code of Corporate Governance issued on 6 August 2018 by the Authority
<i>“Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as amended, supplemented or modified from time to time
<i>“Constitution”</i>	:	The constitution of our Company, as amended or modified from time to time
<i>“Controlling Shareholder”</i>	:	<p>As defined in the Catalist Rules:</p> <p>(a) a person who holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in our Company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or</p> <p>(b) a person who in fact exercises control over our Company</p>
<i>“Director(s)”</i>	:	The director(s) of our Company as at the date of this Offer Document, unless the context requires otherwise
<i>“Electronic Applications”</i>	:	Applications for the Offer Shares made through an ATM or through the IB website or mobile banking interface of one of the relevant Participating Banks in accordance with the terms and conditions of this Offer Document
<i>“Entity at Risk”</i>	:	<p>(a) Our Company;</p> <p>(b) a subsidiary of our Company that is not listed on the SGX-ST or an approved exchange; or</p> <p>(c) an Associated Company of our Company that is not listed on the SGX-ST or an approved exchange, provided that our Group, or our Group and its Interested Person(s), has control over the Associated Company</p>
<i>“Executive Directors”</i>	:	The executive Directors of our Company as at the date of this Offer Document, unless the context requires otherwise
<i>“Executive Officers”</i>	:	The executive officers of our Group as at the date of this Offer Document, unless the context requires otherwise



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## DEFINITIONS

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<i>“FY”</i>	:	Financial year ended or ending 31 March, as the case may be
<i>“GST”</i>	:	Goods and Services Tax
<i>“IB”</i>	:	Internet Banking
<i>“Independent Directors”</i>	:	The non-executive and independent directors of our Company as at the date of this Offer Document
<i>“Interested Person”</i>	:	(a) A Director, CEO or Controlling Shareholder; or  (b) an associate of any such director, CEO or Controlling Shareholder
<i>“Interested Person Transaction”</i>	:	A transaction between an Entity at Risk and an Interested Person
<i>“Invitation”</i>	:	The invitation by the Sponsor and Issue Manager relating to the Invitation Shares on behalf of our Company for subscription at the Invitation Price, subject to and on the terms and conditions of this Offer Document
<i>“Invitation Price”</i>	:	S\$0.23 for each Invitation Share
<i>“Invitation Shares”</i>	:	The 16,500,000 new Shares for which our Company invites applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions set out in this Offer Document
<i>“Latest Practicable Date”</i>	:	14 September 2018, being the latest practicable date before the lodgement of this Offer Document with the SGX-ST, acting as agent on behalf of the Authority
<i>“Listing”</i>	:	The listing of our Company and the quotation of our Shares on Catalist
<i>“Management and Sponsorship Agreement”</i>	:	The management and sponsorship agreement dated 22 October 2018 entered into between our Company and CIMB, pursuant to which CIMB agreed to manage and sponsor the Invitation, details as described in the sections entitled <i>“Plan of Distribution”</i> and <i>“Management and Sponsorship Agreement and Underwriting and Placement Agreement”</i> of this Offer Document
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities

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## DEFINITIONS

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<i>“MeAG Restructuring Agreement”</i>	:	The restructuring agreement entered into between MeAG, the Company, Crimson Cloud Sdn. Bhd., Mr Ong Hock Seng and the MNSB Shareholders on 17 September 2018
<i>“MeMG Restructuring Agreement”</i>	:	The restructuring agreement entered into between MeMG, the Company, Crimson Cloud Sdn. Bhd., Mr Ong Hock Seng and the MNSB Shareholders on 17 September 2018
<i>“MNSB Shareholders”</i>	:	<p>The shareholders of MNSB immediately prior to the Restructuring Exercise, being:</p> <ul style="list-style-type: none"> <li>(a) Mr Wong Cheong Chee</li> <li>(b) Mr Wong Sai Hou</li> <li>(c) Ms Badariyah binti Hussein</li> <li>(d) Mr Ahmad Izzuddin bin Md. Isa</li> <li>(e) Mr Ng Tin Poh @ Ng Say Heng</li> <li>(f) Mr Abdul Razak Bin Montel</li> <li>(g) Mr Lee Khoon Chuan</li> <li>(h) Ms Ng Bee Eng</li> </ul>
<i>“NAV”</i>	:	Net asset value
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Offer Document, unless the context requires otherwise
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The offering by the Company of the Offer Shares to the public in Singapore for subscription at the Invitation Price, subject to and on the terms and conditions set out in this Offer Document
<i>“Offer Document”</i>	:	This Offer Document dated 22 October 2018 issued by our Company in respect of the Invitation
<i>“Offer Shares”</i>	:	The 1,500,000 Invitation Shares which are the subject of the Offer
<i>“Option Shares”</i>	:	The Shares which may be issued upon the exercise of the Options granted pursuant to the MeGroup Share Option Scheme

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## DEFINITIONS

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<i>“Options”</i>	:	The share options which may be granted pursuant to the MeGroup Share Option Scheme
<i>“PER”</i>	:	Price-earnings ratio
<i>“Period Under Review”</i>	:	The period which comprises FY2016, FY2017 and FY2018
<i>“Performance Share Plan”</i>	:	The share plan of our Company known as “MeGroup Performance Share Plan” which was approved on 26 September 2018, particulars of which are set out in the section entitled “ <i>MeGroup Performance Share Plan</i> ” of this Offer Document
<i>“Placement”</i>	:	The placement of the Placement Shares by the Underwriter and Placement Agent on behalf of the Company for subscription at the Invitation Price, subject to and on the terms and conditions set out in this Offer Document
<i>“Placement Shares”</i>	:	The 15,000,000 Invitation Shares which are the subject of the Placement
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Offer Document, unless the context requires otherwise
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken in connection with this Invitation as described in the section entitled “ <i>Restructuring Exercise</i> ” of this Offer Document
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
<i>“Service Agreement”</i>	:	The service agreement dated 26 September 2018 entered into between our Company and our Executive Chairman and CEO, Mr Wong Cheong Chee, as set out in the section entitled “ <i>Management and Corporate Governance – Service Agreement</i> ” of this Offer Document
<i>“Share-Based Incentive Plans”</i>	:	The MeGroup Performance Share Plan and the MeGroup Share Option Scheme, collectively
<i>“SFA”</i>	:	The Securities and Futures Act, (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
<i>“SGXNET”</i>	:	Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies



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## DEFINITIONS

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<i>“SFR”</i>	:	The Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, as amended, supplemented or modified from time to time
<i>“Shareholders”</i>	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
<i>“Shares”</i>	:	Ordinary shares in the capital of our Company
<i>“SIC”</i>	:	Securities Industry Council of Singapore
<i>“Singapore”</i>	:	The Republic of Singapore
<i>“Substantial Shareholders”</i>	:	Persons who have an interest in the Shares, the total votes attached to which is not less than 5.0% of the total votes attached to all the voting shares of our Company
<i>“Take-over Code”</i>	:	The Singapore Code on Take-overs and Mergers
<i>“Underwriting and Placement Agreement”</i>	:	The underwriting and placement agreement dated 22 October 2018 entered into between our Company and CGS-CIMB Securities, pursuant to which CGS-CIMB Securities agreed to be the Underwriters and Placement Agent in relation to the Invitation, details of which are described in the section entitled <i>“Management and Sponsorship Agreement and Underwriting and Placement Agreement”</i>

## Locations

<i>“Bandar Serendah Lot”</i>	:	HS(D) 45028 PT 16038, Bandar Serendah, Daerah Ulu Selangor, Negeri Selangor, Malaysia
<i>“Bersatu Industrial Park”</i>	:	Lot No. 17-14, Jalan Bersatu, Bersatu Industrial Park, Cheras Jaya, Cheras 43200, Selangor Darul Ehsan
<i>“Galla Industrial Park”</i>	:	No. 29, Persiaran Industri Galla 1, Taman Perindustrian Galla, 70200 Seremban, Negeri Sembilan Darul Khusus, Malaysia
<i>“Jalan CJ”</i>	:	No. 76, Jalan CJ 4/15-2, Taman Cheras Jaya, 56100, Selangor Darul Ehsan, Malaysia
<i>“Jalan CJ4”</i>	:	No. 79, Jalan CJ4 15/1A, Taman Cheras Jaya, 43200 Cheras, Selangor

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## DEFINITIONS

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<i>“Jalan CJ4 2”</i>	:	No. 81, Jalan CJ4 15/1A, Taman Cheras Jaya, 43200 Cheras, Selangor
<i>“Jalan CSL”</i>	:	No. 21, Jalan 5, Off Jalan Chan Sow Lin, 57100 Kuala Lumpur, Malaysia
<i>“Jalan RS”</i>	:	Lot 58274, Jalan Rasa Sayang 1, Taman Rasa Sayang, Batu 9, Jalan Cheras, Mukim Cheras, Daerah Hulu Langat, Selangor
<i>“Jalan SB”</i>	:	Lot 4, Jalan Sungai Besi, Kuala Lumpur, Wilayah Persekutuan, Malaysia
<i>“Jalan WS”</i>	:	No. 874, Lot 1942B, Jalan Wan Siew, Sungai Chua, 43000 Kajang, Selangor Darul Ehsan, Malaysia
<i>“Lot 1”</i>	:	Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia
<i>“Lot 14”</i>	:	Lot 14, Jalan 7, Taman Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan, Malaysia
<i>“One Auto Hub”</i>	:	One Auto Hub, P322, Lingkaran Cassia Selatan, Batu Kawan, 14100 Simpang Ampat, Pulau Pinang

### Currencies, Units and Others

<i>“\$” or “S\$” and “cents”</i>	:	Singapore dollars and cents, respectively
<i>“JPY”</i>	:	Japanese yen
<i>“RM” and “Sen”</i>	:	Malaysian ringgit and sen, respectively
<i>“sq ft”</i>	:	Square foot
<i>“sq m”</i>	:	Square metre
<i>“THB”</i>	:	Thai baht
<i>“USD”</i>	:	United States dollar
<i>“%”</i>	:	Per centum

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

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## DEFINITIONS

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Any reference in this Offer Document, the Application Forms and/or the Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or any statutory modification thereof and used in this Offer Document and/or the Application Forms (including the term “subsidiary”) shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or any statutory modification thereof, as the case may be.

Any reference in this Offer Document, the Application Forms and/or the Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time or date in this Offer Document, the Application Forms and/or the Electronic Applications shall be a reference to Singapore time and date unless the context requires otherwise.

Any information on our website or any website directly or indirectly linked to such website does not form part of this Offer Document and should not be relied on.

References in this Offer Document to “the Group”, “we”, “our”, and “us” refer to our Group.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated, all information in this Offer Document is presented on the basis of our Group.

For the purposes of this Offer Document, unless otherwise reflected in the respective sections, certain RM have been translated into Singapore Dollars at the exchange rate of RM3.0218: S\$1.00. No representation is made that the RM amounts referred to herein could be converted into Singapore Dollars at any particular rate or at all.

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## GLOSSARY OF TERMS RELATING TO OUR BUSINESS

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To facilitate a better understanding of the business of our Group, the following glossary provides a description (which should not be treated as being definitive of their meanings) of some of the terms and abbreviations used in this Offer Document relating to our business. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms:

<i>“3S automobile dealership”</i>	:	An automobile dealership offering the following services to customers: (i) 1S services, being the sale and purchase of new automobiles; (ii) 2S services, being the provision of after-sales services; and (iii) 3S services, being the sale of automobile spare parts and accessories
<i>“4S automobile dealership”</i>	:	An automobile dealership offering the following services to customers: (i) 1S services, being the sale and purchase of new automobiles; (ii) 2S services, being the provision of after-sales services; (iii) 3S services, being the sale of automobile spare parts and accessories; and (iv) 4S services, being the provision of automobile body paintwork and repair services
<i>“Approved Supplier”</i>	:	In respect of the customers of our Manufacturing Business, a supplier who has undergone an internal process of evaluation and approval and who has been permitted to participate in closed-tenders
<i>“Assembly Line”</i>	:	Our headliner assembly line currently located at One Auto Hub
<i>“HVAC”</i>	:	Heating, ventilation and air-conditioning
<i>“ISO”</i>	:	International Organisation for Standardisation, a world-wide federation of national standards bodies
<i>“ISO 9002”, “ISO/TS 16949:2009”, “ISO 14001:2004”</i>	:	Constituent parts of the ISO 9000 series which specifies the requirements for a quality management system
<i>“KP Sheet”</i>	:	A type of stampable sheet supplied by Hirotani Co Ltd. and used in the manufacture of certain of our NVH components
<i>“Main Manufacturing Plant”</i>	:	Our main manufacturing plant at Lot 1
<i>“NVH”</i>	:	Generally, noise, vibration and harshness. In respect of automobiles, interior NVH involves noise and vibration experienced by the occupants of the cabin, while exterior NVH is largely concerned with the noise radiated by the automobile



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## GLOSSARY OF TERMS RELATING TO OUR BUSINESS

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<i>“NVH components”</i>	:	The components designed and manufactured by the Group and incorporated into our customer’s products for the purposes of reducing NVH
<i>“non-NVH components”</i>	:	The components designed and manufactured by the Group and incorporated into our customer’s products for aesthetic or other non-NVH related purposes
<i>“Non-Thermoplastic Fibres”</i>	:	Fibres that do not become soft and pliable upon the application of heat
<i>“Thermobonded Felt Plant”</i>	:	Our thermobonded felt plant at Lot 14
<i>“Thermobonded Felts”</i>	:	The felt product that is manufactured through the process of applying heat to a mixture of Thermoplastic Fibres and Non-Thermoplastic Fibres
<i>“Thermoplastic Fibres”</i>	:	Fibres that upon the application of heat, become soft and pliable, without any change to their inherent properties

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “expect”, “believe”, “plan”, “intend”, “predict”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar expressions. However, you should note that these words or phrases are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to our revenue and profitability, cost measures, planned strategy and anticipated expansion plans, expected growth in demand, expected industry trends, anticipated commencement and completion of proposed plans and any other matters discussed in this Offer Document regarding matters that are not historical fact, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others, the following:

- (a) changes in laws and regulations and interpretations thereof, political, social and economic and stock or securities market conditions in Singapore and Malaysia in which we conduct our business or other countries in which we may expect to conduct business;
- (b) changes in competitive conditions and our ability to compete under such conditions;
- (c) changes in customer preferences and needs;
- (d) changes in currency exchange or interest rates;
- (e) changes in the availability and prices of raw materials and intermediate goods which we require to operate our business;
- (f) the risk that we may be unable to realise our anticipated growth strategies and expected internal growth;
- (g) changes in our future capital needs and the availability of financing and capital to fund these needs;
- (h) other factors beyond our control,

and the factors described in the section entitled “*Risk Factors*” of this Offer Document.

Some of these risk factors are discussed in greater detail in this Offer Document, in particular, but not limited to, the discussions under the sections entitled “*Risk Factors*”, “*Management’s Discussion and Analysis of Results of Operations and Financial Position*” and “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document. These forward-looking statements are applicable only as at the date of this Offer Document.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements. None of us, the Sponsor and Issue Manager, the Underwriter and Placement Agent or any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements.

All forward-looking statements by or attributable to us or persons acting on behalf of us and the aforementioned persons contained in this Offer Document are expressly qualified in their entirety by such factors. Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Sponsor and Issue Manager and the Underwriter and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future.

We are, however, subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure.

In particular, pursuant to Section 241 of the SFA, if, after the Offer Document is registered by the SGX-ST, acting as agent on behalf of the Authority, but before the close of the Invitation, we become aware of:

- (a) a false or misleading statement or matter in the Offer Document;
- (b) an omission from the Offer Document of any information that should have been included in it under the requirements of Section 243 of the SFA, the SFR or under the Catalist Rules; or
- (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST, acting as agent on behalf of the Authority, and would have been required under the requirements of Section 243 of the SFA, the SFR or the Catalist Rules to be included in the Offer Document if it had arisen before the Offer Document was lodged,

and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority.

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## SELLING RESTRICTIONS

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This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the legal or regulatory requirements of, or the legal or regulatory authorities of, any jurisdiction, except for the lodgement and registration of this Offer Document in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by us, the Sponsor and Issue Manager and the Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information therein for any purpose whatsoever nor permit or cause the same to occur.

### **MALAYSIA**

This Offer Document does not constitute an offer or an invitation to subscribe for the Invitation Shares to the general public of Malaysia including in the Federal Territory of Labuan; it is being made available to you, at your request for information purposes only. No approval, registration, authorisation or recognition has been applied for or will be obtained from the Securities Commission of Malaysia (“SC”) and no action has been or will be taken under Malaysian law to permit the issue, making available, or offering, of, or any application for, the Invitation Shares in Malaysia, including the Federal Territory of Labuan. Neither this Offer Document nor any other offering material or document in connection with the Invitation have been approved by or registered with the SC pursuant to the relevant securities legislations and regulations. Any offering, invitation to subscribe for and/or issuance of the Invitation Shares and the distribution of the Offer Document in Malaysia has been and/or is intended to be made only in accordance with and in reliance of the relevant exemption(s) under Schedules 5, 6 and 7 of the Capital Markets & Services Act 2007. Subject to the foregoing, this Offer Document is not intended to be circulated or distributed in any manner or mode whatsoever in Malaysia and neither should the Invitation Shares be issued, made available or offered for subscription or purchased in any manner or mode whatsoever in Malaysia.

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## DETAILS OF THE INVITATION

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### LISTING ON CATALIST

An application has been made by the Sponsor and Issue Manager to the SGX-ST for permission to deal in, and for the listing and quotation of, all our existing issued Shares, the Invitation Shares, the Award Shares and the Option Shares on Catalist. Such permission will be granted when our Company has been admitted to Catalist. The dealing in, and listing and quotation of, our existing Shares, the Invitation Shares, the Award Shares and the Option Shares will be in Singapore Dollars.

Acceptance of applications will be conditional upon, amongst others, the issue of the Invitation Shares and upon permission being granted by the SGX-ST to deal in, and for the listing and quotation of, all our existing issued Shares, the Invitation Shares, the Award Shares and the Option Shares. Monies paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom, and at the applicant's own risk, if the completion of the Invitation does not occur because the said permission is not granted or for any reason, or if the admission, listing and trading of all our existing issued Shares, the Invitation Shares, the Award Shares and the Option Shares do not proceed for any reason, the applicant will not have any claim against us, the Sponsor and Issue Manager or the Underwriter and Placement Agent. No Shares will be allotted on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

**Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).**

The Invitation is made in or accompanied by this Offer Document that has been registered by the SGX-ST, acting as agent on behalf of the Authority. We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor and Issue Manager confirming that our Company is suitable to be listed on Catalist and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares being offered for investment.

Admission to Catalist is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing issued Shares, the Invitation Shares, the Award Shares and the Option Shares.

A copy of this Offer Document has been lodged with and registered by the SGX-ST, acting as agent on behalf of the Authority. The registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the SFA, the SFR, the Catalist Rules or any other legal or regulatory requirements, have been complied with. The SGX-ST, acting as agent on behalf of the Authority, has not, in any way, considered the merits of the Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.



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## DETAILS OF THE INVITATION

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Our Company is subject to the provisions of the SFA, the SFR and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after the registration of this Offer Document, but before the close of the Invitation, our Company becomes aware of:

- (a) a false or misleading statement or matter in the Offer Document;
- (b) an omission from the Offer Document of any information that should have been included in it under the requirements of Section 243 of the SFA, the SFR or under the Catalist Rules; or
- (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST, acting on behalf of the Authority, and which would have been required under the requirements of Section 243 of the SFA, the SFR or the Catalist Rules to be included in the Offer Document if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for the Invitation Shares and:

- (a) where the Invitation Shares have not been issued and/or transferred to the applicants, we shall either:
  - (i) (A) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; and (B) take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or have arranged to receive, a copy of the supplementary or replacement offer document;
  - (ii) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or
  - (iii) (A) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and (B) we shall, within seven days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of any application, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk; or

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## DETAILS OF THE INVITATION

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- (b) where the Invitation Shares have been issued and/or sold to the applicants, we shall either:
- (i) (A) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us the Invitation Shares which they do not wish to retain title in; and (B) take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or have arranged to receive, a copy of the supplementary or replacement offer document;
  - (ii) within seven days from the date of lodgement of the supplementary or replacement offer document, give the applicants a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us the Invitation Shares which they do not wish to retain title in; or
  - (iii) (A) treat the issue and/or sale of the Invitation Shares as void, in which case the issue and/or sale of the Invitation Shares shall be deemed void; and (B) we shall within seven days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of any application, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk.

Any applicant who wishes to exercise his option under paragraph (a)(i) or (a)(ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this, whereupon we shall, within seven days from the receipt of such notification, return the application monies without interest or any share of revenue or other benefit arising therefrom, and at his own risk, and he will not have any claim against us, the Sponsor and Issue Manager, or the Underwriter and Placement Agent.

An applicant who wishes to exercise his option under paragraph (b)(i) or (b)(ii) to return the Invitation Shares issued to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares to us, whereupon we shall, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Shares, without interest or any share of revenue or other benefit arising therefrom, and at his own risk, and the issue and/or sale of those Shares shall be deemed to be void, and he will not have any claim against us, the Sponsor and Issue Manager, or the Underwriter and Placement Agent.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances issue a stop order (the “**Stop Order**”) to our Company, directing that no Shares or no further Shares to which this Offer Document relates, be allotted or issued. Such circumstances will include a situation where this Offer Document (i) contains any statement or matter which, in the Authority's opinion, is false or misleading, (ii) omits any information that should have been included in it under the SFA, (iii) does not, in the Authority's opinion, comply with the requirements of the SFA, or (iv) the Authority is of the opinion that it is in the public interest to do so.

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## DETAILS OF THE INVITATION

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In the event that the Authority issues a Stop Order and applications to subscribe for the Invitation Shares have been made prior to the Stop Order, then:

- (a) where the Invitation Shares have not been allotted and issued to the applicants, the applications for the Invitation Shares shall be deemed to have been withdrawn and cancelled and our Company shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) where the Invitation Shares have been allotted and issued to the applicants, the issue of the Invitation Shares shall be deemed to be void and our Company shall, within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for the Invitation Shares.

Such monies paid in respect of an application will be returned to the applicants at their own risk, without interest or a share of revenue or other benefit arising therefrom, and they will not have any claims against our Company, the Sponsor and Issue Manager, or the Underwriter and Placement Agent.

No representation, warranty or covenant, express or implied, is made by us, the Sponsor and Issue Manager, or the Underwriter and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Offer Document is, or shall, to the extent permitted by the SFA, be relied upon as a promise, representation or covenant by us, the Sponsor and Issue Manager, the Underwriter and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

This Offer Document has been seen and approved by our Directors, and they individually and collectively accept full responsibility for the accuracy of the information given in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the facts stated and the opinions, intentions and expectations expressed in this Offer Document are true, fair and accurate and not misleading in all material aspects as at the date of this Offer Document, (ii) there are no material facts the omission of which would make any statement in this Offer Document misleading, and (iii) this Offer Document constitutes a full and true disclosure of all material facts about the Invitation, our Group and our Shares. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

Neither we, the Sponsor and Issue Manager, the Underwriter and Placement Agent or any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

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## DETAILS OF THE INVITATION

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No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Sponsor and Issue Manager or the Underwriter and Placement Agent. Neither the delivery of this Offer Document and/or the Application Forms nor any documents relating to the Invitation, nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change or development reasonably likely to create any change in our affairs, conditions or prospects, or the Invitation Shares or in the statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we may make an announcement of the same to the SGX-ST and the public and, if required, we may lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority, and will comply with the requirements of the SFA and/or any other requirements of the SGX-ST and/or the Authority. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

The Invitation Shares are offered for subscription solely on the basis of the information contained and representations made in this Offer Document.

This Offer Document has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

**This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Offer Document, the Application Forms and envelopes may be obtained on request, subject to availability, during office hours, from:

**CGS-CIMB Securities (Singapore) Pte. Ltd.**  
**CGS-CIMB Investment Centre**  
50 Raffles Place  
#01-01 Singapore Land Tower  
Singapore 048623

An electronic copy of this Offer Document is also available on the SGX-ST's website at <http://www.sgx.com>.

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## DETAILS OF THE INVITATION

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The Application List will open at 9.00 a.m. on 23 October 2018 and will remain open until 12.00 noon on 29 October 2018 or such other period or periods as our Directors may, in consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent, in their absolute discretion decide, subject to any limitations under all applicable laws. In the event a supplementary or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for application to subscribe for the Invitation Shares are described under the section entitled “*Terms, Conditions and Procedures for Application and Acceptance*” as set out in Appendix C to this Offer Document.



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## INDICATIVE TIMETABLE FOR LISTING

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An indicative timetable for this Invitation and the trading of our Shares is set out below for your reference:

Indicative date/time	Event
23 October 2018, at 9.00 a.m.	Commencement of the Offer
29 October 2018, at 12.00 noon	Close of Application List
30 October 2018	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
31 October 2018, at 9.00 a.m.	Commence trading on a “ready” basis
5 November 2018	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List will be on 29 October 2018, the date of admission of our Company to Catalist will be on 31 October 2018, the SGX-ST’s shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up prior to 31 October 2018. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the commencement of trading on a “ready” basis.

**Investors should consult the SGX-ST’s announcement of the “ready” trading date released on the internet (at the SGX-ST’s website at <http://www.sgx.com>), or the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.**

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

- (a) through an SGXNet announcement to be posted on the internet at the SGX-ST’s website at <http://www.sgx.com>; and
- (b) in a local newspaper in Singapore.

We will provide details of the results of this Invitation (including the level of subscription for the Invitation Shares and the basis of allocation of the Invitation Shares pursuant to this Invitation), as soon as it is practicable after the close of the Application List through channels in (a) and (b) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Invitation Shares, without assigning any reason therefor, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the Invitation Shares to a reasonable number of applicants with a view to establish an adequate market for our Shares.

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## PLAN OF DISTRIBUTION

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### The Invitation

The Invitation is for 16,500,000 Invitation Shares comprising 1,500,000 Offer Shares and 15,000,000 Placement Shares for subscription under the Offer and the Placement, respectively, at the Invitation Price.

Prior to the Invitation, there has been no public market for our Shares. The Invitation Price is determined by way of agreement between our Company in consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent after taking into consideration, amongst others, prevailing market conditions and estimated market demand for the Invitation Shares determined through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Investors may apply to subscribe for any number of Invitation Shares in integral multiples of 1,000 Shares. In order to ensure a reasonable spread of Shareholders, we have the absolute discretion to prescribe a limit to the number of Invitation Shares to be allotted to any single applicant and/or to allot Invitation Shares above or under such prescribed limit as we shall deem fit.

Subject to the terms and conditions set forth in the Management and Sponsorship Agreement entered into between us and CIMB as set out in the section entitled “*Management and Sponsorship Agreement and Underwriting and Placement Agreement*” of this Offer Document, our Company has appointed CIMB to manage the Invitation and be the sponsor of the Listing. CIMB will receive a management fee for its services rendered in connection with the Invitation.

Subject to the terms and conditions set forth in the Underwriting and Placement Agreement entered into between us and CGS-CIMB Securities as set out in the section entitled “*Management and Sponsorship Agreement and Underwriting and Placement Agreement*” of this Offer Document, our Company has appointed CGS-CIMB Securities to underwrite the Offer and/or subscribe for the Placement Shares.

### Offer Shares

The Offer Shares are made available to members of the public in Singapore for application at the Invitation Price. Members of the public may apply for the Offer Shares by way of Offer Shares Application Forms or by way of Electronic Applications. The terms, conditions and procedures for application and acceptance are described in Appendix C to this Offer Document entitled “*Terms, Conditions and Procedures for Application and Acceptance*”.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or full or over-subscription for the Placement Shares as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors, after consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent and approved by the SGX-ST, if required.

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## PLAN OF DISTRIBUTION

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### Placement Shares

The Placement Shares are made available to retail and institutional investors who apply through their brokers or financial institutions. Application for the Placement Shares may only be made by way of Placement Shares Application Forms or such other forms of application as the Underwriter and Placement Agent deem appropriate. The terms, conditions and procedures for application and acceptance are described in Appendix C to this Offer Document.

Any Placement Shares not applied for pursuant to the Placement as at the close of the Application List may be allocated to satisfy excess applications for the Offer Shares at the Invitation Price on the terms and subject to the conditions of the Offer Document applicable to the applications by the public for the Offer Shares.

Conversely, any Offer Shares not applied for pursuant to the Invitation as at the close of the Application List shall be allocated to satisfy applications by the Underwriter and Placement Agent and/or persons procured by the Underwriter and Placement Agent, to the extent that there is an over-subscription for Placement Shares at the Invitation Price on the terms and subject to the conditions of the Offer Document applicable to the applications for the Placement Shares.

Pursuant to the Underwriting and Placement Agreement as disclosed in the section entitled “*Management and Sponsorship Agreement and Underwriting and Placement Agreement*” of this Offer Document, we have appointed CGS-CIMB Securities as the Placement Agent and CGS-CIMB Securities has agreed to subscribe for and/or procure subscribers at a placement commission of 3.0% of the aggregate Invitation Price for each Placement Share, payable by our Company. Subject to any applicable laws and regulations, our Company agrees that the Placement Agent may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

The Underwriting and Placement Agreement is conditional upon, amongst others, the Management and Sponsorship Agreement not being terminated or rescinded pursuant to its terms. Subscribers of the Placement Shares may be required to pay brokerage commission of up to 1.0% (and any applicable taxes such as GST) of the Invitation Price to the Underwriter and Placement Agent or any sub-placement agent(s) that may be appointed by the Underwriter and Placement Agent.

In the reasonable opinion of our Directors, the Sponsor and Issue Manager and the Underwriter and Placement Agent do not have a material relationship with our Company, save as disclosed below and in the section entitled “*Management and Sponsorship Agreement and Underwriting and Placement Agreement*” of this Offer Document:

- (a) CIMB is the Sponsor and Issue Manager in relation to the Invitation;
- (b) CGS-CIMB Securities is the Underwriter and Placement Agent in relation to the Invitation;
- (c) CIMB is the Receiving Bank of the Invitation; and
- (d) CIMB will be the continuing Sponsor for our Company for a period of three years from the date our Company is admitted and listed on Catalist.

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## PLAN OF DISTRIBUTION

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CIMB and its associates engage in transactions with and perform services for us and/or our associates in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with our Group and/or our affiliates for which they have received, and may in future, receive customary fees.

### **Subscription for Invitation Shares**

To the best of our knowledge and belief, none of our Directors, Substantial Shareholders or Executive Officers intends to subscribe for the Invitation Shares pursuant to the Invitation. If such person(s) were to make an application for the Invitation Shares and are subsequently allotted and/or allocated such number of Invitation Shares, we will make the necessary announcements at an appropriate time.

To the best of our knowledge and belief, as at the date of this Offer Document, we are not aware of any person who intends to subscribe for more than 5.0% of the Invitation Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate an interest to subscribe for more than 5.0% of the Invitation Shares. If such person(s) were to make an application for more than 5.0% of the Invitation Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406(1) of the Catalist Rules.

No Shares shall be issued and allotted on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.

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## OFFER DOCUMENT SUMMARY

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*The following summary highlights certain information that is expressed in greater detail elsewhere in this Offer Document. As it is a summary, it does not contain all the information that you should consider before investing in our Shares. You should read the entire Offer Document carefully, especially the matters set out in the section entitled “Risk Factors” of this Offer Document and our financial statements and related notes before deciding to invest in our Shares.*

### OUR COMPANY

Our Company was incorporated in Singapore on 7 February 2018 under the Companies Act as a private limited company, under the name of “MeGroup Pte. Ltd”. Pursuant to the Restructuring Exercise, our Company’s wholly-owned subsidiaries, MeMG and MeAG, became the holding companies of our subsidiaries, namely MNSB and MNHSB, respectively. On 26 September 2018, our Company was converted into a public company limited by shares and we changed our name to “MeGroup Ltd.”. Please refer to the section entitled “*Restructuring Exercise*” of this Offer Document for further details.

### BUSINESS OVERVIEW

Our business comprises two segments:

- (a) **Manufacturing** – we manufacture NVH components and other non-NVH components primarily for the automotive industry in Malaysia. Our NVH components include headliners and engine outers and are incorporated into various parts of automobiles, including the ceiling, dashboard, hood and boot. Our non-NVH components include parcel trays and board assembly decks.
- (b) **Dealership** – we own and operate 3S and 4S automobile dealerships for the sale of new automobiles in various parts of Malaysia under the Honda, Mazda and Peugeot brands. Our 3S automobile dealerships offer the following services: (i) 1S services, being the sale of new automobiles; (ii) 2S services, being the provision of after-sales services; and (iii) 3S services, being the sale of automobile parts and accessories. Our 4S automobile dealerships also offer 4S services to its customers, being automobile body paintwork and collision repair services, in addition to the 1S, 2S and 3S services.

Our revenue was derived principally from our Dealership Business, which accounted for approximately 69.9%, 59.5% and 74.4% of our total revenue in FY2016, FY2017 and FY2018 respectively. Revenue from our Manufacturing Business accounted for approximately 30.1%, 40.5% and 25.6% of our total revenue in FY2016, FY2017 and FY2018 respectively.

Further details are set out in the sections entitled “*General Information on our Group – History and Development*” and “*General Information on our Group – Business Overview*” of this Offer Document.

### COMPETITIVE STRENGTHS

We believe our competitive strengths are as follows:

- We have developed long-standing partnerships with our manufacturing customers
- We maintain established relationships with our Principals



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## OFFER DOCUMENT SUMMARY

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- We have a diversified and balanced portfolio of business within the Malaysian automotive industry
- We have an experienced and committed management team with proven track record

Please refer to the section entitled “*General Information on our Group – Competitive Strengths*” of this Offer Document for further details.

### BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

- Upgrading our machinery and equipment and acquiring new technology to expand our upstream activities
- Diversification into other NVH components and non-NVH components businesses
- Expansion of our business through investments, acquisitions, joint ventures, strategic alliances and/or new product offerings

Please refer to the section entitled “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document for further details.

### SUMMARY OF OUR FINANCIAL INFORMATION

*You should read the following summary of our financial information in conjunction with the full text of this Offer Document, including the “Independent and Reporting Auditor’s Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018” as set out in Appendix A to this Offer Document as well as the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document.*

#### Selected items from the Combined Statements of Comprehensive Income

(RM'000)	Audited FY2016	Audited FY2017	Audited FY2018
Revenue	106,503.8	89,812.3	148,752.1
Profit before tax	5,548.0	673.7	11,494.2
Profit for the financial year	4,419.2	49.7	8,908.8
Profit for the financial year attributable to equity holders of the Company	4,419.2	49.7	8,944.4
EPS <sup>(1)</sup> (Sen)	4.33	0.05	8.77
EPS as adjusted for the Invitation <sup>(2)</sup> (Sen)	3.73	0.04	7.55

#### Notes:

- (1) For comparative purposes, EPS for the Period Under Review have been computed based on the profit for the year (as the case may be) attributable to equity holders of the Company and our pre-Invitation share capital of 102,000,000 Shares, which are assumed to be in issue throughout the Period Under Review.
- (2) For comparative purposes, EPS as adjusted for the Invitation for the Period Under Review have been computed based on the profit for the year (as the case may be) attributable to equity holders of the Company and our post-Invitation share capital of 118,500,000 Shares, which are assumed to be in issue throughout the Period Under Review.

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## OFFER DOCUMENT SUMMARY

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### Selected items from the Combined Balance Sheets

<b>(RM'000)</b>	<b>Audited as at 31 March 2018</b>
Non-current assets	36,225.3
Current assets	35,700.6
Non-current liabilities	19,406.3
Current liabilities	20,167.7
Total equity	32,352.0
Equity attributable to equity holders of the Company	30,501.9
NAV per Share (Sen)	29.9 <sup>(1)</sup>

**Note:**

- (1) The NAV per Share as at 31 March 2018 has been computed based on our equity attributable to equity holders of the Company (excluding non-controlling interests) and our pre-Invitation share capital of 102,000,000 Shares.

### WHERE YOU CAN FIND US

Our registered office is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Our telephone and facsimile numbers are +603-9076 5361 and +603-9076 4361 respectively. Our principal place of business is located at Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia. Our Company registration number is 201804996H. Our internet address is <http://www.me-grp.com>.

**Information contained in our website does not constitute part of this Offer Document.**

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## THE INVITATION

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Invitation Size	<p>16,500,000 Invitation Shares by way of the Offer and the Placement.</p> <p>The Invitation Shares will, upon issue and allotment rank <i>pari passu</i> in all respects with our existing issued Shares and will be free from all pre-emption rights, charges, liens and other encumbrances.</p>
Invitation Price	<p>S\$0.23 for each Invitation Share, payable in full on application.</p>
The Offer	<p>The Offer comprises a public offer by our Company to the public in Singapore to subscribe for 1,500,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document.</p>
The Placement	<p>The Placement comprises a placement by our Company of 15,000,000 Placement Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document.</p>
Re-allocation	<p>The Invitation Shares may be re-allocated between the Offer and the Placement at the discretion of the Sponsor and Issue Manager and the Underwriter and Placement Agent (in consultation with our Company), subject to any applicable laws and regulations including the minimum distribution shareholding spread requirements of the SGX-ST.</p> <p>Any Placement Shares not applied for pursuant to the Placement as at the close of the Application List may be allocated to satisfy excess applications for the Offer Shares at the Invitation Price on the terms and subject to the conditions of the Offer Document applicable to the applications by the public for the Offer Shares.</p> <p>Conversely, any Offer Shares not applied for pursuant to the Invitation as at the close of the Application List shall be allocated to satisfy applications by the Underwriter and Placement Agent and/or persons procured by the Underwriter and Placement Agent, to the extent that there is an over-subscription for Placement Shares at the Invitation Price on the terms and subject to the conditions of the Offer Document applicable to the applications for the Placement Shares.</p>
Listing Status	<p>Prior to the Invitation, there has been no public market for our Shares. Our Shares will be quoted in Singapore Dollars on Catalist, subject to the admission of our Company to Catalist and permission to deal in, and for the quotation of, our existing issued Shares, the Invitation Shares, the Award Shares and the Option Shares being granted by the SGX-ST and the Authority not issuing a Stop Order.</p>

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## THE INVITATION

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Risk Factors	Investing in our Shares involves risks which are described in the section entitled “ <i>Risk Factors</i> ” of this Offer Document.
Moratorium	Each of Mr Wong Cheong Chee, Mdm Lee Soh Hong, Mr Wong Sai Hou, Mr Wong Sai Keat, Ms Wong Keat Yee, JCWW Holdings Pte. Ltd., Mr Lee Khoo Chuan, Mr Ng Tin Poh @ Ng Say Heng, Mr Abdul Razak Bin Montel, Crimson Cloud Sdn. Bhd., Ms Ng Bee Eng and Mr Ong Hock Seng has agreed to a lock-up arrangement during the Moratorium Period (as defined herein) in respect of their respective direct and indirect shareholdings in our Company, for the Moratorium Period (as defined herein), subject to certain exceptions. Please refer to the section entitled “ <i>Shareholders – Moratorium</i> ” of this Offer Document for more details.
Use of Proceeds	Please refer to the section entitled “ <i>Use of Proceeds</i> ” of this Offer Document for more details.
Purpose of the Invitation	Our Directors believe that the Listing and the quotation of our Shares on Catalist will enhance our public image both locally and internationally and enable us to tap the capital markets to fund our business growth.

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## INVITATION STATISTICS

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### INVITATION PRICE

23.0 cents  
(approximately  
69.5 Sen)<sup>(1)</sup>

### NAV

NAV per Share based on the audited combined balance sheet of our Group as at 31 March 2018:

- |   |           |
|---|-----------|
| (a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 102,000,000 Shares                     | 29.90 Sen |
| (b) after adjusting for the estimated net proceeds from the issue of the Invitation Shares and based on the post-Invitation share capital of 118,500,000 Shares | 31.82 Sen |

Premium of Invitation Price over the NAV per Share based on the audited combined balance sheet of our Group as at 31 March 2018:

- |   |        |
|---|--------|
| (a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 102,000,000 Shares                     | 132.4% |
| (b) after adjusting for the estimated net proceeds from the issue of the Invitation Shares and based on the post-Invitation share capital of 118,500,000 Shares | 118.4% |

### EPS

Historical EPS based on the audited combined statement of comprehensive income of our Group for FY2018 and the pre-Invitation share capital of 102,000,000 Shares	8.77 Sen <sup>(2)</sup>
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Historical EPS based on the audited combined statement of comprehensive income of our Group for FY2018 and the pre-Invitation share capital of 102,000,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2018	8.77 Sen
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### PER

Ratio of Invitation Price to historical EPS of our Group for FY2018 based on pre-Invitation share capital of 102,000,000 Shares	7.93 times <sup>(2)</sup>
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Ratio of Invitation Price to historical EPS of our Group for FY2018 based on the pre-Invitation share capital of 102,000,000 Shares, assuming the Service Agreement had been in place since the beginning of FY2018	7.92 times
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## INVITATION STATISTICS

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### Net operating cash flow<sup>(3)</sup>

Historical net operating cash flow per Share for FY2018 based on the audited combined statement of cash flow of our Group and the pre-Invitation share capital of 102,000,000 Shares 11.36 Sen<sup>(4)</sup>

Historical net operating cash flow per Share for FY2018 based on the audited combined statement of cash flow of our Group and the pre-Invitation share capital of 102,000,000 Shares, assuming that the Service Agreement had been in place since the beginning of FY2018 11.36 Sen

### Price to net operating cash flow from operations ratio

Ratio of Invitation Price to historical net operating cash flow per Share for FY2018 based on the pre-Invitation share capital of 102,000,000 Shares 6.12 times<sup>(4)</sup>

Ratio of Invitation Price to historical net operating cash flow per Share for FY2018 based on the pre-Invitation share capital of 102,000,000 Shares, assuming that the Service Agreement had been in place since the beginning of FY2018 6.12 times

### Market capitalisation

Market capitalisation based on the Invitation Price and the post-Invitation share capital of 118,500,000 Shares S\$27.3 million

#### Notes:

- (1) The Invitation Price was translated based on the exchange rate of S\$1.00: RM3.0218 as at the Latest Practicable Date.
- (2) Based on the audited combined statement of comprehensive income of our Group for FY2018 and the pre-Invitation share capital of 102,000,000 Shares, and adjusting for (i) the property, plant and equipment written-off of approximately RM1.1 million due to the relocation of the Mazda dealership in FY2018; (ii) the compensation received from the Malaysian government of approximately RM4.8 million due to the relocation of the Mazda dealership in FY2018; (iii) the gain on disposal of the Yatta Group of approximately RM0.4 million in FY2018; and (iv) the losses after tax from discontinued operations of approximately RM0.4 million in FY2018 (collectively the “**Adjustment Events in FY2018**”), the adjusted historical EPS for FY2018 is approximately 5.07 Sen and the adjusted PER for FY2018 is approximately 13.70 times.
- (3) Net operating cash flow is defined as net profit after tax with depreciation and amortisation added back.
- (4) Based on the audited combined statement of comprehensive income of our Group for FY2018 and the pre-Invitation share capital of 102,000,000 Shares, and adjusting for the Adjustment Events in FY2018 the adjusted historical net operating cash flow per Share for FY2018 is approximately 7.66 Sen and the adjusted price to net operating cash flow from operations per Share ratio for FY2018 is approximately 9.07 times.



## EXCHANGE RATES

### Singapore Dollars

Our Group's financial statements are prepared in RM. The table below sets out the highest and lowest exchange rates between RM and S\$ in each of the preceding six months and for the period from 1 September 2018 to the Latest Practicable Date. The table indicates how much RM may be bought with S\$1.00 in each such period.

	RM: S\$1.00	
	Highest <sup>(1)</sup>	Lowest <sup>(1)</sup>
March 2018	2.9887	2.9494
April 2018	2.9719	2.9360
May 2018	2.9756	2.9460
June 2018	2.9902	2.9462
July 2018	2.9853	2.9545
August 2018	3.0082	2.9723
Period from 1 September 2018 to the Latest Practicable Date	3.0218	3.0059

**Note:**

- (1) The above exchange rates have been quoted or calculated with reference to exchange rates quoted from Bloomberg L.P. Bloomberg L.P. has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant reports and is therefore not liable for such information under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information is extracted accurately and fairly from such reports, and has been included in this Offer Document in its proper form and context, neither we nor any party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information. The above exchange rates should not be construed as representations that the RM amounts actually represent such S\$ amounts or could be converted into S\$, at the rates indicated, at any other rate or at all.

The exchange rate between RM and S\$ as at the Latest Practicable Date is S\$1.00 to RM3.0218.

The table below sets out, for each of the financial years and period included, the average and closing exchange rates between RM and S\$. The average exchange rate is calculated by using the average of the exchange rates on the last day of each month during each financial year/period. Where applicable, the exchange rates in this table are used for the translation of our Group's financial statements disclosed elsewhere in this Offer Document.

	RM: S\$1.00	
	Average <sup>(1)</sup>	Closing <sup>(1)</sup>
FY2016	2.9162	2.8967
FY2017	3.0525	3.1676
FY2018	3.0657	2.9494

**Note:**

- (1) The above exchange rates have been quoted or calculated with reference to exchange rates quoted from Bloomberg L.P. Bloomberg L.P. has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant reports and is therefore not liable for such information under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information is extracted accurately and fairly from such reports, and has been included in this Offer Document in its proper form and context, neither we nor any party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information. The above exchange rates should not be construed as representations that the RM amounts actually represent such S\$ amounts or could be converted into S\$, at the rates indicated, at any other rate or at all.

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## RISK FACTORS

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*We are exposed to a number of possible risks that may arise from economic, business, market and financial factors and developments that may have an adverse impact on our future performances.*

*Prospective investors should consider carefully, together with all other information contained in this Offer Document, the risks described below before deciding whether to invest in the Shares. The risks described below are not the only ones that our Group faces. Additional risks not presently known to our Group or that our Group currently deems immaterial may also impair our business operations. The business, financial condition, results of operations and prospects of our Group could be materially and adversely affected by any of these risks if they develop into actual events. The market price of the Shares could decline due to any of these risks and you may lose all or part of your investment.*

*This Offer Document also contains forward-looking statements that involve risks and uncertainties. The actual results of our Group's operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks and uncertainties our Group faces as described below and elsewhere in this Offer Document. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document for further details.*

*Before deciding to invest in the Shares, prospective investors should seek professional advice from their advisors about their particular circumstances.*

### **RISKS RELATING TO OUR BUSINESSES OR THE INDUSTRIES IN WHICH WE OPERATE**

#### **(A) MANUFACTURING**

##### **We may be affected by loss of business from our major customers**

Our major customers accounted for an aggregate of 28.2%, 36.6% and 21.7% of our revenue in FY2016, FY2017 and FY2018 respectively. Please refer to the section "*General Information on our Group – Major Customers*" of this Offer Document for further details.

We have entered into supply and purchase agreements with each of our major customers. These agreements do not impose legal obligations on our customers to purchase from us and do not specify minimum sales volume or price. There is no assurance that we will continue to retain these customers or that they will continue to purchase our products at current levels in the future. If there is any material delay or a reduction or cancellation of purchase orders or a termination of relationship with these customers, our sales and profitability will be materially and adversely affected.

##### **We may be affected by disruptions to the supply of raw materials and other intermediate goods**

Our manufacturing activities depend heavily on the steady supply of raw materials such as denim fibres, which we process in-house into Thermobonded Felt, semi-cured resinated felts and other intermediate goods such as KP Sheets and assembled automobile headliners. We generally maintain sufficient raw material inventories to meet our production requirements, based on the purchase orders we receive from customers and our sales forecast. Nonetheless, we are dependent on our suppliers for timely delivery of raw materials and there is no assurance that our suppliers will be able to deliver the necessary raw materials on time. As we do not enter into long-term supply agreements with our suppliers, we run the risk of not being able to purchase sufficient quantities of or to secure competitive prices for raw materials to meet our production requirements.

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## RISK FACTORS

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While we have not been affected by any disruptions to our supply of raw materials that have had a material adverse impact on our Group during the Period Under Review, in the event our suppliers default on their contractual obligations or in the event of a delay or disruption to the supply of our raw materials, we may be unable to source raw materials from alternative suppliers in a timely manner and at competitive prices, or at all. This may in turn disrupt our manufacturing activities and our contractual obligations to our customers may be affected, which may in turn affect our customers' confidence in us or expose us to potential liability. In such an event, our business, profitability and results of operations may be adversely affected.

**We may not be able to consistently develop products that meet the specific NVH requirements of our customers or that our customers require**

Existing automobile parts and components are subject to extensive research and development as well as constant improvement and innovation. New materials are also constantly being developed with enhanced properties, which may offer cost savings and better performance over existing materials. Our NVH components may thus be substituted by automobile parts and components made from other raw materials which may offer better NVH functionalities and/or performance. In the event we fail to keep abreast of the latest developments in the market and/or fail to identify and/or introduce new products for the automotive industry on a timely basis, our Group's business and operating results will be materially and adversely affected.

**We may be affected by fluctuations in the costs of raw materials and other intermediate goods sold to us and used in the manufacture of our products**

In FY2016, FY2017 and FY2018, our cost of raw materials and other intermediate goods sold to us and used in the manufacture of our NVH components and non-NVH components (which consists mainly KP Sheets, assembled automobile headliners, semi-cured resinated felt and raw fibres) accounted for 14.7%, 24.7% and 13.7% of our total cost of sales respectively. The price of raw fibres may fluctuate due to factors such as global demand and supply conditions for such materials and changes in global economic conditions. Such factors may also cause our suppliers to raise prices of KP Sheets and assembled automobile headliners.

If we are not able to pass on such an increase to our customers or we are unable to find alternative sources of KP Sheets, assembled automobile headliners, semi-cured felt or raw fibres or an appropriate substitute raw material at comparable prices, our operations and financial performance will be adversely affected.

**We may be affected by major or sustained disruptions to our operations**

Our sales for our Manufacturing Business are dependent on the continued operation of our production facilities in Balakong in Selangor, Malaysia (namely our Main Manufacturing Plant and our Thermobonded Felt Plant) and our Assembly Line. Our production process involves the use of felt, which is a flammable material. Our production facilities are therefore susceptible to fire risks. On 5 August 2016 a fire occurred at our Main Manufacturing Plant at Lot 1. As a result, the entire manufacturing plant was razed and a substantial amount of products and raw materials that had yet to be delivered or that were in the process of being manufactured were also lost in the fire. A substantial percentage of our production facilities were also destroyed and we incurred additional expenses in setting up temporary production facilities so as to continue supplying our NVH components and non-NVH components to our customers.

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## RISK FACTORS

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As a result of the fire incident, the Group's profitability and operations were adversely affected. Please refer to the section entitled "*Management's Discussion and Analysis of Results of Operations and Financial Position – Review of Results of Operations – FY2017 compared to FY2016*" of the Offer Document for further information on the financial impact of the fire incident in FY2017.

In addition to the loss of products and raw materials, a substantial amount of documents (primarily comprising our financial records, supply agreements, banking documents and permits, licences and approvals) were either burnt or lost in the fire. The loss of such documents did not have a material adverse impact on our administrative operations and/or preparation of financial statements as we were able to recover duplicate copies of the principal agreements, banking documents and permits, licences and approvals from relevant customers, financial institutions and/or government authorities. Our management team was also able to reconstruct the financial records in respect of the period commencing from the end of FY2016 to the date of the fire incident in FY2017 based on copies of records obtained from our customers and suppliers. The fire incident did not result in any qualifications or emphasis of matter to the financial accounts of any of our Group Companies.

As at the Latest Practicable Date, we have made successful insurance claims amounting to an aggregate of RM20.9 million, comprising RM15.7 million for damage to our property, plant and equipment and approximately RM5.2 million for consequential losses, which has in aggregate adequately covered the Group's losses incurred as a result of the fire.

Since the incident, we have reviewed our fire prevention and contingency procedures, and now make periodic checks on the production facilities to prevent the outbreak of fire. Our employees are briefed on safety procedures during their orientation upon joining us. Nevertheless, there is no assurance that such measures would be sufficient to prevent any outbreak of fire in the future. An outbreak of fire at our production facilities would result in disruption to our production process, and have significant adverse effects on our business, financial condition and operating results. Furthermore, while we maintain fire insurance policies, there is no assurance that our insurance coverage would be sufficient to cover all our potential losses due to an outbreak of fire. In the event that our insurance policies cannot sufficiently cover our losses due to fire, our profitability and operations will be adversely affected.

### **Our business is subject to environmental, health and safety concerns**

We are subject to environmental, health and safety laws and regulations in Malaysia that impose controls on our noise emission, air, water and waste discharges, on our storage, handling and use, discharge and disposal of chemicals, and on exposure of our employees to hazardous substances and health and safety risks in relation to their activities at work. These laws and regulations could require us to incur costs to maintain compliance and could impose liabilities to remedy the effects of harmful pollution, hazardous substance contamination and accidents or fatalities to our employees. Although we believe we have not violated any of such laws and regulations and therefore have not incurred any significant liabilities under these laws and regulations in the past, the trend in legislation is clear and the environmental laws and regulations are constantly evolving and becoming stricter. The adoption of new laws or regulations or our failure to comply with these laws or regulations in the future could cause us to incur material liabilities and/or require us to incur additional expenses, curtail our operations and restrict our ability to expand.

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## RISK FACTORS

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### **We may experience industrial-related accidents which may expose us to liability claims**

Due to the nature of our operations, we are also subject to the risk of our employees or third parties being involved in accidents at our premises or our customers' premises. Accidents resulting in disruptions to our business operations will have a material adverse impact on our corporate image and financial performance. In the event of accidents which are not covered by our insurance or workmen compensation policies taken up by our Group, or if claims arising from such accidents are in excess of our insurance coverage and/or any of our insurance claims is contested by the insurance companies, we will be required to pay such compensation and the financial performance of our Group may be materially and adversely affected. In addition, the payment by our insurers on such insurance claims may result in increases in our insurance premiums. This may also have an adverse effect on the financial performance of our Group.

Our business, financial performance and financial position may also be affected if we have to spend a significant amount of resources in legal costs in the event that we are involved in legal proceedings. In addition, our reputation may suffer irreversible damage as a result of such proceedings.

Although no material claims were instituted against us in the past, there is no assurance that such claims will not be made against us in the future.

### **We may be exposed to potential product liability**

We are subject to the laws and regulations relating to product liability arising from the manufacture and sale of our products. In addition, we may incur liability under our contracts with our customers for any loss or damage suffered by third parties arising out of defective products supplied by us, if such loss or damage is the result of a defect attributable to our negligence. In addition, we may incur liability under our contracts with our customers for defective products or non-compliance with their specifications. Although we have not experienced any product liability claims or claims for breach of contract to date, we cannot assure you that our customers or users of our products will not claim against us in the future. If product liability claims are made against us in the future, there is no certainty that our product liability insurance in respect of our products will be sufficient to indemnify us against all such liabilities or that we will not suffer damage to our corporate image and product reputation.

### **We may not be able to protect the goodwill attaching to our brand or our intellectual property rights**

Our customers recognise that our Company and our brand represent good quality products that consistently adhere to our customers' specific requirements. It is possible that our competitors may adopt product or trade names similar to ours and we may not be able to completely prevent the sale of counterfeit products. As a result, goodwill generated by our brand may be eroded and our business may be adversely affected. Our competitors may also imitate and/or copy the felt composition used in our NVH components, which would allow them to produce NVH components with similar or identical qualities. This may result in a loss of our competitive advantage, which may negatively affect our business and our financial performance. We do not apply for, and hence do not have any registered intellectual property rights such as patents in respect of our products. Accordingly, we may not be able to enforce or assert any intellectual property rights against third parties (except our employees who have entered into confidentiality agreements with us) in respect of our proprietary products.

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## RISK FACTORS

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If we cannot effectively protect our intellectual property, our business could be adversely affected. In the future, we may have to resort to litigation to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation of such nature, regardless of its outcome, could result in substantial costs and diversion of resources.

There can be no assurance that third parties may not initiate litigation against us alleging infringement of their intellectual property rights. Such claims, whether with or without merit, could:

- be expensive and time consuming to defend;
- cause us to cease using our technology, or manufacturing or selling products that incorporated the challenged intellectual property;
- cause delays in meeting our orders;
- require us to redesign or redevelop our technology or products, if feasible;
- divert management's attention and resources;
- result in negative publicity and damage to our corporate image; or
- require us to enter into royalty or licensing agreements in order to obtain the right to use a necessary technology in our production process. Royalty or licensing agreements, if required, may not be available on acceptable terms, if at all.

A successful claim of proprietary infringement against us and our failure or inability to license the infringed or similar technology could prevent us from manufacturing and/or selling our products or cause us to incur great expense and delay in developing non-infringing technology or products.

### **We operate in a competitive environment and may not be able to maintain our competitiveness**

The manufacturing industry for automobile NVH components is highly competitive, and we face competition from both existing and potential local and international competitors. We generally compete with our competitors on a variety of factors, such as reputation, price, delivery times, product range and quality, customer service and relationships with suppliers, customers and key industry participants. Please refer to the section entitled "*General Information on our Group – Competition*" of this Offer Document for more details.

We cannot ensure that we will always be able to compete effectively with our existing competitors and new market entrants. Our competitors or potential competitors may possess longer operating histories, more entrenched expertise, stronger relationships with suppliers and customers, greater financial, marketing and other resources, and better technical and marketing know-how in the markets we sell to or intend to venture into. Some of our competitors may also be more aggressive in their pricing to capture or retain market share, or may have lower operation and production costs, overhead expenditure or procurement costs.



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## RISK FACTORS

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As such, they may be willing to sell their products at lower prices. This may lead to an increased pressure on us to maintain competitiveness by lowering the prices of our products. Increased competition may result in lower demand for our products, lower profit margins and/or loss of market share.

If we fail to compete effectively, adapt quickly to changing market conditions and trends and maintain or grow our market share, our business and results of operations may be adversely affected.

**We have embarked on the provision of NVH components to the HVAC industry and our business may be affected by the nature of the HVAC industry**

As part of our business plans, our Group, in June 2018, embarked on plans to supply our NVH components to the HVAC industry. The NVH components to be supplied to the HVAC industry will be manufactured using similar processes and machinery used to manufacture our current NVH components and non-NVH components and we do not expect the supply of NVH components to the HVAC industry to require significant capital investment. As at the Latest Practicable Date, we have been appointed as an Approved Supplier for Johnson Controls Hitachi. We anticipate to commence production and supply of NVH components to Johnson Controls Hitachi by January 2019.

The HVAC industry can be cyclical because part of the new orders are typically for new construction or major replacement, and this may cause our operating results to fluctuate. If business in the construction industry declines as a whole, it may negatively affect the demand for HVAC products and our business may be negatively affected.

**The current management may not have the relevant expertise in the HVAC industry to ensure success**

As the HVAC industry is a new area of business for us, we expect to face the risks, uncertainties and challenges associated with the entry into any new businesses in which we have no prior track record. Such risks, uncertainties and challenges include, *inter alia*, difficulty in managing operations and costs effectively (including inventory holding costs), failure to establish networks of customers and suppliers and failure to achieve the results, level of revenue and margins we are expecting. Further, as our existing management does not have much experience and expertise in this area of business, we may face operational difficulties which in turn may have an adverse effect on our business, financial position and results of operations.

### **(B) DEALERSHIP**

**Our business is subject to measures taken by the Malaysian government in relation to automobile ownerships**

Due to the number of automobiles on the roads in Malaysia, the Malaysian government may take measures to limit automobile ownership in Malaysia from time to time, including measures that may affect the ability of consumers to obtain financing to purchase automobiles. Any measures taken by the Malaysian government to limit automobile ownership, especially measures which are likely to lead to an increase in the costs of owning and maintaining an automobile, are likely to lead to less demand and/or cancellations of existing orders for our automobiles. This may affect our sales of automobiles and cause a decline in our Group's revenue, which may in turn have an adverse impact on our business, financial position and results of operations.

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## RISK FACTORS

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### **Our sales of automobiles are dependent on the market demand for automobiles under our dealerships**

Demand for automobiles is significantly influenced by consumer preference and spending trends. Customers have shown a wide range of preference for automobiles and technologies that are relevant to today's automotive industry such as driving dynamics, efficiency of performance, environmentally-friendly features and low energy consumption. Demand is also influenced by external factors including, amongst others, the state of the economy, the income level of customers, personal disposable income, the consumers' demographic profiles and also individuals' environmental awareness. These changing trends and demands may have a significant impact on the sales of our automobiles and the marketing strategies that we employ. In addition, a weak economic condition in general would lead to poor market sentiment, resulting in lower consumer spending. This may in turn lead to a lower demand for automobiles. Our Group's prospects, financial position and profitability may be materially and adversely affected in the event that the dealership brands that we carry are unable to appeal to the changing requirements of our customers.

In addition, consumers may also look at alternative modes of transportation available such as buses, taxis, light rails transits and monorails instead of owning a private car. The Malaysian government has been and is expected to introduce more measures to alleviate traffic congestion especially in the city area and this includes promoting and rationalising the current public transportation system in the city centre. Such measures, if implemented successfully, could deter potential customers from purchasing new vehicles in the future.

However, to minimise risk, we are working very closely with our Principals to gain a good understanding on the latest or up-and-coming automobile models to match our customers' preferences and trends. In addition, we have established effective marketing strategies to maintain and increase our customer base, to capture a bigger market share and increase our revenue.

Notwithstanding the above, there is no assurance that any adverse change in the market sentiment of the automobile industry, consumer preference and spending trends would not have a material impact on our financial performance.

### **We may be affected by inventory holding costs**

Our inventory comprises new automobiles, automobile parts and accessories. We have in place a strategy to keep a reasonable level of inventory of these products. Our inventory accounted for approximately 28.1% of our total current assets as at 31 March 2018. As a result of holding and managing the inventory, we may incur holding costs such as financing costs, warehousing and logistic costs and insurance costs. A significant increase in these costs may have an adverse impact on our business, financial position and results of operations.

Please refer to the section entitled "*General Information on our Group – Inventory Management*" of this Offer Document for more information.

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## RISK FACTORS

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### **We may face significant competition from other existing and new dealerships as well as other brands or types of automobiles in the market which we operate**

We face competition from both incumbent dealership operators and new entrants in the automotive industry in Malaysia. Some car dealerships in Malaysia may have longer operating histories, international brand name recognition and greater financial, technical and marketing resources than what is available to us. Generally, the biggest challenge for an automobile dealership is to maintain and increase its market share. Stiff competition from local and foreign car dealerships may result in competitive pricing strategies that would affect our profit margin.

Our continued success depends on numerous critical factors, including the ability to (i) effectively strategize the pricing and marketing for our automobiles; (ii) improve after sales and customer services; (iii) nurture customer loyalty; (iv) ensure prompt delivery; and (v) offer high quality vehicles that meet the demand for competitive prices. Increase in competition may potentially cause us to lose market share and consequently, have a negative impact on pricing strategies. If we are unable to compete effectively with existing or future competitors and adapt quickly to changing market conditions and trends, our business and financial performance could be materially and adversely affected.

Our Board believes that we are able to distinguish ourselves from our competitors as we have an experienced key management team with extensive industrial knowledge and vast exposure in the automotive industry, established business relationships with our Principals as well as our position as dealerships of well-recognised and internationally acclaimed brands. Please refer to the section entitled “*General Information on our Group – Competitive Strengths*” of this Offer Document for more details.

Notwithstanding this, there can be no assurance that we can fully mitigate competition from our existing or new competitors.

### **We may be affected by the termination of or the failure to renew our dealership agreements**

Under our Group’s Dealership Business segment, we own and operate 3S and 4S automobile dealerships of certain brands within the automotive industry in Malaysia. Each of the dealership agreements with our Principals contains conditions or obligations to be fulfilled by the Group. Our dealership agreements are renewed annually until otherwise terminated with or without cause at the election of or determination by our Principals. Further, the dealership agreements with our Principals may be terminated in the event of the Group’s default of its obligations or duties as dealers. Such termination events include, *inter alia*, instances where we (i) abandon or repudiate the relevant agreement with our Principals; (ii) become bankrupt or insolvent or go into liquidation; (iii) default or delay in making payment for any spare parts and accessories that we sell; (iv) make or authorise the making of any false or misleading statement or misrepresentation concerning any automobile or parts or services or concerning our Principals to any third party in a manner which damages or adversely affects or is likely to damage or adversely affect the reputation of the our Principals; and (v) purchase parts from other sources other than our Principals.

In particular, in respect of our dealership agreements with Nasim for our Peugeot dealerships at Jalan WS and Galla Industrial Park (the “**Peugeot Agreements**”), as a pre-condition to our appointment as authorised dealers under the terms of each of the Peugeot Agreements, we are required to provide Nasim with (i) a bank guarantee in favour of Nasim for the sum of

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## RISK FACTORS

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RM450,000 for each of the Peugeot Agreements; (ii) a corporate guarantee (if applicable); and (iii) personal guarantees by at least two of MNOSB's directors, approved by Nasim. As at the date of this Offer Document, we have provided a bank guarantee in favour of Nasim for an aggregate sum of RM700,000 for both the Peugeot Agreements and have not been required by Nasim to execute any personal guarantees or corporate guarantees. Nasim has also not required MNOSB to increase the sum of the bank guarantee, notwithstanding that we had notified Nasim by an email dated 21 August 2018 that the value of the existing bank guarantee is less than the required amount. In the event Nasim requires MNOSB to increase the sum of the bank guarantee and/or to provide the corporate guarantees and personal guarantees, we will comply with such requirements. Any breach by us of any term of the Peugeot Agreements, if not remedied by us within 14 days from the date of notice to remedy the breach, will give Nasim a right to terminate the Peugeot Agreements.

As at the date of this Offer Document, we have not received any notice of breach from Nasim in relation to the Peugeot Agreements and Nasim has continued its business dealings with us. The Peugeot Agreement for Galla Industrial Park was recently renewed on 1 April 2018 and the Peugeot Agreement for Jalan WS, on 21 July 2018.

Revenue attributable to the Peugeot Agreements amounted to RM3,890,155 in FY2016 accounting for approximately 3.6% of our total revenue for FY2016, RM5,989,016 in FY2017 accounting for approximately 6.7% of our total revenue for FY2017 and RM16,119,530 in FY2018, accounting for approximately 10.8% of our total revenue for FY2018.

Revenue from our Dealership Business accounted for approximately 74.4% of our total revenue for FY2018. While the management of the Group will continue to take all necessary steps to ensure that all the obligations under the respective dealership agreements are properly complied with, there can be no assurance that disputes will not arise which could lead to the termination of these agreements, and thereby adversely affect the Group's business, financial condition and results of operations.

Further, some of the global automobile manufacturers may face bankruptcy or insolvency proceedings, while others may re-evaluate their options and consider divestments of certain car marques. In addition, some manufacturers may decide to streamline their distributorship and dealership network. In the event that any of the Group's Principals are unable to avoid bankruptcy or insolvency proceedings, or decide to divest one of the brands that the Group has a dealership agreement for and consequently terminate or choose not to renew the Group's dealership arrangements, or streamline its distributorship and dealership network such that the Group's dealership arrangements are terminated or not renewed, this could have an adverse effect on the Group's business, financial condition and results of operations.

In addition, we have entered into tenancy agreements with the landlords in respect of each of our dealerships. Typically, our tenancy agreements for our dealerships are for an initial period of three years, with an option to renew for subsequent periods of three years. In the event that our Group's dealership agreements are terminated or not renewed prior to the expiration of our tenancy agreements, the Group will remain liable to fulfil its rental payment and other obligations under the tenancy agreements. This will have an adverse effect on the Group's financial condition and results of operation.

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## RISK FACTORS

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### **We are dependent on our Principals for supply of our automobiles and automobile after-sale service parts**

Our supply of automobiles for distribution in Malaysia is sourced solely from our Principals. Delays in delivery of automobiles to our dealerships would cause us to place potential customers on the waiting list, which in turn could dissuade them from placing orders if they prefer not to wait for delivery. Delay in the supply of spare parts, accessories and tools may affect our ability to provide maintenance services to the automobiles serviced at our dealerships. Continued late deliveries and long waiting lists would ultimately affect customers' confidence in us and as a result, our revenue and profitability may be materially and adversely affected.

As a dealer for Honda, Mazda and Peugeot automobiles, we are also dependent upon the current models offered and also future models or variants as dictated by our Principals. Changes to their vehicle line-up may not be well-accepted in the Malaysian market, which could affect our overall market share and profitability. In addition, any adverse development and/or circumstance affecting the Principals such as a takeover of the Principal, may also have a material and adverse effect on our dealerships. In the event that such a takeover occurs, our business will be materially and adversely affected due to a change in the business strategy of our Principals.

### **Product defects and automobile recalls could have an adverse effect on our business**

Automobile manufacturers may, through no fault of our Group, recall their automobiles from time to time to remedy certain problems or product defects. Any automobile recalls may have an adverse impact on the reputation of the automobile manufacturers and us, and our customers' confidence in the quality and safety of the automobiles may be affected. In addition, such automobile recalls may lead to the cancellation of orders placed by our customers, which may in turn adversely affect our sale of new automobiles. As at the Latest Practicable Date, we have not been involved in any automobile recalls. However, there is no assurance that there will not be automobile recalls in the future which affect automobile manufacturers or the automobile models we offer, nor that any such recalls will not have an adverse effect on our business, financial position and results of operations.

### **We may not be able to renew our tenancies of our dealerships which may have an adverse effect on our business, financial position and results of operations**

Operations of our Dealership Business are presently based in Jalan SB, Jalan WS, Jalan RS and Galla Industrial Park, Malaysia. We have entered into tenancy agreements with the landlords of each of our dealership premises and are subject to the terms and conditions of the respective tenancy agreements.

Upon the expiry of any of our tenancy agreements and in the event that we are unable to renew our tenancy agreements, the leases in respect of each dealership premises will expire and terminate. This may have an adverse effect on our business, financial position and results of operations as we may have to seek alternative sites for our showrooms and service centres. There can be no assurance that alternative sites will be available at comparable locations or leased on comparable terms. Even if such alternative sites are available, there can be no assurance that our Principals will consent to the relocation of our dealerships to such alternative sites.

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## RISK FACTORS

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### (C) GENERAL

#### **Both our Manufacturing Business and our Dealership Business are dependent on the automotive market**

Nearly all of our revenue from FY2016, FY2017 and FY2018 was derived from supplying products and services to the automotive industry. Our business depends on the demand for automobiles and specialised products that reduce the NVH of automobiles. Therefore, our financial performance will be adversely affected if there is a decline in demand for such products and services due to a change in consumer preference. The demand for automobiles is generally dependent on factors including, *inter alia*, the economic conditions, the purchasing power of the consumers, the standard of living and the government regulations in the respective geographical markets. Any substantial decrease in demand in the automotive industry would in turn mean a decrease in demand for our products and services, and this would affect our financial performance adversely.

#### **Retaliatory tariffs may trigger a “trade war” and adversely affect the demand of our products**

Any changes in trade policy by any of the world’s major trading powers could trigger retaliatory actions by affected countries, resulting in “trade wars” where states increasingly raise or create tariffs. In March 2018, the US imposed a 25% tariff on steel imports and a 10% tariff on aluminium imports and announced additional tariffs on goods imported from China specifically, as well as certain other countries. Further retaliatory trade measures taken by China or other countries in response to additional tariffs, may lead to an increase in costs of imported goods and raw materials around the world, which may affect the costs of sales of automobiles globally and may impact the automotive industry and automotive market in Malaysia. This may have an adverse effect on our operations and financial performance.

#### **We may face risks of disputes with and claims by our customers and/or suppliers**

We may, from time to time, be involved in disagreements or disputes with our customers or suppliers. If we are unable to resolve such disagreements or disputes in an amicable manner and such disagreements or disputes lead to legal proceedings against our Group, our business and operations may be adversely affected. Our management would also have to allocate time and other resources to handle the disagreements, disputes or legal proceedings. We have not encountered any disputes with and claims by our customers and/or suppliers that have had a material adverse impact on our Group during the Period Under Review.

In addition, in the event that legal proceedings are commenced against our Group, there can be no assurance that we will be successful in our defence or counterclaims against the other parties. Any such legal proceedings may also generate negative publicity and have a material and adverse impact on our business and financial performance.

#### **We require adequate working capital for our operations**

We require adequate funding either from internal resources, credit from our suppliers or bank borrowings to fund the working capital of our business. The availability of credit and the credit terms extended to us by our suppliers could depend on factors such as the length of our business relationship with them, their evaluation of our creditworthiness, the size of the orders placed with them and our payment track record. Our ability to obtain adequate



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## RISK FACTORS

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financing on terms which are acceptable to us depends on a number of factors such as our financial strength, our creditworthiness and our prospects, and other factors that are beyond our control, including general economic, liquidity and political conditions, the terms on which financial institutions are willing to extend credit to us, and the availability of other sources of debt financing or equity financing. If we are unable to secure adequate financing, our business, results of operations, financial position and prospects may be adversely affected.

In particular, we utilise credit facilities to fund our operations. Although we have sufficient credit facilities at present, we cannot be assured that the financial institutions that extend these facilities to us will increase, renew or will not recall our facilities. In the event that these financial institutions do not increase or renew or if they recall our facilities or accelerate our payment obligations due to changes (or perceived changes) in our gearing or changes in our business circumstances or prospects or due to a breach in our loan covenants or a default of any of our payment obligations at any time in the future or demand payment in accordance with any applicable repayment on demand clauses, our cash flow may be adversely affected.

### **We are exposed to risk of litigation**

In general, our Group is exposed to the risk of litigation by customers, employees and other persons, including the risk of being joined as third parties to litigation actions or involvement in frivolous claims. These litigation actions and claims may be costly and time consuming, and could result in significant liabilities and reputational harm. We may need to incur significant legal, settlement and other costs in defending actions against us and if claims against us are successful, this could also materially and adversely affect the results of operations, financial condition and liquidity of our Group. As at the Latest Practicable Date, we have not faced any litigation actions and claims against us that have had a material adverse impact on our Group during the Period Under Review.

### **We may be affected by an adverse impact on our reputation and goodwill**

We believe that strong brand recognition is important to our success. We currently focus on developing our brand recognition with respect to both our Manufacturing Business and our Dealership Business. If we fail to maintain brand recognition among our target customers due to a deterioration in service quality and dealership management, or if any premium in value attributed to our business compared to that of our competitors declines, market perception and consumer acceptance of our brand may erode.

Moreover, any unauthorised use of our brand by others in their corporate names or product brands could harm our brand image, competitive advantage and business. The measures we take to protect our brand may not be adequate. Our failure to protect our brand or our reputation may have a material and adverse effect on our business, results of operation and financial condition.

Also, any negative publicity or concern about us, automobile manufacturers or our products and services, whether founded or unfounded, may discourage consumers from purchasing our products and any lost confidence on the part of our customers could be difficult and costly to re-establish. In such an event, our business, financial position and results of operations may be adversely affected.

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## RISK FACTORS

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### **We may face uncertainties associated with the growth and expansion of our business**

Our growth strategies include, *inter alia*, (i) upgrading our machinery and equipment and acquiring new technology to expand our upstream activities; (ii) diversification into other NVH component and non-NVH component businesses; and (iii) expansion of our business through investments, acquisitions, joint ventures, strategic alliances and/or new product offerings. These expansion plans will require substantial capital expenditure, and financial and management resources and may be subject to various restrictions, limitations, legal and regulatory conditions and approvals. The success of our expansion plans depends on many factors, some of which are not within our control. For instance, we may be required to obtain various consents, approvals, certificates and/or permits from regulatory authorities in Malaysia. There is no assurance that such required consents, approvals, certificates or permits may be obtained without delay, if at all.

In the event that we are not able to achieve a sufficient level of revenue or manage our costs effectively or the commencement of these planned expansions is delayed, our business and financial performance may be materially and adversely affected.

In addition, we may explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations that are complementary to our business. Participation in suitable investments, mergers and acquisitions, joint ventures and/or strategic collaborations involve numerous risks, including but not limited to difficulties in the assimilation of our management, operations, products and personnel and the possible diversion of management attention from our business. The successful implementation of our growth strategies depends on our ability to identify suitable partners and the successful integration of their operation with ours. There can be no assurance that we will be able to execute such growth strategies successfully and as such, the performance of any investments, mergers and acquisitions, joint ventures and/or strategic collaborations could fall short of expectations.

Please refer to the section entitled “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document for more details.

### **We do not have long-term contracts with our customers**

Our customers generally do not commit to definite and long-term purchase contracts for the products we provide. Therefore, there can be no assurance that they will not significantly reduce their orders or stop making purchases from us in the future. There can also be no assurance that business relationships with these customers will remain cordial or that they would continue to be satisfied with our products. If our major customers or a significant number of our other customers were to make purchases from sources other than our Group and if we are unable to secure alternative orders of comparable size, whether from new or existing customers, our business, financial condition, results of operations and/or prospects could be materially and adversely affected.

### **We are dependent on our key management and skilled personnel for our continued success and growth**

Our continued success is dependent, to a large extent, on our ability to retain the services of our core management team. Our core management team comprises personnel who have a number of years of experience in the automotive industry, as well as in sales and marketing, operational and financial functions. Please refer to the section entitled “*Management and Corporate Governance – Management Reporting Structure*” of this Offer Document for further details.

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## RISK FACTORS

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The loss of any of these key management personnel without timely and suitable replacements, or the inability to attract and retain qualified and experienced personnel, will have an adverse effect on our business, financial condition, results of operation and prospects.

### **We may require additional funding for our future growth**

Although we have identified our future growth plans set out in the section “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document as the avenues to pursue growth in our business, the net proceeds from the Invitation may not be sufficient to fully cover the estimated costs of implementing all these plans. We may also find opportunities of growth through acquisitions which cannot be predicted at this juncture. Under such circumstances, secondary issue(s) of securities after this Invitation may be necessary to raise the required capital to develop these growth opportunities. If new Shares are issued and placed to new and/or existing Shareholders after the Invitation, the equity interests of existing Shareholders will be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted and this could lead to a decline in our share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund-raising exercises and other financial and operational matters.

Please refer to the section entitled “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document for further details.

### **Our insurance coverage may not be adequate**

We maintain insurance policies to cover our business operations. Please refer to the section entitled “*General Information on our Group – Insurance*” of this Offer Document for further details on our insurance coverage.

However, no insurance can compensate for all potential losses and there can be no assurance that the insurance coverage will be adequate or that our insurer will pay for a particular claim. With respect to losses which are covered by our policies, it may be difficult and it may take time to recover such losses from insurers. There are also certain types of risks that are not covered by our insurance policies because they are either uninsurable or not economically insurable, including acts of war and acts of terrorism. Should there be losses which exceed the insurance coverage or are not covered by our insurance policies, we may be liable to bear such losses and our business, financial position and results of operations may be adversely affected. Our insurance premiums may also increase substantially due to claims made, which may adversely affect our financial results.

### **Our business operations may be disrupted by natural disasters, terrorist attacks, armed conflicts, outbreaks of communicable diseases and other events beyond our control**

Severe weather conditions, natural disasters and other incidents such as outbreak of fire, terrorist attacks, armed conflicts or other emergency risks could cause damage to or require a temporary shutdown of our facilities as well as those of our suppliers and customers. Any damage to our inventory or prolonged shutdown of our facilities or those of our customers or suppliers could cause our business operations to be disrupted.

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## RISK FACTORS

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In addition, if our employees or those of our suppliers are infected or suspected of being infected with any communicable disease, our Group and/or our suppliers may be required by health authorities to temporarily shut down the affected premises or facilities and quarantine the relevant employees to prevent the spread of the disease. This will result in delays and increased costs to us and may have an adverse impact on our business and financial performance. Our marketing activities will also be affected as promotional events and client visits may be suspended or slowed down considerably. Similarly, such an outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or H1N1 influenza) will also materially and adversely affect overall business sentiments and environment in Malaysia, particularly if such outbreak is inadequately controlled. This will in turn materially and adversely affect our business and operations.

### **We require various licences, permits, approvals and certificates to operate our business**

We are subject to various laws and regulations governing the automobile components manufacturing industry and automobile distribution industry in Malaysia. Such laws and regulations include but are not limited to those relating to environmental and health safety, maintenance of machinery and equipment and operational licences including manufacturing and/or general business licences.

Any failure by us to comply with the various laws and regulations could result in penalties such as fines and/or not being able to continue or expand our business. In such an event, our ability to compete and expand into new regions may be affected, which may adversely impact the growth of our business.

In addition, under these laws and regulations, we are also required to obtain various licences, permits, approvals and certificates to operate our business. The licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued, and such relevant laws or regulations could be varied from time to time. Failure to comply with the stipulated conditions could result in non-renewal or revocation of the relevant licence or permit. As such, we have to constantly monitor and ensure our compliance with such conditions. Should we lose any of our licences or permits, we may not be able to carry out our operations. This may in turn have an adverse effect on our financial position, operating cash flow, business and financial performance.

As at the Latest Practicable Date, we are in the process of (i) obtaining Certificates of Completion and Compliance issued under the Street, Drainage and Building Act (Amendment) 2007 of Malaysia for our Mazda automobile dealership at Jalan SB and our Peugeot automobile dealership at Jalan WS; and (ii) renewing our Certificates of Fitness issued by the Department of Occupational Safety and Health, Malaysia, for certain of our horizontal air receiver tanks, rotary lifts and scissors lifts.

While we do not foresee any difficulties in obtaining these licences, permits, approvals and/or certificates, in the event that we are unable to obtain these licences, permits, approvals and/or certificates, we may face the penalties associated with such failure:

- We may be liable upon conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or both for occupying any building or any part thereof without a Certificate of Completion and Compliance under the Street, Drainage and Building Act (Amendment) 2007 of Malaysia. Our Legal Advisers to our Company as to Malaysia law, Naqiz & Partners, have issued a legal opinion (the “**CCC Legal Opinion**”) stating that having made enquiries with the Kuala Lumpur City Hall

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## RISK FACTORS

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and the Kajang Municipal Council, the municipal branches having jurisdiction for the issuance of the Certificates of Completion and Compliance for our Mazda automobile dealership at Jalan SB and our Peugeot automobile dealership at Jalan WS respectively, both the Kuala Lumpur City Hall and the Kajang Municipal Council have confirmed that the day-to-day operations of the Dealership Businesses located at these premises will not be affected pending the issuance of the Certificates of Completion and Compliance. As at the Latest Practicable Date, no such penalties have been imposed on our Group.

- In addition, we may be liable upon conviction to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three years or both for operating machinery without a Certificate of Fitness under the Factories and Machineries Act 1967. The CCC Legal Opinion also states that our Legal Advisers to the Company as to Malaysia law, Naqiz & Partners, have made enquiries to the Department of Occupational Safety and Health, Malaysia, who have confirmed that the machinery can be operated in the usual course of operations pending the renewal of the Certificates of Fitness and no penalties will be imposed by the Department of Occupational Safety and Health, Malaysia pending the renewal of Certificates of Fitness. As at the Latest Practicable Date, no such penalties have been imposed on our Group. We do not foresee any difficulties in obtaining a renewal of the Certificates of Fitness.

As at the Latest Practicable Date, none of our licences, permits and approvals required to operate our business has been suspended, revoked or cancelled during the Period Under Review.

Any change in existing regulations or introduction of new government legislations, regulations and policies that require our compliance may increase our cost of operations and compliance costs. Such changes may also require us to obtain additional licences and approvals. Any difficulties in obtaining or failure to obtain such licences and approvals could require us to cease manufacturing until such licences and approvals are obtained or may entitle our suppliers to terminate our dealership agreements. This would affect our ability to meet our contractual deadlines and maintain a good business relationship with our customers.

Please refer to the section entitled “*General Information on our Group – Licencing, Permits and Approvals*” and “*Summary of Relevant Laws and Regulations*” set out in Appendix D to this Offer Document for more details on the material licences, permits and approvals required for our business operations.

**Non-compliance with Guidelines on Foreign Participation in the Distributive Trade Services Malaysia (the “Guidelines”) could have a material effect on our business, financial conditions, results of operations and prospects**

Participation in distributive trade in Malaysia is regulated by the Guidelines issued and enforced by the Malaysian Ministry of Domestic Trade, Cooperatives and Consumerism (“MDTCC”). Under the Guidelines, proposals for “foreign involvement” in distributive trade would require the approval of the MDTCC and would require a “Wholesale and Retail Trade” Approval from the MDTCC.

Pursuant to the Restructuring Exercise, the MNSB Shareholders transferred their shares in MNHSB to MeAG, a company incorporated in Singapore. MeAG is a direct, wholly-owned subsidiary of the Company, which, upon admission to Catalist, may have a foreign ownership element. Please refer to the section entitled “*Restructuring Exercise*” of this Offer Document for further details.

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## RISK FACTORS

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While the Guidelines refer to ownership of a company, the Guidelines provide no clarification on the definition of “ownership”. We have obtained written confirmation from MDTCC that in determining whether a company has a foreign ownership element, MDTCC will only consider the immediate shareholder of a company (and not subsequent shareholding tier(s)) (the **“MDTCC Confirmation”**). Accordingly, based on the MDTCC Confirmation, our Legal Advisers to the Company as to Malaysia law, Naqiz & Partners, have issued a legal opinion stating that we are not required to obtain a “Wholesale and Retail Trade” Approval from the MDTCC as a result of the Restructuring Exercise and our listing on Catalist (the **“MDTCC Legal Opinion”**). However, notwithstanding the MDTCC Confirmation, should the Guidelines and/or the practice and interpretation of the Guidelines by the MDTCC change in the future, our business, profitability and results of operations may be adversely affected.

The MDTCC Legal Opinion also stated that the Guidelines do not have the force of law and there are no legal sanctions for non-compliance with the Guidelines. However, companies which do not adhere to the Guidelines may face administrative difficulties in dealing with the MDTCC and in conducting business in Malaysia generally. As an example, non-compliance may result in the retailer not being able to obtain certain operating licences including business premise licences for its retail outlets from municipal authorities.

### **We are subject to foreign exchange risks**

Our revenue is denominated in RM. On the other hand, a portion of our Group’s purchases are denominated in Japanese Yen, US Dollars and Thailand Baht. To the extent that our revenue and purchases are not sufficiently matched in the same currency and to the extent that there are timing differences between receipt and payment, we will be exposed to any adverse fluctuation in exchange rates. Any restrictions over the conversion or timing of conversion of foreign currencies may also expose us to adverse fluctuations in exchange rates. As a result, our earnings may be adversely affected.

At present, we do not have any formal policy for hedging against our foreign exchange exposure, although we may from time to time utilise currency hedging instruments. However, we will continue to monitor our foreign exchange exposure and may employ a formal policy to manage our foreign exchange exposure should the need arise. Notwithstanding the above, there is no assurance that we will be able to successfully manage our foreign exchange risks and any significant adverse foreign currency fluctuations may adversely affect our financial position and results of operations. Please refer to the section entitled *“Management’s Discussion and Analysis of Results of Operations and Financial Position”* of this Offer Document for further details.

### **Our business may be affected by macroeconomic factors and other factors beyond our control**

Our business may be affected by macroeconomic factors, such as general economic conditions, market sentiment and consumer confidence, particularly in Malaysia. Various factors may influence these macroeconomic conditions, including without limitation, unemployment rates and real disposable income, inflation, recession, stock market performance, the interest rate environment, the availability of consumer credit, and regulatory (including fiscal and other governmental policies), social and political changes, all of which are beyond our control.



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## RISK FACTORS

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We may also be materially and adversely affected by unforeseen circumstances and other factors such as changes in consumer preferences, power outages, labour disputes, severe weather conditions and natural or other catastrophes, which may disrupt our operations and cause loss and damage.

If any of these events occur, our results of operations, financial condition and/or business operations may be materially and adversely affected.

### RISKS RELATING TO MALAYSIA

#### **We are dependent on foreign labour and may face labour shortage or increased costs of labour for our Malaysia operations**

As a result of the shortage of local workers in our industry in Malaysia, we are dependent on workers principally from Indonesia, Bangladesh and Nepal. As at the Latest Practicable Date, approximately 37.5% of our employees are foreigners. We are therefore vulnerable to changes in the availability and costs of employing foreign workers. Any unfavourable changes in labour policies and visa restrictions of these countries as well as those of Malaysia may affect the supply and/or costs of employing foreign workers, thereby causing disruptions to our manufacturing activities and operations.

In view of the increasing demand for foreign workers in Southeast Asian countries, there can be no assurance that we will be able to continue attracting foreign workers at the current level of wages or that our present foreign workers will continue to be employed by our Group. Any increase in competition for foreign workers, in particular skilled workers from these countries, may result in higher labour costs. In the event that we are unable to pass on the increase in labour costs to our customers, our business and financial performance may be materially and adversely affected.

In addition, Malaysia's immigration policies and rules limit the inflow of foreign labour into the country. For instance, the availability of foreign employees in Malaysia is regulated through policy instruments such as the imposition of levies and quotas. We are susceptible to any increase in such levies or imposition of minimum wage policies, and changes in the quota of foreign employees that we are permitted to hire. Malaysia's laws and policies regulating foreign labour may also change from time to time. As a result, we may not be able to employ a sufficient number of workers to meet the needs of our manufacturing activities and operations. Such disruptions to our operations or increase in labour costs may have a material adverse impact on our results of operations. Please see the section entitled "*Summary of Relevant Laws and Regulations*" set out in Appendix D of this Offer Document for further details on the relevant laws on the employment of foreign workers.

In the event of a shortage of foreign workers to meet our operational requirements, we may not be able to fulfil orders placed by our customers in a timely manner or our costs of labour may increase. This is likely to result in a material and adverse impact on our business and financial performance.

#### **We may be adversely affected by unfavourable political, social, economic, legal and regulatory developments in Malaysia**

Our assets are substantially located or registered in our favour in Malaysia. As a result, we are susceptible to political, social, economic, legal and regulatory developments in Malaysia.

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## RISK FACTORS

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We may be affected by changes in the political leadership, government policies and/or relevant laws and regulations in Malaysia. Any political or regulatory changes include, without limitation, the introduction of new laws and regulations or any modification to the existing laws and regulations which impose and/or increase restrictions on exports or the conduct of business, the repatriation of profits, the imposition of capital controls, changes in interest rates and the taxation of goods and services.

At the 14th Malaysian general election, Pakatan Harapan won a sufficient number of seats in the Dewan Rakyat, allowing them to form a majority government. The new Pakatan Harapan government has and continues to carry out political and regulatory changes, including the zero-rating of Malaysia's goods and services tax for a three-month period commencing 1 June 2018 and the introduction of new laws and regulations such as the Sales Tax Act 2018 and the Services Tax Act 2018.

Separately, the overnight policy rate (being the overnight interest rate set by Bank Negara Malaysia which is used as the target rate for day-to-day liquidity operations of Bank Negara Malaysia) was increased in January 2018 and any further increases in interest rates may have a negative impact on the demand of automobiles in Malaysia as it would negatively impact consumer affordability and may lead to more stringent loan approvals by banks. This would adversely affect both the business and financial performance of both our Manufacturing and Dealership Businesses.

Such regulatory changes may have an adverse impact on the demand of our products. Other political uncertainties include the risks of wars, terrorism, nationalisation and expropriation. We have no control over such conditions and developments and there is no assurance that such conditions and developments will not have a material and/or adverse effect on our business and financial performance.

Also, the economic conditions in Malaysia may have an effect on our business and operations, as well as our future prospects. Any future deterioration of the Malaysian economy could affect costs of our production and operations and in turn adversely affect our business and financial performance. In times of economic uncertainty, recession or inflation, our suppliers may face extensive budgetary pressures, which may affect their supply and selling price of ancillary products, raw materials, components and parts to us. Our customers may also reduce their purchases from us and the amount they are willing to pay for our products (including our NVH components and new automobiles). Upon the occurrence of such events, our results of operations, business and financial condition may be materially and adversely affected.

### **We are subject to foreign exchange controls in Malaysia**

Since 21 July 2005, the RM peg to the USD has been removed and RM has been allowed to operate on a managed float basis to ensure that the exchange rate remains close to its fair value. There are also no current restrictions on the repatriation of proceeds from divestment of ringgit assets, profits, dividends or any income arising from investments in Malaysia, subject to withholding taxes (if any) and provided that repatriation is made in a foreign currency other than the currency of the State of Israel and in accordance with the Malaysian Financial Services Act, 2013 and Bank Negara Malaysia's guidelines in the form of notices. Accordingly, the repatriation of these items by our Malaysian subsidiaries to our Company is free of restrictions.

In the event that the Malaysian government implements any change to the relevant regulations on exchange controls, such changes may affect repatriation from our Malaysian subsidiaries and the financial performance of our Group.

Please refer to the section entitled "*Exchange Controls*" of this Offer Document for further details.

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## RISK FACTORS

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### RISKS RELATING TO INVESTMENT IN OUR SHARES

#### **Exchange rate fluctuations may adversely affect the value of our Company's dividends**

Dividends, if any, in respect of our Shares will be declared in RM and converted by our Company into S\$ for those investors whose Shares are held through CDP. Please refer to the section entitled "*Dividend Policy*" of this Offer Document for more details. Fluctuations in the exchange rate between the S\$ and the RM will affect, among others, the S\$ value of our Company's dividends, if any, declared in RM and paid in S\$.

#### **Our Controlling Shareholders will retain significant control over our Company after the Listing, which will allow them to influence the outcome of matters submitted to Shareholders for approval**

After the completion of the Invitation, our Controlling Shareholder, JCWW Holdings Pte. Ltd., will hold in aggregate approximately 51.2% of our issued share capital of our Company. Our Executive Chairman and CEO, Mr Wong Cheong Chee, and his spouse, Mdm Lee Soh Hong, jointly own 70.0% of the issued and paid-up capital of JCWW Holdings Pte. Ltd. As a result, our Controlling Shareholder will be able to significantly influence our corporate actions such as mergers or take-over attempts in a manner which may not be in line with the interests of our public Shareholders. Our Controlling Shareholder will also have veto powers in relation to any Shareholder action or approval requiring a majority vote except in situations where they are required by the Catalist Rules, the SGX-ST or undertakings given by them and their associates to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may not benefit our Shareholders.

#### **Investment in securities quoted on Catalist involves a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST**

An application has been made for our Shares to be listed for quotation on Catalist, a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies. An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST. Catalist was formed in December 2007 and the future success and liquidity in the market of our Shares cannot be guaranteed.

#### **There has been no prior market for our Shares, and the Invitation may not result in an active or liquid market for our Shares**

Prior to this Invitation, there has been no public market for our Shares. Therefore, we are unable to predict the extent to which a trading market will develop or how liquid that market might become. No assurance can be given that an active trading market for our Shares will develop or, if developed, will be sustained. If an active trading market is not developed or sustained, the liquidity and trading price of our Shares could be materially and adversely affected. You should not take the listing as an indication of the merits of this Invitation, our Company, our subsidiaries, or our existing issued Shares, the Invitation Shares, the Award Shares and the Option Shares.

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## RISK FACTORS

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### **Our Share price may be volatile in the future which could result in substantial losses for investors purchasing Shares under the Invitation**

The market price for our Shares may fluctuate significantly and rapidly as a result of, *inter alia*, the following factors, some of which are beyond our control:

- announcements by us of significant contracts, acquisitions, strategic alliances or capital commitments;
- the liquidity of the market for our Shares;
- changes in general market conditions and broad market fluctuations;
- changes in our operating results;
- changes in securities analysts' estimate of our financial performance and recommendations;
- differences between our actual financial operating results and those expected by our investors and securities analysts;
- our involvement in litigation;
- additions or departure of key personnel; and
- loss of our major/key suppliers or failure to complete significant orders or contracts.

In addition, our Share price will be subject to a downward pressure if our existing Shareholders sell their Shares immediately after the expiry of the lock-ups.

### **Future sales or issuance of our Shares may adversely affect the price of our Shares**

Any future sale or issuance of our Shares in the public market can have a downward pressure on our Share price. The sale of a significant number of Shares in the public market after this Invitation, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional securities. Except as otherwise described under the section "*Shareholders – Moratorium*" of this Offer Document, there will be no restriction on the ability of our Substantial Shareholders to sell their Shares either on SGX-ST or otherwise.

### **Investors may not be able to participate in future issue of Shares**

In the event that we issue new Shares, we will be under no obligation to offer those Shares to our existing Shareholders at the time of issue, except where we elect to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, we will have the discretion and may also be subject to certain regulations as to the procedures to be followed in making such rights available to Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them. In addition, we may choose not to offer such rights to our existing Shareholders having an address in jurisdictions outside of Singapore.

Accordingly, certain Shareholders may be unable to participate in future equity offerings by us and may experience dilution in their shareholdings as a result.

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## RISK FACTORS

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### **Investors in our Shares will face immediate and substantial dilution in NAV per Share and may experience further dilution**

Our Invitation Price of S\$0.23 per Share is substantially higher than our NAV per Share after adjusting for the estimated net proceeds from the issue of the Invitation Shares. If we were liquidated immediately following the Invitation, each investor subscribing for the Invitation Shares would receive less than the price he paid for the Shares. Please refer to the section on “*Dilution*” of this Offer Document for further details.

In addition, we may issue Options and Awards under our Share-Based Incentive Plans. To the extent that such Awards are ultimately granted and Award Shares are issued pursuant to such grant, and to the extent that such Options are ultimately granted and are issued pursuant to the exercise of such Options, there may be further dilution to investors participating in the Invitation. Further details of the Share-based Incentive Plans can be found in the section entitled “*Share-Based Incentive Plans*”, “*Rules of the MeGroup Performance Share Plan*” set out in Appendix E and “*Rules of the MeGroup Share Option Scheme*” set out in Appendix F to this Offer Document.

### **Negative publicity which includes those involving our Group, any of our Directors, Executive Officers or Controlling Shareholders may adversely affect our Share price**

Negative publicity or announcements relating to our Group, any of our Directors, Executive Officers or Controlling Shareholder may adversely affect the market perception of our Group or the performance of the price of our Shares, whether or not it is justified. For instance, such negative publicity may arise from unsuccessful attempts in joint ventures, acquisitions or take-overs, or involvement in insolvency or litigation proceedings.

### **We may not be able to pay dividends in the future**

The ability of our subsidiaries to pay dividends will depend on their earnings and cash flows and will be subject to exchange rate fluctuations as well as laws and regulations of the relevant jurisdictions where they operate. Our ability to declare dividends to our Shareholders in the future will be contingent on our future financial performance and distributable reserves of our Company. This is in turn dependent on our ability to implement our future plans and on regulatory, competitive, technical factors such as general economic conditions and demand for our products and other factors exclusive to the Manufacturing Business or Dealership Business. Any of these factors could have a material adverse effect on our business, financial position and results of operations, and hence there is no assurance that we will be able to pay dividends to our Shareholders after the completion of the Invitation.

The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control, and our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. Source withholding tax and exchange rate fluctuations may also apply to dividends and distributions from our subsidiaries to us.

Further, covenants in existing and future loan agreements which we may be party to may limit when and how much we can declare and pay out in the form of dividends, or may also restrict the ability of our subsidiaries to make distributions to us and our ability to receive distributions.

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## RISK FACTORS

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If our subsidiaries stop paying dividends or reduce the amount of the dividends they pay to our Company, or dividends become subject to increased tax because of changes in ownership of our subsidiaries or changes in tax laws or treaties, it would have an adverse effect on our ability to pay dividends on our Shares.

For a description of our dividend policy, please refer to the section entitled “*Dividend Policy*” of this Offer Document.

## USE OF PROCEEDS

The gross proceeds from the Invitation will be approximately S\$3.8 million. The net proceeds to be raised from the Invitation will be approximately S\$2.4 million, after deducting the aggregate estimated expenses incurred in connection with the Invitation (which will be borne by our Company, including listing and application fees, professional fees, underwriting and placement commission and other miscellaneous expenses of approximately S\$1.4 million).

Our Company intends to utilise the proceeds from the issue of the Invitation Shares as follows:

Use of proceeds from the issue of the Invitation Shares	Estimated amount (S\$'000)	As a percentage of the gross proceeds raised from the issue of the Invitation Shares (%)
Business expansion (including organic expansion and mergers and acquisitions)	1,800	47.4
General working capital purposes	584	15.4
<b>Net proceeds</b>	2,384	62.8
<b>Estimated Listing expenses<sup>(1)</sup></b>		
Professional fees	940	24.8
Underwriting and placement commission <sup>(2)</sup>	114	3.0
Miscellaneous expenses (Listing and application fees)	357	9.4
<b>Gross proceeds</b>	3,795	100.0

**Notes:**

- (1) In accordance with Singapore Financial Reporting Standards, of the total estimated listing expenses of approximately S\$1.41 million, approximately S\$0.25 million will be capitalised against share capital and the balance of the estimated listing expenses will be charged to profit or loss.
- (2) Pursuant to the Underwriting and Placement Agreement, the Underwriter and Placement Agent has agreed to underwrite the Offer Shares for an underwriting commission of 3.0% of the Invitation Price for each Offer Share and to procure subscriptions for the Placement Shares for a placement commission of 3.0% of the Invitation Price for each Placement Share, payable by our Company.

Please refer to the section entitled “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document for further details on our future plans. Save as disclosed in the section entitled “*General Information on our Group – Business Strategies and Future Plans*” of this Offer Document, we do not have any intention to use the net proceeds from the issue of the Invitation Shares to purchase assets outside the ordinary course of our business.

The foregoing represents our reasonable estimate of our allocation of the net proceeds from the issue of the Invitation Shares based on our current plans and estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and we may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that we decide to re-allocate the net proceeds from the issue of the Invitation Shares for other purposes, we will publicly announce our intention to do so through a SGXNET announcement on the SGX-ST's website, <http://www.sgxx.com>.



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## USE OF PROCEEDS

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Pending the deployment of the net proceeds from the issue of the Invitation Shares as aforesaid, the funds may be placed in short-term deposits with financial institutions, money market instruments and/or used for our Group's working capital requirements, as our Directors may, in their absolute discretion, deem appropriate. There is no minimum amount which, in the reasonable opinion of our Directors, must be raised from the Invitation.

We will make periodic announcements on the use of the net proceeds from the issue of the Invitation Shares as and when the funds are materially disbursed and provide a status report on the use of such proceeds in our annual report. Where there is any material deviation from the stated use of proceeds, we will announce the reasons for such deviation.

None of the net proceeds from the issue of the Invitation Shares will be used to discharge, reduce or retire any indebtedness of our Group.

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## DIVIDEND POLICY

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*Statements contained herein that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from forecasted or projected results. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us, the Sponsor and Issue Manager, the Underwriter and Placement Agent, or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled “Cautionary Note regarding Forward-Looking Statements” of this Offer Document for further details.*

Our Company currently does not have a formal dividend policy and has not distributed any dividends since its incorporation on 7 February 2018.

Our subsidiary, MNSB, had declared and paid dividends of approximately RM0.3 million, RM0.3 million and RM1.9 million to the MNSB shareholders in respect of FY2016, FY2017 and FY2018 respectively.

Save as disclosed above, none of our subsidiaries has declared or paid dividends during the Period Under Review.

Our Board may recommend and declare dividends, subject to the approval by our Shareholders, in an annual general meeting. We are not permitted to pay dividends in excess of the amount recommended by the Board. From time to time, our Board may, without the approval of our Shareholders, declare interim dividends if our Board considers that the profits of our Company justify such payment. The form, frequency and amount of future dividends will depend on our earnings and financial position, our results of operations, our capital needs, our plans for expansion, our profit after tax position, our expected financial performance, our projected capital expenditures and other investment plans, any restrictions on dividend payments under our financing arrangements and other factors that our Directors may consider appropriate.

As a holding company, we are further dependent on distributions from our subsidiaries in order to pay dividends in the future. The ability of our subsidiaries to declare any dividends to us, in terms of the timing, amount and form, will be dependent on the income and cash available to them and may be restricted under applicable laws or regulations. Under the terms of the instruments governing the borrowings of our subsidiaries, our subsidiaries are restricted from paying dividends or making any other distributions to their respective shareholders, including us.

Under Section 403 of the Companies Act and our Constitution, our Company must pay all dividends out of distributable profits. We cannot assure you that dividends will be paid in the future or as to the timing of any dividends that are to be paid in the future. Please refer to the section entitled “Risk Factors – We may not be able to pay dividends in the future” of this Offer Document for further details.

In considering the level of dividend payments, if any, we intend to take into account various factors, including:

- (a) our actual and projected financial position, results of operations and cash flows, capital expenditure requirement and investment plans;
- (b) restrictions on payment of dividends that may be imposed on us as a result of our financing arrangements; and

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## **DIVIDEND POLICY**

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- (c) general economic conditions and such other external factors that we believe to have an impact on our business operations.

We will declare dividends if any, in RM and make payment in Singapore Dollars.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends.

Information relating to taxes payable on dividends is set out in the section entitled “*Taxation*” of this Offer Document.

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## MANAGEMENT AND SPONSORSHIP AGREEMENT AND UNDERWRITING AND PLACEMENT AGREEMENT

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Pursuant to the Management and Sponsorship Agreement, our Company appointed CIMB as Sponsor and Issue Manager to manage the Invitation. CIMB will receive a management fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Underwriting and Placement Agreement, our Company appointed CGS-CIMB Securities as the Underwriter to underwrite our offer of the Offer Shares for a commission of 3.0% of the Invitation Price for each Offer Share, payable by our Company, pursuant to the Invitation. CGS-CIMB Securities may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

Pursuant to the Underwriting and Placement Agreement, our Company also appointed CGS-CIMB Securities as the Placement Agent to subscribe for or procure subscribers for the Placement Shares for a placement commission of 3.0% of the Invitation Price for each Placement Share, payable by our Company pursuant to the Invitation. CGS-CIMB Securities may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers of the Placement Shares may be required to pay a brokerage fee of up to 1.0% of the Invitation Price to the Placement Agent or its sub-placement agents (including the prevailing GST, if applicable).

CIMB may, in its absolute discretion but after prior consultation with our Company, by notice in writing to our Company if reasonably practicable, rescind or terminate the Management and Sponsorship Agreement at any time prior to or on the date of commencement of trading of our Shares on Catalist, on the occurrence of certain events, including, *inter alia*:

- (a) the issue of a Stop Order by the SGX-ST, acting as agent on behalf of the Authority, or other competent authority (notwithstanding that a supplementary or replacement offer document is subsequently registered with the SGX-ST); or
- (b) there shall come to the knowledge of CIMB any breach of the warranties or undertakings in the Management and Sponsorship Agreement or that any of the warranties or undertakings in the Management and Sponsorship Agreement is untrue or incorrect or misleading; or
- (c) any occurrence of certain specified events (as described in the Management and Sponsorship Agreement) which comes to the knowledge of CIMB; or
- (d) there shall have been:
  - (i) in the reasonable opinion of CIMB, any material adverse change, or any development or event involving a prospective material adverse change, in the condition (financial or otherwise), business, trading position, operations, management, assets, prospects, performance or general affairs of our Company or any of our Group Companies or our Group as a whole; or
  - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the SIC, the SGX-ST or any other relevant authorities) in Singapore or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore; or

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## MANAGEMENT AND SPONSORSHIP AGREEMENT AND UNDERWRITING AND PLACEMENT AGREEMENT

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- (iii) any change, or any development involving a prospective change or any crisis in local, national, regional or international monetary, financial and capital markets (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including, without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST (including Catalist)); or
  - (iv) any event or series of events in the nature of force majeure (as defined in the Management and Sponsorship Agreement); or
  - (v) any proceedings, formal investigations or enquiries are commenced against our Company or any of our Group Companies or any Director of our Company or any of our Group Companies; or
  - (vi) any other occurrence of any nature whatsoever, which shall in the reasonable opinion of CIMB (1) result or be likely to result in an adverse fluctuation or adverse conditions in the stock market in Singapore; or (2) be likely to materially prejudice the success of the Invitation, subscription or placement of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or (3) make it impracticable, inadvisable, inexpedient or not commercially viable to proceed with any of the transactions contemplated in the Management and Sponsorship Agreement; or (4) be such that no reasonable manager and sponsor would have entered into the Management and Sponsorship Agreement; or (5) result or be likely to result in the issue of a Stop Order by the SGX-ST acting as agent on behalf of the Authority, or other competent authority pursuant to the SFR and/or the Catalist Rules; or (6) make it not commercially viable or otherwise contrary to or outside the usual commercial practices of managers and sponsors in Singapore for CIMB to observe or perform or be obliged to observe or perform the terms of the Management and Sponsorship Agreement; or
- (e) without limiting the generality of the foregoing, if it comes to the notice of CIMB (1) any statement contained in this Offer Document or the Application Forms, which in the opinion of CIMB has become or been discovered to be untrue, incorrect or misleading in any respect or (2) circumstances or matters have arisen or have been discovered, which would, if this Offer Document was to be issued at that time, constitute in the reasonable opinion of CIMB, an omission of material information, and our Company fails to lodge a supplementary or replacement offer document within a reasonable time after being notified of such misrepresentation or omission or fail to promptly take such steps as CIMB may reasonably require to inform investors of the lodgement of such supplementary or replacement offer document; or
- (f) the Underwriting and Placement Agreement is terminated pursuant to its provisions.

The Underwriting and Placement Agreement is conditional upon, *inter alia*, the Management and Sponsorship Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Sponsorship Agreement.

Save as aforesaid, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing for and/or purchasing or agreeing to subscribe for or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company or any of our subsidiaries.

## CAPITALISATION AND INDEBTEDNESS

The information in the following table should be read in conjunction with the full text of this Offer Document, including the *“Independent and Reporting Auditor’s Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018”* as set out in Appendix A to this Offer Document as well as the section entitled *“Management’s Discussion and Analysis of Results of Operations and Financial Position”* of this Offer Document.

The following table sets out our cash and cash equivalents, capitalisation and indebtedness which have been prepared based on the management accounts of our Group as of 31 July 2018, on an actual basis and as adjusted for the issuance of the Invitation Shares and at the Invitation Price and the application of the net proceeds from the Invitation (in the manner described in the section entitled *“Use of Proceeds”* of this Offer Document).

(RM)	As at 31 July 2018		
	As at 31 March 2018	Unaudited	(As adjusted for the issuance of the Invitation Shares and the application of net proceeds <sup>(1)</sup> )
<b>Cash and cash equivalents</b>	11,018,847	12,610,766	19,813,554
<b>Indebtedness</b>			
Current			
– secured and guaranteed	9,364,889	13,542,626	13,542,626
– secured and non-guaranteed	399,597	399,597	399,597
– unsecured and guaranteed	788,940	766,104	766,104
– unsecured and non-guaranteed	–	–	–
Non-current			
– secured and guaranteed	12,780,680	13,216,318	13,216,318
– secured and non-guaranteed	555,250	402,388	402,388
– unsecured and guaranteed	3,432,877	3,261,012	3,261,012
– unsecured and non-guaranteed	–	–	–
<b>Total indebtedness</b>	<u>27,322,233</u>	<u>31,588,045</u>	<u>31,588,045</u>
<b>Total Shareholders’ equity</b>	<u>30,501,909</u>	<u>35,164,715</u>	<u>42,367,503</u>
<b>Total capitalisation and indebtedness</b>	<u><u>57,824,142</u></u>	<u><u>66,752,760</u></u>	<u><u>73,955,548</u></u>

**Note:**

(1) The net proceeds was translated based on the exchange rate of S\$1.00:RM3.0218 as at the Latest Practicable Date



## CAPITALISATION AND INDEBTEDNESS

### OUR BANKING AND OTHER FACILITIES

As of 31 July 2018, our banking and other facilities (utilised and unutilised) were as follows:

Borrower	Lender	Type of facilities	Amount of facilities granted (RM)	Amount utilised (RM)	Amount unutilised (RM)	Interest rate per annum	Maturity profile
MNSB	MayBank	Term loan <sup>(1), (2)</sup>	1,875,200	1,875,200	Nil	4.55%	20 years commencing January 2014
		Term loan <sup>(1), (2), (3), (26)</sup>	1,500,000	1,444,339	Nil	7.65%	5 years commencing June 2016
		Term loan <sup>(1), (3), (22), (26)</sup>	376,000	307,226	Nil	7.65%	5 years commencing December 2016
		Term loan <sup>(1), (3), (22), (26)</sup>	56,000	50,400	Nil	7.65%	5 years commencing December 2016
		Term loan <sup>(1), (3), (22), (26)</sup>	544,000	384,713	Nil	7.65%	5 years commencing December 2016
		Term loan <sup>(1), (3), (22)</sup>	300,000	0	300,000	7.65%	5 years commencing on drawdown
		Term loan <sup>(1), (3), (22)</sup>	300,000	0	300,000	7.65%	5 years commencing on drawdown
		Overdraft <sup>(1)</sup>	600,000	488,171	111,829	8.65%	Revolving
	Public Bank	Term loan <sup>(1), (4)</sup>	3,000,000	3,000,000	Nil	4.62%	20 years commencing December 2016
		Term loan <sup>(1), (6)</sup>	800,000	800,000	Nil	4.78%	20 years commencing November 2016
		Term loan <sup>(1), (6)</sup>	2,500,000	2,500,000	Nil	4.78%	20 years commencing December 2014
		Term loan <sup>(1), (5)</sup>	4,820,350	4,820,350	Nil	4.78%	20 years commencing November 2016

## CAPITALISATION AND INDEBTEDNESS

Borrower	Lender	Type of facilities	Amount of facilities granted (RM)	Amount utilised (RM)	Amount unutilised (RM)	Interest rate per annum	Maturity profile
MNASB		Trade facilities <sup>(1), (5)</sup>	500,000	Nil	500,000	0.1% per month	Revolving
		Term loan <sup>(1), (6)</sup>	1,000,000	1,000,000	Nil	4.72%	10 years commencing March 2018
		Term loan <sup>(1), (6)</sup>	3,103,060	3,103,060	Nil	4.60%	6 years commencing September 2012
		Revolving credit facility <sup>(1), (6)</sup>	2,500,000	2,161,042	338,958	0.1% per month	Revolving
	AmBank	Term Loan <sup>(7)</sup>	1,000,000	1,000,000	Nil	11.15%	7 years commencing May 2017
	MayBank	Floor stocking facility <sup>(8), (9)</sup>	750,000	100,000	650,000	6.65% – 7.65%	Revolving
	Maybank Islamic	Revolving Facility (sharia compliant) <sup>(10), (23)</sup>	750,000	332	749,668	10.65%	Revolving
	AmBank	Term Loan <sup>(10), (11), (24)</sup>	1,000,000	1,000,000	Nil	11.15%	7 years commencing May 2017
		Revolving credit facility <sup>(12)</sup>	2,000,000	141,768	1,858,232	7.35% – 8.40%	Revolving
	Public Bank	Overdraft <sup>(10), (11), (13)</sup>	900,000	Nil	900,000	6.60%	Revolving
MNOSB	MayBank	Bank Guarantee <sup>(10), (11), (13)</sup>	100,000	100,000	Nil	2.0%	Renewable yearly
		Floor stocking facility <sup>(12), (14), (25)</sup>	2,000,000	287,679	1,712,321	6.72% – 7.22%	Revolving
MNOSB	MayBank	Floor stocking facility <sup>(10), (15), (16)</sup>	2,000,000	Nil	2,000,000	7.85% – 8.85%	Revolving
MJNMSB	MayBank Islamic	Term loan (Sharia compliant) <sup>(10), (17)</sup>	2,570,000	2,570,000	Nil	7.9%	5 years commencing February 2018
		Overdraft (Sharia compliant) <sup>(10), (17)</sup>	1,000,000	362,843	637,157	7.9%	Revolving
	MayBank	Floor stocking facility <sup>(10), (17), (18)</sup>	7,000,000	3,638,435	3,361,565	9%	Revolving
	Public Bank	Floor stocking facility (Trade facility) <sup>(19)</sup>	4,000,000	2,752,734	1,247,266	6.65% – 7.15%	Revolving
	AmBank	Revolving credit facility <sup>(20), (21)</sup>	5,000,000	1,698,122	3,301,878	6.65%	Revolving

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## CAPITALISATION AND INDEBTEDNESS

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### Notes:

- (1) Secured by joint and several personal guarantees provided by our Executive Chairman and CEO, Mr Wong Cheong Chee, and our Executive Officers, Mr Wong Sai Hou and Mr Abdul Razak Bin Montel. Following the admission of our Company to Catalist, these personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (2) Secured by a first party legal charge of the Bandar Serendah Lot and a debenture of fixed and floating assets, present and future.
- (3) These banking facilities were taken out to finance the establishment of our Thermobonded Felt Plant.
- (4) Secured by existing first party all monies legal charge over the Lot 1 and the Lot 14.
- (5) Secured by existing first party all monies legal charge over the Lot 14.
- (6) Secured by existing first party all monies legal charge over the Lot 1.
- (7) Secured by joint and several personal guarantees provided by our Executive Chairman and CEO, Mr Wong Cheong Chee and our Executive Officer, Mr Wong Sai Hou. Following the admission of our Company to Catalist, these personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (8) Secured by a debenture dated 12 November 2012 by way of a floating charge of all of MNASB's assets, present and future, including the stock of vehicles financed by MayBank.
- (9) Secured by joint and several personal guarantees provided by our Executive Director, Ms Wong Keat Yee, and our Executive Officers, Mr Wong Sai Hou, Mr Wong Sai Keat and Mr Abdul Razak Bin Montel. Following the admission of our Company to Catalist, these personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (10) Secured by a corporate guarantee provided by MNSB.
- (11) Secured by a personal guarantee provided by our Executive Officer, Mr Wong Sai Hou. Following the admission of our Company to Catalist, these personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (12) Secured by joint and several personal guarantees provided by our Executive Director, Ms Wong Keat Yee, and our Executive Officers, Mr Wong Sai Hou and Mr Wong Sai Keat. Following the admission of our Company to Catalist, these personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (13) Secured by an open all monies third party charge over the Lot 1.
- (14) Secured by a debenture by way of a floating charge of all of MNASB's assets, present and future, including the stock of vehicles financed by Public Bank.
- (15) Secured by a debenture in a form of a floating charge over all of MNOSB's stock of automobiles financed by MayBank.
- (16) Secured by joint and several personal guarantees provided by our Executive Director, Ms Wong Keat Yee and our Executive Officer, Mr Wong Sai Keat. Following the admission of our Company to Catalist, these personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (17) Secured by joint and several personal guarantees provided by our Executive Officer Mr Wong Sai Hou, and Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon. Following the admission of our Company to Catalist, the personal guarantees provided by Mr. Wong Sai Hou will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.

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## CAPITALISATION AND INDEBTEDNESS

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- (18) Secured by a Debenture in the form of a first floating charge over all of MJNMSB's stock of automobiles financed by MayBank.
- (19) Secured by a joint and several guarantees provided by MNASB, Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon.
- (20) Secured by joint and several guarantees provided by our Executive Chairman and CEO, Mr Wong Cheong Chee, our Executive Officer, Mr Wong Sai Hou and Mr Tan Kian Boon. Following the admission of our Company to Catalist, the personal guarantees provided by Mr Wong Cheong Chee and Mr Wong Sai Hou will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details.
- (21) Secured by a corporate guarantee provided by MNASB.
- (22) Secured by a specific debenture on the machinery purchased from the proceeds of the loan.
- (23) Secured by joint and several guarantees provided by our Executive Officers, Mr Abdul Razak Bin Montel and Mr Wong Sai Hou. Following the admission of our Company to Catalist, the aforementioned personal guarantees will be discharged and replaced with corporate guarantees provided by our Company. Please refer to the section entitled "*Interested Person Transactions and Conflicts of Interest – Present and On-going Interested Person Transactions – Provision of guarantees by our Executive Directors and Executive Officers*" of this Offer Document for further details. In addition, this facility is secured by a asset sale agreement for RM1,156,875 over Sharia compliant commodities.
- (24) As at the date of this Offer Document, AmBank has not required MNSB to execute the corporate guarantee and our Executive Officer, Mr Wong Sai Hou, the personal guarantee, in connection with this banking facility.
- (25) As at the date of this Offer Document, Public Bank has not required our Executive Director, Ms Wong Keat Yee, and our Executive Officers, Mr Wong Sai Hou and Mr Wong Sai Keat to execute the joint and several personal guarantees in connection with this banking facility.
- (26) These banking facilities were taken out to purchase machinery for our Manufacturing Business. We do not intend to further utilise these banking facilities.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any bank borrowing or our financial arrangements which could materially affect our financial position and results or business operations or the investments of our Shareholders.

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## SHARE CAPITAL

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Our Company (Company Registration Number: 201804996H) was incorporated in Singapore on 7 February 2018 under the Companies Act as a private limited company, under the name of “MeGroup Pte. Ltd.”. Our Company was converted into a public limited company on 26 September 2018 and the name of our Company was changed to MeGroup Ltd. in connection therewith.

Our issued and paid-up share capital as at the date of incorporation was S\$1, comprising one Share held by Mr Wong Sai Hou.

At an extraordinary general meeting held on 26 September 2018, our then Shareholder approved, amongst others, the following:

- (a) the allotment and issue of 101,999,999 Shares pursuant to the Restructuring Exercise;
- (b) the conversion of our Company into a public limited company and the change of our name to “MeGroup Ltd.”;
- (c) the adoption of a new Constitution;
- (d) the listing and quotation of all the issued Shares (including the Invitation Shares to be allotted and issued pursuant to the Invitation) on Catalist;
- (e) the allotment and issue of the Invitation Shares pursuant to the Invitation, on the basis that the Invitation Shares, when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (f) the entry by our Company into the Service Agreement with Mr Wong Cheong Chee;
- (g) the adoption of the MeGroup Performance Share Plan, and the authorisation of our Directors, to allot and issue Shares upon the grant of Awards granted under the MeGroup Performance Share Plan;
- (h) the adoption of the MeGroup Share Option Scheme, and the authorisation of our Directors, to allot and issue Shares upon the exercise of Options granted under the MeGroup Share Options Scheme; and
- (i) the authorisation to our Directors, pursuant to Section 161 of the Companies Act and by way of ordinary resolution in a general meeting, to:
  - (i) allot or issue Shares whether by way of rights, bonus or otherwise;
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares, at any time and upon such terms and conditions for such purposes and to such persons as our Directors shall in their absolute discretion deem fit; and

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## SHARE CAPITAL

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- (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by our Directors while this resolution was in force, provided that:
- (1) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this authority) does not exceed 100.0% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with subparagraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to the then existing Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50.0% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (ii) below);
  - (2) subject to such manner of calculation as may be prescribed by SGX-ST for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (1) above, the total number of the issued Shares shall be based on the total number of issued Shares of our Company (excluding treasury shares) immediately after the Invitation, after adjusting for:
    - (aa) new Shares arising from the conversion or exercise of any convertible securities;
    - (bb) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed, provided the options or awards were granted in compliance with the Catalist Rules; and
    - (cc) any subsequent bonus issue, consolidation or sub-division of Shares;
  - (3) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of our Company; and
  - (4) (unless revoked or varied by our Company in general meeting) the authority conferred by this resolution shall take effect from the date of admission of our Company to Catalist and continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

As at the date of this Offer Document, there is only one class of shares in the capital of our Company, being the ordinary Shares. A summary of our Constitution relating to, among others, the voting rights of our Shareholders is set out under Appendix B entitled “*Extracts of our Company’s Constitution*” to this Offer Document. There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose. The Invitation Shares shall have the same interest and voting rights as our existing Shares that were issued prior to this Invitation and there are no restrictions to the free transferability of our Shares.



## SHARE CAPITAL

As at the date of this Offer Document, the issued and paid-up share capital of our Company is S\$8.6 million comprising 102,000,000 Shares. Upon the allotment and issue of the Invitation Shares, the resultant issued and paid-up share capital of our Company will be increased to S\$12.2 million comprising 118,500,000 Shares.

No person has, or has the right to be given, an option to subscribe for or purchase any securities of our Company or our subsidiaries. As at the Latest Practicable Date, no option to subscribe for Shares in our Company has been granted to, or was exercised by, any of our Directors or Executive Officers.

Details of changes in our issued and paid-up ordinary share capital since incorporation and the resultant issued and paid-up share capital immediately after the Invitation are as follows:

	Number of Shares	(S\$)
Issued and fully paid Shares as at the incorporation of our Company	1	1
Issue of new Shares pursuant to the Restructuring Exercise	101,999,999	8,635,295
Issued and paid-up share capital immediately after the Restructuring Exercise	102,000,000	8,635,296
New Shares issued pursuant to the Invitation	16,500,000	3,544,490 <sup>(1)</sup>
Post-Invitation issued and paid-up share capital	118,500,000	12,179,786

**Note:**

- (1) This takes into account set-off against share capital, our Company's share of the estimated expenses incurred in connection with the Invitation of approximately S\$0.25 million and excludes our Company's share of the estimated expenses incurred in connection with the Invitation of approximately S\$1.16 million to be charged directly to the combined statements of comprehensive income.

The Shareholder's equity of our Company as at the date of incorporation, after adjustments to reflect the Restructuring Exercise and the issue of the Invitation Shares pursuant to the Invitation are set forth below.

	As at the date of Incorporation	Immediately before the Invitation	Immediately after the Invitation
Issued and paid-up shares (number of shares)	1	102,000,000	118,500,000
Issued and paid-up share capital (S\$) <sup>(3)</sup>	1	8,635,296	12,179,786 <sup>(1)</sup>
Total Shareholder's equity (S\$) <sup>(3)</sup>	1	8,635,296	11,018,904 <sup>(2)</sup>

**Notes:**

- (1) This takes into account the capitalisation of estimated expenses of approximately S\$0.25 million incurred in connection with the Invitation.
- (2) This takes into account listing expenses of approximately S\$1.41 million incurred in connection with the Invitation.
- (3) Translated based on the exchange rate of S\$1.00:RM3.0218 as at the Latest Practicable Date.

## SHARE CAPITAL

Save as disclosed below, there were no changes in the issued and paid-up ordinary share capital of our Company and our subsidiaries since the date of incorporation within the last three years preceding the Latest Practicable Date:

Date of issue	Number of shares issued	Consideration	Event	Resultant issued share capital
<b><u>Our Company</u></b>				
7 February 2018	1	S\$1	Incorporation	S\$1
26 September 2018	101,999,999	S\$8,635,295 <sup>(1)</sup>	Restructuring Exercise	S\$8,635,296 <sup>(1)</sup>
<b><u>MeMG</u></b>				
7 February 2018	1	S\$1	Incorporation	S\$1
26 September 2018	1,499,850	S\$6,017,338 <sup>(1)</sup>	Restructuring Exercise	S\$6,017,339 <sup>(1)</sup>
<b><u>MeAG</u></b>				
7 February 2018	1	S\$1	Incorporation	S\$1
26 September 2018	7,962,790	S\$2,617,957 <sup>(1)</sup>	Restructuring Exercise	S\$2,617,958 <sup>(1)</sup>
<b><u>MNHSB</u></b>				
18 September 2018	7,962,788	RM7,962,788	Restructuring Exercise	RM7,962,790
<b><u>MNOSB</u></b>				
22 October 2015	100,000	RM100,000	Issue and allotment to MNHSB (RM1 per share)	RM600,000
29 March 2018	400,000	RM400,000	Issue and allotment to MNHSB (RM1 per share)	RM1,000,000
<b><u>MJNMSB</u></b>				
6 July 2017	100	RM100	Incorporation	RM100
29 September 2017	999,900	RM999,900	Issued and allotted to MNASB, Mr Tan Kian Boon, Mr Wan Hazmi bin Wan Mustafa and Mr Wong Sai Hou	RM1,000,000
<b><u>MJNASB</u></b>				
15 August 2018	120,000	RM120,000	Incorporation	RM120,000

**Note:**

(1) Translated based on the exchange rate of S\$1.00:RM3.0218 as at the Latest Practicable Date.

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## RESTRUCTURING EXERCISE

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In connection with the Invitation, we undertook the Restructuring Exercise to rationalise and streamline our Group's corporate structure.

Our Restructuring Exercise was completed on 2 October 2018.

The following steps were taken during the Restructuring Exercise:

### RESTRUCTURING EXERCISE IN RELATION TO OUR MALAYSIAN ENTITIES

#### 1. **Transfer of Mr Abdul Razak Bin Montel's shares in MNSB to Crimson Cloud Sdn. Bhd.**

For personal asset planning purposes, our Executive Officer, Mr Abdul Razak Bin Montel, transferred his entire interest in MNSB to Crimson Cloud Sdn. Bhd. (Company No. 1287977-P), a company incorporated in Malaysia that is wholly-owned by Mr Abdul Razak Bin Montel, on 19 September 2018 for nominal consideration.

#### 2. **Disposal by MNSB of the entire issued and paid-up share capital of Yatta Group to the MNSB Shareholders**

To dispose of our non-core cafe restaurant and event space business prior to listing on Catalist, MNSB entered into a Share Sale and Purchase Agreement with the MNSB Shareholders on 30 March 2018 in respect of the entire issued and paid-up share capital of Yatta Group for an aggregate cash consideration of RM500,000, paid by the MNSB Shareholders in proportion to their shareholding in MNSB.

As Yatta Group was a loss-making entity, such cash consideration was equivalent to the initial investment paid by our Executive Chairman and CEO, Mr Wong Cheong Chee on behalf of MNSB in Yatta Group.

Please refer to the section entitled "*Interested Person Transactions – Past Interested Person Transactions – Disposal of shares in Yatta Group*" and the section entitled "*Interested Person Transactions – Past Interested Person Transactions – Advances from our Executive Chairman and CEO, Mr Wong Cheong Chee*" of this Offer Document for further details.

#### 3. **Acquisition of shares in MJNMSB by MNHSB**

Prior to the Restructuring Exercise, our Executive Chairman and CEO, Mr Wong Cheong Chee and our Executive Officer, Mr Wong Sai Hou, held one share each in the share capital of MNHSB, notwithstanding that MNSB had contributed the entire of MNHSB's initial paid-up capital at the time of incorporation.

On 21 August 2018, MNHSB entered into a sale and purchase agreement with MNASB pursuant to which MNHSB acquired from MNASB 550,000 shares in MJNMSB (comprising 55% of the issued and paid-up capital of MJNMSB) at an aggregate consideration of RM2,681,195 (the "**MJNMSB Purchase Consideration**"), which was equal to the aggregate amount contributed by MNASB to the paid-up capital of MJNMSB, as reflected in the audited accounts of MJNMSB as at 31 March 2018.

## RESTRUCTURING EXERCISE

The MJNMSB Purchase Consideration was satisfied by an issue and allotment of an aggregate of 2,681,195 shares in MNHSB credited as fully paid to the MNSB Shareholders in the following manner:

Name of allottee	Number of shares in MNHSB issued to such allottee
Ms Badariyah Binti Hussein	47,194
Mr Ahmad Izzuddin Bin Md. Isa	9,010
Mr Wong Sai Hou	90,257
Mr Ng Tin Poh @ Ng Say Heng	93,494
Crimson Cloud Sdn. Bhd. (as nominee of Mr Abdul Razak Bin Montel)	322,312
Mr Lee Khoon Chuan	411,462
Ms Ng Bee Eng	93,494
Mr Wong Cheong Chee	1,613,972
<b>Total</b>	<b>2,681,195</b>

Upon completion of the acquisition of shares in MJNMSB by MNHSB, MNHSB became the legal owner of 55% of the issued and paid-up capital of MJNMSB.

#### 4. Acquisition of shares in MNASB by MNHSB

On 21 August 2018, MNHSB entered into a sale and purchase agreement with MNSB pursuant to which MNHSB acquired the entire issued and paid-up capital of MNASB from MNSB for an aggregate consideration of RM5,281,593 (the “**MNASB Purchase Consideration**”), which was determined based on the audited NTA of MNASB as at 31 March 2018.

The MNASB Purchase Consideration was satisfied by the allotment and issue of an aggregate of 5,281,593 shares in MNHSB credited as fully paid to the MNSB Shareholders in the following manner:

Name of allottee	Number of shares in MNHSB issued to such allottee
Ms Badariyah Binti Hussein	92,965
Mr Ahmad Izzuddin Bin Md. Isa	17,748
Mr Wong Sai Hou	177,796
Mr Ng Tin Poh @ Ng Say Heng	184,170
Crimson Cloud Sdn. Bhd. (as nominee of Mr Abdul Razak Bin Montel)	634,911
Mr Lee Khoon Chuan	810,524
Ms Ng Bee Eng	184,170
Mr Wong Cheong Chee	3,179,309
<b>Total</b>	<b>5,281,593</b>

Upon the completion of the acquisition of shares in MNASB by MNHSB: (i) MNASB became a wholly-owned subsidiary of MNHSB; and (ii) shares in MNHSB were held by the MNSB Shareholders (and their nominees) in proportions equivalent to the MNSB Shareholders' shareholding in MNSB.

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## RESTRUCTURING EXERCISE

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### RESTRUCTURING EXERCISE IN RELATION TO OUR SINGAPORE ENTITIES

#### 1. Incorporation of our Company

Our Company was incorporated on 7 February 2018 in Singapore under the Companies Act as a private company limited by shares. At incorporation, our Company had an issued and paid-up share capital of S\$1 comprising one Share, which was held by our Executive Officer, Mr Wong Sai Hou.

#### 2. Incorporation of MeMG

MeMG was incorporated on 7 February 2018 in Singapore under the Companies Act as a private company limited by shares. At incorporation, MeMG had an issued and paid-up share capital of S\$1 comprising one Share, which was held by our Company.

#### 3. Incorporation of MeAG

MeAG was incorporated on 7 February 2018 in Singapore under the Companies Act as a private company limited by shares. At incorporation, MeAG had an issued and paid-up share capital of S\$1 comprising of one Share, which was held by our Company.

#### 4. Acquisition of shares in MNHSB by MeAG and the acquisition of shares in MNSB by MeMG

On 17 September 2018, MeAG entered into a restructuring agreement with, *inter alia*, our Company, Ms Badariyah Binti Hussein, Mr Ahmad Izzuddin Bin Md. Isa, Mr Wong Sai Hou, Mr Ng Tin Poh @ Ng Say Heng, Crimson Cloud Sdn. Bhd., Mr Lee Khoon Chuan, Ms Ng Bee Eng, Mr Wong Cheong Chee and Mr Ong Hock Seng (the “**MeAG Restructuring Agreement**”), pursuant to which MeAG acquired the entire issued and paid-up capital of MNHSB for an aggregate consideration of RM7,910,942, which was based on the audited NTA of MNHSB as at 31 March 2018, after adjusting for the acquisition by MNHSB of the 55% stake in MJNMSB and 100% of MNASB (“**MNHSB Purchase Consideration**”).

The MNHSB Purchase Consideration was satisfied by an issue and allotment of 30,923,275 Shares credited as fully paid in the following manner:

Name of allottee	Number of Shares issued to such allottee
Ms Badariyah Binti Hussein	544,304
Mr Ahmad Izzuddin Bin Md. Isa	103,913
Mr Wong Sai Hou	1,040,982
Mr Ng Tin Poh @ Ng Say Heng	1,078,299
Crimson Cloud Sdn. Bhd.	3,717,349
Mr Lee Khoon Chuan	4,745,548
Ms Ng Bee Eng	1,078,299
JCWW Holdings Pte. Ltd. (as nominee of our Executive Chairman and CEO, Mr Wong Cheong Chee)	18,614,581
<b>Total</b>	<b>30,923,275</b>

## RESTRUCTURING EXERCISE

On 17 September 2018, MeMG entered into a restructuring agreement with, *inter alia*, our Company, Ms Badariyah Binti Hussein, Mr Ahmad Izzuddin Bin Md. Isa, Mr Wong Sai Hou, Mr Ng Tin Poh @ Ng Say Heng, Crimson Cloud Sdn. Bhd., Mr Lee Khoon Chuan, Ms Ng Bee Eng, Mr Wong Cheong Chee and Mr Ong Hock Seng (the “**MeMG Restructuring Agreement**”) pursuant to which MeMG acquired the entire issued and paid-up capital of MNSB for an aggregate consideration of RM18,183,192, which was based on the audited NTA of MNSB as at 31 March 2018, after adjusting for the sale by MNSB of its 55% stake in MJNMSB and 100% of MNASB (the “**MNSB Purchase Consideration**”).

The MNSB Purchase Consideration was satisfied by the allotment and issuance of an aggregate of 71,076,724 Shares credited as fully paid in the following manner:

Name of allottee	Number of Shares issued to such allottee
Ms Badariyah Binti Hussein	1,251,075
Mr Ahmad Izzuddin Bin Md. Isa	238,842
Mr Wong Sai Hou	2,392,682
Mr Ng Tin Poh @ Ng Say Heng	2,478,456
Crimson Cloud Sdn. Bhd.	8,544,277
Mr Lee Khoon Chuan	10,907,577
Ms Ng Bee Eng	2,478,456
JCWW Holdings Pte. Ltd. (as nominee of our Executive Chairman and CEO, Mr Wong Cheong Chee)	42,785,359
<b>Total</b>	<b>71,076,724</b>

In consideration of the allotment and issuance of the Shares to the MNSB Shareholders (or their nominees) by our Company, MeAG issued and allotted 7,962,790 shares, and MeMG issued and allotted 1,499,850 shares, to our Company.

Upon completion of the acquisition of shares in MNHSB by MeAG and upon completion of the acquisition of shares in MNSB by MeMG, MNSB and MNHSB became wholly-owned subsidiaries of MeMG and MeAG, respectively.

### 5. **Transfer of Shares to Mr Ong Hock Seng pursuant to the MeAG Restructuring Agreement and the MeMG Restructuring Agreement**

Pursuant to the MeAG Restructuring Agreement and the MeMG Restructuring Agreement, in consideration for the provision of consulting services rendered by Mr Ong Hock Seng to the MNSB Shareholders in relation to their divestment of shares in (i) MNSB to MeMG; and (ii) MNHSB to MeAG, and their shareholding in the Company, each of the MNSB Shareholders agreed to apportion 1,200,151 Shares out of the 101,999,999 Shares to be issued to the MNSB Shareholders (or their nominees) under the MeAG Restructuring Agreement and the MeMG Restructuring Agreement and to procure the issue and allotment by the Company of such 1,200,151 Shares to Mr Ong Hock Seng.

Mr Ong Hock Seng has agreed to a lock-up arrangement during the Moratorium Period (as defined herein) in respect of his shareholdings in our Company.



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## RESTRUCTURING EXERCISE

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### **6. Conversion of our Company into a public limited company**

On 26 September 2018, our Company was converted into a public limited company and we changed our name to “MeGroup Ltd.”.

The Legal Advisers to the Company as to Malaysia Law is of the opinion that the Restructuring Exercise is not in breach of applicable laws and regulations in Malaysia and would not require the prior consent or approval of, or notification to, any governmental or regulatory authority in Malaysia, save for notification to the Malaysian Investment Development Authority (“**MIDA**”), which may be made either prior to or after completion of the Restructuring Exercise and is a purely procedural matter and not a restriction to the Restructuring Exercise.

## SHAREHOLDERS

### OWNERSHIP STRUCTURE

Our Directors, Substantial Shareholders and other Shareholders and their respective shareholdings immediately before and after the Invitation are set out below:

	Before the Invitation			After the Invitation		
	Direct Interest	Deemed Interest		Direct Interest	Deemed Interest	
	No. of Shares	%	No. of Shares	No. of Shares	%	%
<b>Directors</b>						
Mr Wong Cheong Chee <sup>(1) (3)</sup>	–	–	60,677,497	–	–	51.2
Ms Wong Keat Yee <sup>(1) (2)</sup>	–	–	–	–	–	–
Mr Chee Teck Kwong Patrick	–	–	–	–	–	–
Mr Benjamin Choo	–	–	–	–	–	–
Mr Edmund Lai Sou Wei	–	–	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>						
JCWW Holdings Pte. Ltd. <sup>(2)</sup>	60,677,497	59.5	–	60,677,497	51.2	–
Mdm Lee Soh Hong <sup>(1) (3)</sup>	–	–	60,677,497	–	–	51.2
Crimson Cloud Sdn. Bhd. <sup>(4)</sup>	12,117,353	11.9	–	12,117,353	10.2	–
Mr Abdul Razak Bin Montel <sup>(4)</sup>	–	–	12,117,353	–	–	10.2
Mr Lee Khoon Chuan <sup>(1)</sup>	15,468,947	15.2	–	15,468,947	13.1	–
<b>Other Shareholders</b>						
Mr Wong Sai Hou <sup>(1) (2)</sup>	3,393,264	3.3	–	3,393,264	2.9	–
Mr Ong Hock Seng	1,200,151	1.2	–	1,200,151	1.0	–
Mr Ng Tin Poh @ Ng Say Heng	3,514,906	3.4	–	3,514,906	3.0	–
Ms Ng Bee Eng	3,514,906	3.4	–	3,514,906	3.0	–
Others <sup>(5)</sup>	2,112,976	2.1	–	2,112,976	1.8	–
New public investors	–	–	–	16,500,000	13.9	–
<b>Total</b>	102,000,000	100.0	–	118,500,000	100.0	–

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## SHAREHOLDERS

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### Notes:

- (1) Our Executive Chairman and CEO, Mr Wong Cheong Chee, is the husband of Mdm Lee Soh Hong. Our Executive Director, Ms Wong Keat Yee and Mr Wong Sai Hou and Mr Wong Sai Keat are the children of Mr Wong Cheong Chee and Mdm Lee Soh Hong. Mr Lee Khoon Chuan is the nephew of Mdm Lee Soh Hong.
- (2) JCWW Holdings Pte. Ltd. is our Controlling Shareholder. JCWW Holdings Pte. Ltd. is a company incorporated in Singapore. The Shareholders of JCWW Holdings Pte. Ltd. are Mr Wong Cheong Chee and Mdm Lee Soh Hong (who own 70% of the shares of JCWW Holdings Pte. Ltd. in joint names), Ms Wong Keat Yee (10%), Mr Wong Sai Hou (10%) and Mr Wong Sai Keat (10%).
- (3) Mr Wong Cheong Chee and Mdm Lee Soh Hong are deemed to be interested in the Shares held by JCWW Holdings Pte. Ltd. by virtue of Section 4 of the SFA.
- (4) Crimson Cloud Sdn. Bhd. is a company incorporated in Malaysia that is wholly-owned by our Executive Officer, Mr Abdul Razak Bin Montel. Mr Abdul Razak Bin Montel is deemed to be interested in the Shares held by Crimson Cloud Sdn. Bhd. by virtue of Section 4 of the SFA.
- (5) "Others" comprises our Shareholders who are existing public shareholders, namely, Ms Badariyah Binti Hussein and Mr Ahmad Izzudin bin Md. Isa. Neither Ms Badariyah Binti Hussein nor Mr Ahmad Izzudin bin Md. Isa are (i) Directors, Executive Officers, Substantial Shareholders or Controlling Shareholders of our Company or its subsidiaries; or (ii) associates of the Directors, Executive Officers, Substantial Shareholders or Controlling Shareholders of our Company or its subsidiaries. Ms Badariyah Binti Hussein and Mr Ahmad Izzudin bin Md. Isa have not given undertakings to observe a moratorium over their Shares and will collectively have a direct interest in approximately 1.8% of our Shares after the Invitation.

To the best of the knowledge of our Directors, save as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any other corporation, any government or other natural or legal person. There is no known arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Invitation Shares. Our Directors are not aware of any arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

As at the Latest Practicable Date, our Company has only one class of shares. There is no restriction on the transfer of fully paid Shares in scripless form except where required by law or the Catalist Rules.

There has been no public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or units of business trust which has occurred between the date of the incorporation of our Company to the Latest Practicable Date.

There are no Shares that are held by or on behalf of our Company or by the subsidiaries of our Company.

As at the date of this Offer Document, no Award has been granted under the MeGroup Performance Share Plan and no Option has been granted under the MeGroup Share Option Scheme.

### SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

Save as disclosed in this section and under the sections entitled "*Share Capital*" and "*Restructuring Exercise*" of this Offer Document, there have been no significant changes in the percentage of ownership of our Shares from the incorporation of our Company to the Latest Practicable Date.

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## SHAREHOLDERS

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### MORATORIUM

To demonstrate their commitment to our Group, Our Executive Chairman and CEO, Mr Wong Cheong Chee, our Executive Director, Ms Wong Keat Yee, our Executive Officers, Mr Wong Sai Hou, Mr Wong Sai Keat and Mr Abdul Razak Bin Montel, Crimson Cloud Sdn. Bhd., JCWW Holdings Pte. Ltd., Mdm Lee Soh Hong, Mr Lee Khoon Chuan, Mr Ng Tin Poh @ Ng Say Heng, Ms Ng Bee Eng and Mr Ong Hock Seng, who will hold 99,887,024 Shares in aggregate, representing 84.3% of our Company's post-Invitation share capital, have each undertaken not to sell, realise, assign, transfer, pledge, grant any option to, dispose of or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of his interest in our Company for a period of 12 months commencing from the date of our Company's admission to Catalist (the "**Moratorium Period**").

## DILUTION

Dilution is the amount by which the Invitation Price paid by the applicants for our Invitation Shares in this Invitation exceeds our NAV per Share immediately after the Invitation. As at 31 March 2018, our NAV per Share before adjusting for the estimated net proceeds due to us from the Invitation and based on the pre-Invitation issued and paid-up share capital of 102,000,000 Shares was 9.90 cents per Share.

Pursuant to the Invitation in respect of 16,500,000 Invitation Shares at the Invitation Price, our NAV per Share after adjusting for the estimated net proceeds due to us from the issue of the Invitation Shares and based on the post-Invitation issued and paid-up share capital of 118,500,000 Shares would have been 10.53 cents. This represents an immediate increase in the NAV per Share of 0.63 cents to our existing Shareholders and an immediate dilution of 12.47 cents in the NAV per Share or approximately 54.2% to our new public investors subscribing for and/or purchasing the Invitation Shares at the Invitation Price.

The following table illustrates the dilution on a per Share basis as at 31 March 2018:

	Cents
Invitation Price per Share	23.00
NAV per Share as at 31 March 2018 based on the pre-Invitation ordinary share capital of 102,000,000 Shares <sup>(1)</sup>	9.90
Increase in NAV per Share attributable to the Invitation	0.63
NAV per Share after adjusting for the issue of the Invitation Shares and based on the post-Invitation share capital of 118,500,000 Shares	10.53
Dilution in NAV per Share to new public investors	12.47
Dilution in NAV per Share to new public investors as a percentage of the Invitation Price	54.2%

**Note:**

(1) The NAV was translated based on the exchange rate of S\$1.00: RM3.0218 as at the Latest Practicable Date.

The following table summarises the total number of Shares acquired by our existing Shareholders during the three years prior to the date of lodgement of this Offer Document with the SGX-ST, total consideration paid and average price (effective cash cost) per Share paid by our existing Shareholders and our new public investors pursuant to the Invitation:

	Number of Shares issued/ acquired	Total consideration (S\$)	Average price per Share (cents)
<b>Directors</b>			
Mr Wong Cheong Chee	—	—	—
Ms Wong Keat Yee	—	—	—
<b>Substantial Shareholders (other than Directors)</b>			
JCWW Holdings Pte. Ltd. <sup>(1)</sup>	60,677,497	5,136,942	8.47
Mr Lee Khoo Chuan	15,468,947	1,309,597	8.47
Crimson Cloud Sdn. Bhd. <sup>(2)</sup>	12,117,353	1,025,852	8.47
<b>Other Shareholders</b>			
Mr Wong Sai Hou	3,393,264	287,273	8.47

## DILUTION

	Number of Shares issued/ acquired	Total consideration (S\$)	Average price per Share (cents)
Ms Badariyah Binti Hussein	1,774,254	150,208	8.47
Mr Ong Hock Seng <sup>(3)</sup>	1,200,151	101,604	8.47
Mr Ahmad Izzudin Bin Md. Isa	338,722	28,676	8.47
Mr Ng Tin Poh @ Ng Say Heng	3,514,906	297,571	8.47
Ms Ng Bee Eng	3,514,906	297,571	8.47
New public investors	16,500,000	3,795,000	23.00

**Notes:**

- (1) JCWW Holdings Pte. Ltd. is a company incorporated in Singapore. The shareholders of JCWW Holdings Pte. Ltd. are our Executive Chairman and CEO, Mr Wong Cheong Chee and his wife, Mdm Lee Soh Hong (who own 70% of the shares of JCWW Holdings Pte. Ltd. in joint names), our Executive Director, Ms Wong Keat Yee (10%), and our Executive Officers Mr Wong Sai Hou (10%) and Mr Wong Sai Keat (10%). JCWW Holdings Pte. Ltd. was allotted and issued the 60,677,497 Shares under the Restructuring Exercise.
- (2) Crimson Cloud Sdn. Bhd. is a company incorporated in Malaysia and is wholly-owned by our Executive Officer, Mr Abdul Razak Bin Montel.
- (3) Mr Ong Hock Seng was allotted and issued 1,200,151 Shares under the Restructuring Exercise in consideration of the provision of consulting services rendered to the MNSB Shareholders in relation to their divestment of shares in (i) MNSB to MeMG; and (ii) MNHSB to MeAG, and their shareholding in the Company. Please refer to the section entitled “*Restructuring Exercise*” of this Offer Document for further details.

## THE SHARE-BASED INCENTIVE PLANS

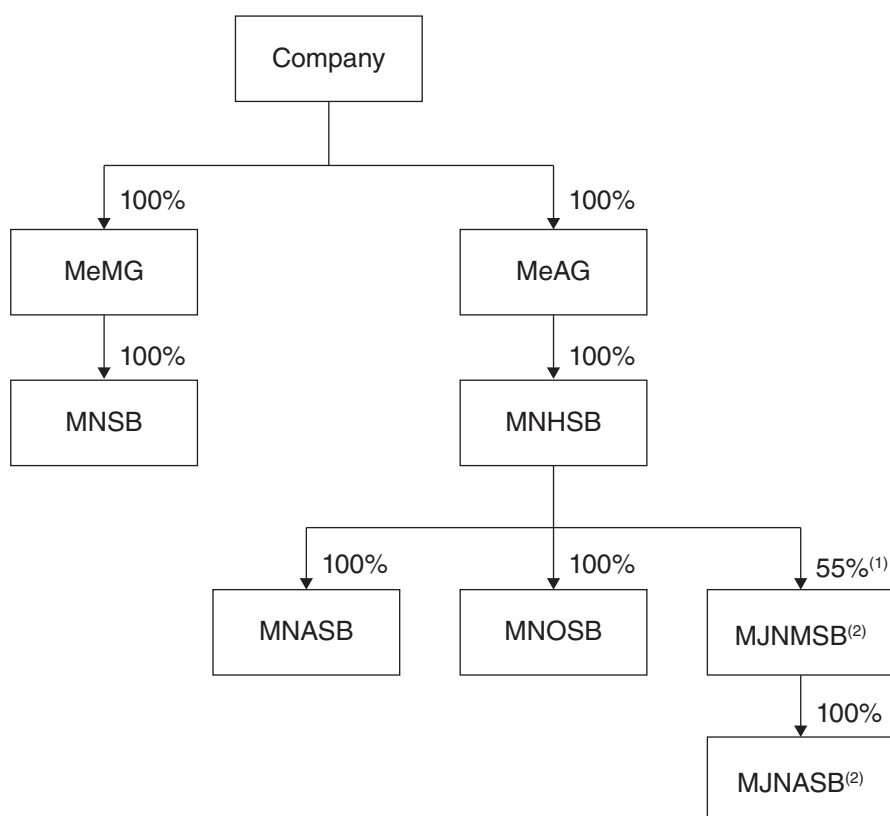
In addition, the issue of Award Shares pursuant to the vesting of awards granted under the MeGroup Performance Share Plan and the issue of Option Shares pursuant to the exercise of options which may be granted under the MeGroup Share Option Scheme would have a further dilutive effect on investors in the Invitation. Please refer to section entitled “*Share-based Incentive Plans*” for more details.

Save as disclosed above, none of our Directors or the Substantial Shareholders or their respective associates have acquired any Shares during the period of three years prior to the date of the lodgement of this Offer Document.

## GROUP STRUCTURE

Our Company was incorporated on 7 February 2018 in Singapore under the Companies Act as a private limited company. As at the Latest Practicable Date, our issued and paid-up share capital is S\$8.6 million comprising 102,000,000 Shares. Our Company is an investment holding company. On 26 September 2018, our Company was converted into a public company and the name of our Company was changed to MeGroup Ltd.

As at the date of this Offer Document, our Group structure is as follows:



### Notes:

(1) The remaining 45.0% of the shares of MJNMSB are held by the following parties:

- (i) Mr Tan Kian Boon, who holds 20% of the shares in MJNMSB;
- (ii) Mr Wan Hazmi Bin Wan Mustafa who holds 20% of the shares in MJNMSB; and
- (iii) Our Executive Officer, Mr Wong Sai Hou, who holds 5% of the shares in MJNMSB.

Mr Wong Sai Hou is the brother of our Executive Director, Ms Wong Keat Yee and the son of our Executive Chairman and CEO, Mr Wong Cheong Chee.

Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon are not related to any of our Directors, Executive Officers, Substantial Shareholders or their associates.

(2) As at the date of this Offer Document, the directors of MJNMSB and MJNASB are Mr Wan Hazmi Bin Wan Mustafa, Mr Tan Kian Boon, our Executive Chairman and CEO, Mr Wong Cheong Chee and our Executive Officer, Mr Wong Sai Hou. Mr Wong Sai Hou, Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon are involved in the day-to-day operations of MJNMSB and are employees of MJNMSB, in addition to being directors of MJNMSB. It is intended that Mr Wong Sai Hou, Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon will also be involved in the day-to-day operations of MJNASB, when operations of our new 3S Honda dealership at Kuala Selangor commence in November 2018.

Mr Wong Cheong Chee serves on the boards of both MJNMSB and MJNASB as non-executive director and is not involved in the day-to-day operations of MJNMSB and will not be involved in the day-to-day operations of MJNASB.



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## GROUP STRUCTURE

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The details of our subsidiaries as at the date of this Offer Document are as follows:

<b>Name of subsidiary</b>	<b>Date/place of incorporation</b>	<b>Principal business</b>	<b>Principal place of business</b>	<b>% effective ownership</b>
MeMG	7 February 2018/ Singapore	Investment Holding Company	Singapore	100%
MeAG	7 February 2018/ Singapore	Investment Holding Company	Singapore	100%
MNSB	30 March 1995/ Malaysia	Manufacturing of Car Carpets and Components of Motor Vehicles	Malaysia	100%
MNHSB	3 October 2014/ Malaysia	Investment Holding Company	Malaysia	100%
MNASB	2 August 2012/ Malaysia	Trading of Motor Vehicles and providing Support Services relating to the business	Malaysia	100%
MNOSB	21 October 2014/ Malaysia	Trading of Motor Vehicles and providing Support Services relating to the business	Malaysia	100%
MJNMSB	7 July 2017/ Malaysia	Wholesale and retail of New Motor Vehicles and Maintenance and Repair of Motor Vehicles	Malaysia	55% <sup>(1)</sup>
MJNASB	15 August 2018/ Malaysia	Wholesale and retail of New Motor Vehicles and Maintenance and Repair of Motor Vehicles	Malaysia	55% <sup>(2)</sup>

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## GROUP STRUCTURE

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**Notes:**

- (1) The remaining 45% is held by the following parties: (i) Mr Tan Kian Boon and Mr Wan Hazmi Bin Wan Mustafa each holds 20% of the shares in MJNMSB; and (ii) our Executive Officer, Mr Wong Sai Hou, holds the remaining 5%.

Mr Wong Sai Hou is the brother of our Executive Director, Ms Wong Keat Yee and the son of our Executive Chairman and CEO, Mr Wong Cheong Chee.

Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon are not related to any of our Directors, Executive Officers, Substantial Shareholders or their Associates. Mr Wan Hazmi Bin Wan Mustafa and Mr Tan Kian Boon are involved in the day-to-day operations of MJNMSB and are employees of MJNMSB, in addition to being directors of MJNMSB.

- (2) MJNASB is a wholly-owned subsidiary of MJNMSB.

None of the abovementioned subsidiaries is listed on any stock exchange. We do not have any Associated Companies.

None of our Independent Directors sits on the board of any of our subsidiaries.

Please refer to the section entitled “*General and Statutory Information – Share Capital*” of this Offer Document for details of the changes in the issued and paid-up share capital or changes to the registered share capital of our Company and our subsidiaries within the three years preceding the Latest Practicable Date.

## SELECTED FINANCIAL INFORMATION

*The following selected financial information of our Group should be read in conjunction with the full text of this Offer Document, including the “Independent and Reporting Auditor’s Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018” as set out in Appendix A to this Offer Document respectively. Our financial statements are prepared and presented in accordance with Singapore Financial Reporting Standards.*

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
<b>Continuing operations</b>			
Revenue	106,503,807	89,812,278	148,752,053
Cost of sales	(92,442,183)	(87,320,294)	(129,189,984)
Gross profit	14,061,624	2,491,984	19,562,069
Other income	196,098	21,179,944	5,365,568
Other gains and losses – net	(152,590)	(12,917,000)	162,771
Expenses			
– Selling and distribution	(1,528,225)	(1,402,751)	(2,769,461)
– Administrative	(6,399,245)	(7,957,183)	(10,013,277)
– Finance	(629,688)	(721,334)	(813,454)
Profit before income tax	5,547,974	673,660	11,494,216
Income tax expense	(1,128,775)	(616,088)	(2,175,224)
<b>Profit from continuing operations</b>	4,419,199	57,572	9,318,992
<b>Discontinued operations</b>			
Loss from discontinued operations	–	(7,843)	(410,221)
<b>Total comprehensive income, representing net profit for the financial year</b>	4,419,199	49,729	8,908,771
<b>Total comprehensive income, representing net profit attributable to:</b>			
Equity holders of the Company	4,419,199	49,729	8,944,435
Non-controlling interests	–	–	(35,664)
	4,419,199	49,729	8,908,771
<b>Earnings per share for profit attributable to equity holders of the Company (Sen per share)</b>			
<b>Basic earnings per share</b>			
From continuing operations <sup>(1)</sup>	4.33	0.06	9.17
From discontinued operations <sup>(2)</sup>	–	(0.01)	(0.40)

## SELECTED FINANCIAL INFORMATION

### Notes:

- (1) For comparative purposes, EPS from continuing operations for the Period Under Review have been computed based on the profit for the year (as the case may be) attributable to owners of the Company from continuing operations and our pre-Invitation share capital of 102,000,000 Shares, which are assumed to be in issue throughout the Period Under Review.
- (2) For comparative purposes, EPS from discontinued operations for the Period Under Review have been computed based on the profit for the year (as the case may be) attributable to owners of the Company from discontinued operations and our pre-Invitation share capital of 102,000,000 Shares, which are assumed to be in issue throughout the Period Under Review.

### COMBINED BALANCE SHEETS

	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9,855,187	10,184,190	11,018,847
Trade and other receivables	8,891,114	12,895,864	14,638,540
Tax recoverable	95,063	209,644	–
Inventories	6,837,394	3,597,032	10,043,213
	<u>25,678,758</u>	<u>26,886,730</u>	<u>35,700,600</u>
<b>Non-current assets</b>			
Property, plant and equipment	19,789,221	27,768,739	32,258,050
Intangible assets	–	–	3,967,298
	<u>19,789,221</u>	<u>27,768,739</u>	<u>36,225,348</u>
<b>Total assets</b>	<u>45,467,979</u>	<u>54,655,469</u>	<u>71,925,948</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9,361,565	12,656,863	8,878,360
Current income tax liabilities	59,700	142,818	735,885
Borrowings	2,676,360	2,259,797	10,553,427
	<u>12,097,625</u>	<u>15,059,478</u>	<u>20,167,672</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	1,143,000	1,184,000	2,637,499
Borrowings	8,469,834	14,904,712	16,768,806
	<u>9,612,834</u>	<u>16,088,712</u>	<u>19,406,305</u>
<b>Total liabilities</b>	<u>21,710,459</u>	<u>31,148,190</u>	<u>39,573,977</u>
<b>NET ASSETS</b>	<u>23,757,520</u>	<u>23,507,279</u>	<u>32,351,971</u>

## SELECTED FINANCIAL INFORMATION

	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the company</b>			
Share capital	1,499,852	1,499,852	1,499,852
Retained profits	22,257,668	22,007,427	29,002,057
	23,757,520	23,507,279	30,501,909
Non-controlling interests	–	–	1,850,062
<b>Total equity</b>	<u>23,757,520</u>	<u>23,507,279</u>	<u>32,351,971</u>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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*The following discussion of our Group's business, results of operations and financial position has been prepared by our management and should be read in conjunction with the full text of this Offer Document, including the "Independent and Reporting Auditor's Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018" as set out in Appendix A to this Offer Document.*

*This discussion contains forward-looking statements that involve risks and uncertainties. Our Group's actual results may differ significantly from those projected in the forward looking-statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the section entitled "Risk Factors" of this Offer Document.*

*Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document.*

### OVERVIEW

Our business comprises two segments:

- (a) **Manufacturing** – we manufacture NVH components and other non-NVH components primarily for the automotive industry in Malaysia. Our NVH components include headliners and engine outers and are incorporated into various parts of automobiles, including the ceiling, dashboard, hood and boot. Our non-NVH components include parcel trays and board assembly decks.
- (b) **Dealership** – we own and operate 3S and 4S automobile dealerships for the sale of new automobiles in various parts of Malaysia under the Honda, Mazda and Peugeot brands. Our 3S automobile dealerships offer the following services: (i) 1S services, being the sale of new automobiles; (ii) 2S services, being the provision of after-sales services; and (iii) 3S services, being the sale of automobile parts and accessories. Our 4S automobile dealerships also offer 4S services to its customers, being automobile body paintwork and collision repair services, in addition to the 1S, 2S and 3S services.

### Revenue

We derive our revenue primarily from our (i) Manufacturing Business, and (ii) Dealership Business.

For our Manufacturing Business, we manufacture and sell NVH components and non-NVH components to our customers. Revenue from the sale of the NVH components and non-NVH components are recognised upon the transfer of significant risks and rewards of ownership of the products to our customers.

For our Dealership Business, we sell automobiles and automobile parts and accessories, provide after-sales services and offer automobile paintwork and collision repair services to our customers. Revenue earned from this business includes the sale of automobiles, sale of automobile parts and

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

accessories, after-sales automobile services, incentives received from distributors and handling fees. Revenue from the sale of automobiles and automobile parts and accessories are recognised upon the transfer of significant risk and rewards of ownerships to our customers. Revenue from the sale of automobile insurance is recognised as part of the sale of automobiles. Revenue from the provision of after-sales automobile services is recognised when the Group has rendered the services to customers and the collectability of the related receivable is reasonably assured. Revenue from the incentives received from distributors is recognised upon the Group meeting the target required by the distributors. Revenue from the handling fees are recognised upon the completion of the related services provided.

The following tables summarises the breakdown of our revenue for FY2016, FY2017, and FY2018, by our operating segment:

### Revenue by operating segment

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
<b>Manufacturing Business:</b>						
Sales of NVH components and non-NVH components	32,109.7	30.1	36,387.2	40.5	38,051.2	25.6
<b>Subtotal</b>	<b>32,109.7</b>	<b>30.1</b>	<b>36,387.2</b>	<b>40.5</b>	<b>38,051.2</b>	<b>25.6</b>
<b>Dealership Business:</b>						
Sales of automobiles	64,816.2	60.9	41,420.5	46.1	95,404.6	64.1
After-sales automobile services	7,917.8	7.4	10,929.8	12.2	13,714.2	9.2
Sales of automobile parts and accessories	81.5	0.1	149.4	0.2	231.3	0.2
Incentives received from distributors	1,343.3	1.3	779.6	0.9	936.8	0.6
Handling Fees	235.3	0.2	145.8	0.1	414.0	0.3
<b>Subtotal</b>	<b>74,394.1</b>	<b>69.9</b>	<b>53,425.1</b>	<b>59.5</b>	<b>110,700.9</b>	<b>74.4</b>
<b>Total</b>	<b>106,503.8</b>	<b>100.0</b>	<b>89,812.3</b>	<b>100.0</b>	<b>148,752.1</b>	<b>100.0</b>

Our revenue was derived principally from our Dealership Business, which accounted for approximately 69.9%, 59.5% and 74.4% of our total revenue in FY2016, FY2017 and FY2018 respectively. Revenue from our Manufacturing Business accounted for approximately 30.1%, 40.5% and 25.6% of our total revenue in FY2016, FY2017 and FY2018 respectively.

There is no geographical information of our revenue, as the Group's core business is in Malaysia.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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The major factors affecting our revenue include, *inter alia*, the following:

- (a) demand for automobiles in Malaysia. The demand for automobiles in Malaysia is affected by, *inter alia*, the disposable income level per capita and purchasing power in Malaysia, consumer preferences and interest rates charged by the financial institutions;
- (b) our ability to maintain our long-term business relationship with our customers in the Manufacturing Business;
- (c) our ability to consistently develop products that meet the specific requirements of our customers in the Manufacturing Business;
- (d) our ability to compete effectively with competitors in the Manufacturing Business and the Dealership Business in terms of, *inter alia*, technical expertise, product quality, service quality, delivery time, price and brand;
- (e) our ability to renew our dealership agreements with our Principals;
- (f) changes in laws and regulations in relation to automobile ownership in Malaysia, including measures that may affect the ability of consumers to obtain financing to purchase automobiles; and
- (g) our ability to continue to retain the services of our key management personnel.

Please refer to the section entitled “*Risk Factors*” of this Offer Document for a more comprehensive discussion of other factors which may affect our business operations and financial performance.

### Cost of Sales

Our cost of sales for the Manufacturing Business mainly comprises of cost of inventories, direct labour costs and manufacturing expenses, and for the Dealership Business it mainly comprises of cost of inventories, direct labour costs and direct expenses.

The following table summarises the breakdown of our cost of sales for FY2016, FY2017 and FY2018 by our operating segment:

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
<b>Manufacturing Business</b>						
Cost of inventories	13,583.5	14.7	21,588.9	24.7	17,715.4	13.7
Direct labour costs	2,486.8	2.7	3,271.6	3.8	2,882.4	2.2
Manufacturing expenses	5,309.7	5.7	12,341.9	14.1	5,330.9	4.1
<b>Subtotal</b>	<b>21,380.0</b>	<b>23.1</b>	<b>37,202.4</b>	<b>42.6</b>	<b>25,928.7</b>	<b>20.0</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
<b>Dealership Business</b>						
Cost of inventories	66,133.7	71.5	45,071.4	51.6	96,393.2	74.6
Direct labour costs	706.5	0.8	846.8	1.0	1,225.0	1.0
Direct expenses	4,222.0	4.6	4,199.7	4.8	5,643.1	4.4
<b>Subtotal</b>	<b>71,062.2</b>	<b>76.9</b>	<b>50,117.9</b>	<b>57.4</b>	<b>103,261.3</b>	<b>80.0</b>
<b>Total</b>	<b>92,442.2</b>	<b>100.0</b>	<b>87,320.3</b>	<b>100.0</b>	<b>129,190.0</b>	<b>100.0</b>

For our Manufacturing Business, our cost of inventories forms the biggest part of our cost of sales and these costs mainly include cost of raw materials which consists mainly of KP Sheets, assembled automobile headliners, semi-cured resinated felt and raw fibres. Direct labour costs are mainly the labour cost incurred during the manufacturing process. Manufacturing expense includes depreciation expense, freight charges, rental expense, repair and maintenance cost, among others.

For our Dealership Business, our cost of inventories forms the biggest part of our cost of sales and these costs mainly include cost of new automobiles and cost of automobile parts and accessories. Direct labour costs are mainly the labour cost incurred the provision of after-sales service of automobiles. Direct expense includes rental expense, registration fee, road tax and insurance, among others.

The cost of sales for our operating segments are summarised below:

(a) Manufacturing Business

For FY2016, FY2017 and FY2018, cost of sales for our Manufacturing Business accounted for approximately 23.1%, 42.6% and 20.0% of our total cost of sales respectively.

(b) Dealership Business

For FY2016, FY2017 and FY2018, cost of sales for our Dealership Business accounted for approximately 76.9%, 57.4% and 80.0% of our total cost of sales respectively.

The major factors affecting our cost of sales include, *inter alia*, the following:

- (a) fluctuations in purchase price and disruptions to the supply of the raw materials and other intermediate goods used by our Group to manufacture our NVH components and non-NVH components due to factors such as global demand and supply conditions for such materials and changes in global economic conditions;
- (b) fluctuations in purchase price from automobile distributors. Our purchase cost of new automobiles and spare parts from automobile distributors are determined by the automobile distributors and we have no control or influence over their pricing and business strategies;

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

- (c) changes in labour costs. Our labour costs mainly comprise our employees' salaries and bonuses, Employee Provident Fund and Social Security Organisation Contributions, and foreign workers' levies. Labour costs are generally affected by government policies, regulation, the supply and availability of foreign works and overall salary inflation in the industry; and
- (d) changes in government regulations and requirements. Changes in regulations and requirements applicable to the automobile industry could increase our cost of sales.

Please refer to the section entitled "*Risk Factors*" of this Offer Document for a more comprehensive discussion of other factors which may affect our business operations and financial performance.

### Gross Profit and Gross Profit Margin

Our gross profit was determined after deducting cost of sales from our revenue. The following tables summarises the breakdown of our gross profit and gross profit margin for FY2016, FY2017 and FY2018 by our operating segment:

#### Gross Profit

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
Manufacturing Business	10,729.7	76.3	(815.2)	(32.7)	12,122.5	62.0
Dealership Business	3,331.9	23.7	3,307.2	132.7	7,439.5	38.0
<b>Total</b>	<b>14,061.6</b>	<b>100.0</b>	<b>2,492.0</b>	<b>100.0</b>	<b>19,562.0</b>	<b>100.0</b>

#### Gross Profit Margin

	FY2016	FY2017	FY2018
	%	%	%
Manufacturing Business	33.4	(2.2)	31.9
Dealership Business	4.5	6.2	6.7
<b>Total</b>	<b>13.2</b>	<b>2.8</b>	<b>13.2</b>

### Other Income

Our other income comprises mainly interest income, commission received, dividend received from short-term money market fund, income from storage service, insurance claims, and others. Our other income amounted to approximately RM0.2 million, RM21.2 million and RM5.4 million in FY2016, FY2017 and FY2018 respectively, which accounted for approximately 0.2%, 23.6% and 3.6% of our total revenue in FY2016, FY2017 and FY2018 respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following tables summarises the breakdown of our other income for FY2016, FY2017 and FY2018:

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
Business Development Fund	–	–	–	–	200.0	3.7
Interest income	113.4	57.8	152.5	0.7	55.8	1.0
Commission received	0.0	0.0	32.0	0.1	105.3	2.0
Dividend received from short-term money market fund	38.0	19.4	15.7	0.1	31.2	0.6
Income from storage service	18.9	9.6	45.3	0.2	38.7	0.7
Insurance claims	5.8	3.0	20,902.4	98.7	–	–
Others	20.0	10.2	32.0	0.2	4,934.6	92.0
<b>Total</b>	<b>196.1</b>	<b>100.0</b>	<b>21,179.9</b>	<b>100.0</b>	<b>5,365.6</b>	<b>100.0</b>

Interest income is derived from the interest earned from our bank deposits and fixed deposits from licensed banks.

Commission received is commissions received by us from the sale of automobile insurance policies at our dealerships.

Dividend received from short-term money market fund is dividends that we received from our investments in short-term money market funds managed by a financial institution.

Insurance claims are payments that we received from insurers for compensations for an insured policy event, which includes the Group's insurance claims for damaged property, plant and equipment and consequential losses as a result of the fire incident in FY2017.

Others include, amongst others, the amount of RM4.8 million received in FY2018 as compensation from a Malaysian government body for relocating our Mazda dealership from Lot 304A, Jalan Sg Besi, 57100, Kuala Lumpur to Jalan SB due to the compulsory acquisition for the Mass Rapid Transit system in the Greater Kuala Lumpur/Klang Valley region in Malaysia.

### Other gains and losses – net

Our other gains and losses comprise mainly bad debts written-off, realised currency exchange gain or loss, unrealised currency exchange gain or loss, gain on disposal of property, plant and equipment, and property, plant and equipment written-off, and gain on disposal of a subsidiary corporation and losses amounting to approximately RM(0.2) million, RM(12.9) million and RM0.2 million in FY2016, FY2017 and FY2018 respectively, which accounted for approximately (0.1)%, (14.4)% and 0.1% of our total revenue in FY2016, FY2017 and FY2018 respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following tables summarises the breakdown of our other gains and losses for FY2016, FY2017 and FY2018:

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
Bad debts written-off	(179.9)	117.9	(3.3)	0.0	(10.0)	(6.1)
Realised currency exchange gain/(loss) – net	23.6	(15.5)	(69.7)	0.5	926.3	569.0
Unrealised currency exchange gain/(loss) – net	3.7	(2.4)	(566.7)	4.4	–	–
Gain/(loss) on disposal of property, plant and equipment	–	–	193.1	(1.5)	(54.0)	(33.2)
Property, plant and equipment written-off	–	–	(12,470.4)	96.6	(1,063.6)	(653.3)
Gain on disposal of subsidiary corporation	–	–	–	–	418.1	256.8
Others	–	–	–	–	(54.0)	(33.2)
<b>Total</b>	<b>(152.6)</b>	<b>100.0</b>	<b>(12,917.0)</b>	<b>100.0</b>	<b>162.8</b>	<b>100.0</b>

Bad debts written-off arise from amounts uncollectible from trade and other debtors.

Realised currency exchange gain or loss arise due to fluctuations in foreign currencies relating to our purchases that has been realised.

Unrealised currency exchange gain or loss arise due to fluctuations in foreign currencies relating to our purchases that has not been realised.

Gain on disposal of property, plant and equipment arise due to the disposal of property, plant and equipment used by our Group.

Property, plant and equipment written-off arise mainly due to the write-off of the plant, building and machinery at our Main Manufacturing Plant at Lot 1 which was affected by the fire incident in FY2017.

### Expenses

Our expenses comprise (i) selling and distribution expenses; (ii) administrative expenses; and (iii) finance expenses.

### Selling and Distribution Expenses

Our selling and distribution expenses, which amounted to approximately RM1.5 million, RM1.4 million and RM2.8 million in FY2016, FY2017 and FY2018 respectively, comprise mainly salaries, wages allowances and bonuses paid to sales employees, sales commission paid to sales employees, advertising and promotion costs, and other selling and distribution expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following tables summarises the breakdown of our selling and distribution expenses for FY2016, FY2017 and FY2018:

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
Salaries, wages, allowances and bonus	(381.9)	25.0	(390.6)	27.8	(618.3)	22.3
Sales commission	(591.3)	38.7	(432.2)	30.8	(1,274.7)	46.0
Others	(555.0)	36.3	(580.0)	41.4	(876.5)	31.7
<b>Total</b>	<b>(1,528.2)</b>	<b>100.0</b>	<b>(1,402.8)</b>	<b>100.0</b>	<b>(2,769.5)</b>	<b>100.0</b>

### Administrative Expenses

Our administrative expenses, which amounted to approximately RM6.4 million, RM8.0 million and RM10.0 million in FY2016, FY2017 and FY2018 respectively, comprise mainly salaries, wages allowances and bonuses paid to administrative employees, depreciation expenses, amortisation expenses, security charges, professional fees, directors' remuneration and other administrative expenses.

The following tables summarise the breakdown of our administrative expenses for FY2016, FY2017 and FY2018:

	FY2016		FY2017		FY2018	
	RM'000	%	RM'000	%	RM'000	%
Salaries, wages, allowances and bonus	(634.2)	9.9	(742.5)	9.3	(1,998.7)	20.0
Depreciation expense	(655.7)	10.2	(856.7)	10.8	(1,005.6)	10.0
Amortisation expense	—	—	—	—	(386.7)	3.9
Security charges	(190.6)	3.0	(271.6)	3.4	(314.6)	3.1
Professional fees	(186.0)	2.9	(971.8)	12.2	(467.3)	4.7
Directors' Remuneration	(2,028.0)	31.7	(2,107.6)	26.5	(1,942.6)	19.4
Others	(2,704.7)	42.3	(3,007.0)	37.8	(3,897.8)	38.9
<b>Total</b>	<b>(6,399.2)</b>	<b>100.0</b>	<b>(7,957.2)</b>	<b>100.0</b>	<b>(10,013.3)</b>	<b>100.0</b>

### Finance Expenses

Our finance expenses, which amounted to approximately RM0.6 million, RM0.7 million and RM0.8 million in FY2016, FY2017 and FY2018 respectively, comprise interest expense from bank facilities, bank overdrafts, finance lease liabilities, term loans and other advances from banks for/to finance the purchase of property, plant and equipment and for working capital.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Income Tax Expense

Income tax expense includes current income tax and deferred income tax. Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

We are mainly subject to the prevailing tax regulations of Malaysia, in which the applicable corporate income tax rate was 24.0% for FY2016, FY2017 and FY2018. The following table sets out the statutory tax rates in Malaysia and the effective tax rate applicable to the Group for FY2016, FY2017 and FY2018:

	FY2016	FY2017	FY2018
Prevailing statutory tax rate in Malaysia (%)	24.0	24.0	24.0
Effective tax rate (%)	20.3	92.5	19.6

Our income tax expense was approximately RM1.1 million, RM0.6 million and RM2.2 million in FY2016, FY2017 and FY2018 respectively. The effective tax rate was 20.3%, 92.5% and 19.6% in FY2016, FY2017 and FY2018 respectively.

Our effective tax rate was lower than the statutory income tax rate of 24.0% for FY2016 due to utilisation of reinvestment allowances.

Our effective tax rate was higher than the statutory income tax rate of 24.0% for FY2017 due to expenses not deductible for tax purposes and under provision of current income tax in prior periods, which was partially offset by a portion of income that is not subject to tax and also due to the significant decline in the gross profit of our Manufacturing Business as a result of the fire incident.

Our effective tax rate was lower than the statutory income tax rate of 24.0% for FY2018 as certain of our Group's income for FY2018 was not subject to tax.

### INFLATION

During for FY2016, FY2017 and FY2018, our financial performance was not materially affected by inflation.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### REVIEW OF RESULTS OF OPERATIONS

#### FY2017 compared to FY2016

##### **Revenue**

Our total revenue decreased by approximately RM16.7 million or 15.7% from approximately RM106.5 million in FY2016 to approximately RM89.8 million in FY2017 due mainly to decrease in revenue from our Dealership Business; and this was partially offset by the increase in revenue from our Manufacturing Business.

##### *Our Manufacturing Business*

Revenue from our Manufacturing Business increased by approximately RM4.3 million or 13.3% from approximately RM32.1 million in FY2016 to approximately RM36.4 million in FY2017. The increase was mainly due to the increase in volume of the NVH components and non-NVH components ordered by and supplied to our customers.

##### *Our Dealership Business*

Revenue from our Dealership Business decreased by approximately RM21.0 million or 28.2% from approximately RM74.4 million in FY2016 to approximately RM53.4 million in FY2017. The decrease was mainly due to a decrease in sales of automobiles, which decreased by approximately RM23.4 million or 36.1% from approximately RM64.8 million in FY2016 to approximately RM41.4 million. This decrease is due to a decrease in volume of automobiles sold, which was in line with the decrease in the total industry volume in Malaysia which contracted by approximately 13.0% in the calendar year 2016<sup>(1)</sup>. The decrease in sales of automobiles was partially offset by the increase in revenue from the provision of after-sales automobile services, which increased by RM3.0 million or 38.0% from approximately RM7.9 million in FY2016 to RM10.9 million in FY2017 due to an increase in the volume of the after-sales automobile services provided.

##### **Note:**

1. Source: Press release entitled "Market Review for 2016 and Outlook for 2017" dated 19 January 2017 by the Malaysian Automotive Association. Please note that the Malaysian Automotive Association has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that the Malaysian Automotive Association does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.

##### **Cost of Sales**

Our cost of sales decreased by approximately RM5.1 million or 5.5% from approximately RM92.4 million in FY2016 to approximately RM87.3 million in FY2017, which was less than the decrease in the Group's total revenue. The decrease was mainly due to a decrease in cost of sales for our Dealership Business and partially offset by the increase in cost of sales for our Manufacturing Business.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### *Our Manufacturing Business*

Cost of sales for our Manufacturing Business increased by approximately RM15.8 million or 74.0% from approximately RM21.4 million in FY2016 to approximately RM37.2 million in FY2017. The increase was mainly due to an increase in manufacturing expenses and direct labour costs due to the fire incident at our Main Manufacturing Plant at Lot 1 in FY2017. Manufacturing expenses increased as our Group incurred additional rental expenses to temporarily relocate the affected manufacturing operations to three separate locations during the downtime of the affected factory, and additional repair and maintenance expenses to repair the damages caused by the fire. Direct labour costs had also increased as our Group had to hire more temporary contract workers to work in the three separate locations and to meet our customers' orders in a timely manner. The cost of inventories had also increased as the Group's purchasing processes were affected by the fire.

### *Our Dealership Business*

Cost of sales for our Dealership Business decreased by approximately RM20.9 million or 29.5% from approximately RM71.1 million in FY2016 to RM50.1 million in FY2017. The decrease was mainly due to a decrease in the cost of inventories which decreased by approximately RM21.1 million or 31.8% from approximately RM66.1 million in FY2016 to RM45.1 million in FY2017. The decrease in cost of inventories was due to the decrease in volume of automobiles purchased which was in tandem with the decrease in the volume of automobiles sold.

### **Gross Profit and Gross Profit Margin**

For the reasons discussed above, our gross profit decreased by approximately RM11.6 million or 82.3% from approximately RM14.1 million in FY2016 to approximately RM2.5 million in FY2017, which was in line with the decrease in our revenue. The decrease was mainly due to a decrease in gross profit of RM11.5 million for the Manufacturing Business from a gross profit of RM10.7 million in FY2016 to a gross loss of RM0.8 million in FY2017. Gross profit for the Dealership Business remained fairly stable at RM3.3 million in FY2016 and FY2017.

Our overall gross profit margin decreased by approximately 10.43 percentage points from approximately 13.2% in FY2016 to approximately 2.8% in FY2017. The decrease in our gross profit margin was mainly due to the decrease in the gross profit margin from our Manufacturing Business which decreased by approximately 35.66 percentage points from approximately 33.4% in FY2016 to approximately (2.2)% in FY2017. This was partially offset by the increase in the gross profit margin from our Dealership Business which increased by approximately 1.71 percentage points from approximately 4.5% in FY2016 to approximately 6.2% in FY2017.

### **Other Income**

Our other income increased by approximately RM21.0 million from approximately RM0.2 million in FY2016 to approximately RM21.2 million in FY2017, mainly due to the insurance claims where the Group was able to claim approximately RM20.9 million for its damaged property, plant and equipment of approximately RM15.7 million and consequential losses of approximately RM5.2 million as a result of the fire incident.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### **Other Gains and Losses – Net**

Our other gains and losses decreased by approximately RM12.8 million from a loss of approximately RM(0.2) million in FY2016 to a loss of approximately RM(12.9) million in FY2017, mainly due to the write-off of approximately RM(12.5) million of the property, plant and equipment that suffered extensive fire damage.

### **Expenses**

#### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased by approximately RM0.1 million or 8.2% from approximately RM1.5 million in FY2016 to approximately RM1.4 million in FY2017. The decrease was mainly due to a decrease in sales commission paid to sales employees in our Dealership Business, which was in tandem with the decrease in the volume of automobiles sold.

#### *Administrative Expenses*

Our administrative expenses increased by approximately RM1.6 million or 24.3% from approximately RM6.4 million in FY2016 to approximately RM8.0 million in FY2017. The increase was mainly due to the increase in (i) professional fees, which increased by approximately RM0.8 million from RM0.2 million in FY2016 to RM1.0 million in FY2017 in relation to the acquisition of Lot 14, and (ii) depreciation expense, which increased by RM0.2 million or approximately 30.7% from RM0.7 million in FY2016 to RM0.9 million in FY2017.

#### *Finance Expenses*

Our finance expenses increased by approximately RM0.1 million or 14.6% from approximately RM0.6 million in FY2016 to approximately RM0.7 million in FY2017. The increase was mainly due to the new loans taken up to finance the purchase of new machinery.

### **Profit before Income Tax**

For the reasons discussed above, our profit before income tax decreased by approximately RM4.9 million or 87.9% from approximately RM5.5 million in FY2016 to approximately RM0.7 million in FY2017, which was in line with the decrease in our revenue and gross profit.

### **Income Tax Expense**

Our income tax expense decreased by approximately RM0.5 million or 45.4% from approximately RM1.1 million in FY2016 to approximately RM0.6 million in FY2017.

The decrease in our income tax expense was mainly due to the lower profit before tax achieved and the increase in income not subject to tax. This was partially offset by the increase in expenses not deductible for tax and an under provision of current income tax in prior financial years.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### FY2018 compared to FY2017

#### **Revenue**

Our total revenue increased by approximately RM58.9 million or 65.6% from approximately RM89.8 million in FY2017 to approximately RM148.8 million in FY2018 due to increases in revenue from both our Manufacturing Business and our Dealership Business.

#### *Our Manufacturing Business*

Revenue from our Manufacturing Business increased by approximately RM1.7 million or 4.6% from approximately RM36.4 million in FY2017 to approximately RM38.1 million in FY2018. The increase was mainly due to an increase in volume of the NVH components and non-NVH components ordered by and supplied to our customers attributable to the fulfilment of a new contract for an existing customer.

#### *Our Dealership Business*

Revenue from our Dealership Business increased by approximately RM57.3 million or 107.2% from approximately RM53.4 million in FY2017 to approximately RM110.7 million in FY2018. The increase was mainly due to an increase in (i) sales of automobiles, which increased by approximately RM54.0 million or 130.3% from approximately RM41.4 million in FY2017 to approximately RM95.4 million and (ii) revenue from the provision of after-sales automobile services, which increased by RM2.8 million or 25.5% from approximately RM10.9 million in FY2017 to RM13.7 million in FY2018. The increase in sales of automobiles was due to the increase in (i) volume of automobiles sold from our Mazda and Peugeot dealerships due to the introduction of new models of automobiles and (ii) additional volume contributions from the new Honda dealership at Jalan RS and the new Peugeot dealership at Galla Industrial Park. The increase in revenue from the provision of after-sales automobile services was due to an increase in the volume of services provided.

#### **Cost of Sales**

Our cost of sales increased by approximately RM41.9 million or 47.9% from approximately RM87.3 million in FY2017 to approximately RM129.2 million in FY2018, which was in tandem with the increase in the Group's total revenue. The increase was mainly due to an increase in cost of sales for our Dealership Business, and this was slightly offset by a decrease in cost of sales for our Manufacturing Business.

#### *Our Manufacturing Business*

Cost of sales for our Manufacturing Business decreased by approximately RM11.3 million or 30.3% from approximately RM37.2 million in FY2017 to approximately RM26.0 million in FY2018. The decrease was mainly due to the absence of additional manufacturing expenses, direct labour costs and cost of inventories that the Group incurred in FY2017 in relation to the fire incident at our affected factory.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### *Our Dealership Business*

Cost of sales for our Dealership Business increased by approximately RM53.1 million or 106.0% from approximately RM50.1 million in FY2017 to RM103.3 million in FY2018. The increase was mainly due to an increase in the cost of inventories which increased by approximately RM51.3 million or 113.9% from approximately RM45.1 million in FY2017 to RM96.4 million in FY2018. The increase in cost of inventories was due to the increase in volume of automobiles purchased, which was in tandem with the increase in the volume of automobiles sold from our existing Mazda and Peugeot dealerships as well as the additional volume contributions from the automobiles sold from the new Honda dealership at Jalan RS and the new Peugeot dealership at Galla Industrial Park.

### **Gross Profit and Gross Profit Margin**

For the reasons discussed above, our gross profit increased by approximately RM17.1 million or 685% from approximately RM2.5 million in FY2017 to approximately RM19.6 million in FY2018, which was in line with the increase in our revenue. The increase was due to an increase in gross profit of RM12.9 million for the Manufacturing Business from a gross loss of RM0.8 million in FY2017 to a gross profit of RM12.1 million in FY2018, and an increase in gross profit of RM4.1 million for the Dealership Business from a gross profit of RM3.3 million in FY2017 to a gross profit of RM7.4 million in FY2018.

Our overall gross profit margin increased by approximately 10.38 percentage points from approximately 2.8% in FY2017 to approximately 13.2% in FY2018. The increase in our gross profit margin was mainly due to the increase in the gross profit margin from our Manufacturing Business and the gross profit margin from our Dealership Business. The gross profit margin of our Manufacturing Business increased by approximately 34.10 percentage points from approximately (2.2)% in FY2017 to approximately 31.9% in FY2018. The gross profit margin of our Dealership Business increased by approximately 0.53 percentage points from approximately 6.2% in FY2017 to approximately 6.7% in FY2018.

### **Other Income**

Our other income decreased by approximately RM15.8 million or 74.7% from approximately RM21.2 million in FY2017 to approximately RM5.4 million in FY2018, mainly due to the absence of the insurance claims where the Group was able to claim approximately RM20.9 million for its damaged property, plant and equipment and consequential losses in FY2017 in relation to the fire incident at our affected factory. The Group was able to claim approximately RM4.8 million as compensation from a Malaysian government body for relocating our Mazda dealership from Lot 304A, Jalan Sg Besi, 57100, Kuala Lumpur, to Jalan SB due to compulsory acquisition for the Mass Rapid Transit system in the Greater Kuala Lumpur/Klang Valley region in Malaysia.

### **Other Gains and Losses – Net**

Our other gains and losses increased by approximately RM13.1 million from a loss of approximately RM(12.9) million in FY2017 to a gain of approximately RM0.2 million in FY2018, mainly due to the absence of the write-off of approximately RM(12.5) million of the property, plant and equipment that suffered extensive fire damage in FY2017, a realised currency exchange gain of approximately RM0.9 million and a gain on disposal of approximately RM0.4 million from the disposal of Yatta Group.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Expenses

#### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by approximately RM1.4 million or 97.4% from approximately RM1.4 million in FY2017 to approximately RM2.8 million in FY2018. The increase was mainly due to an increase in the sales commission, which increased by approximately RM0.8 million from approximately RM0.4 million in FY2017 to RM1.3 million in FY2018, and this was due to an increase in the sales commission paid to sales employees in the Dealership Business, which was in tandem with the increase in the volume of automobiles sold.

#### *Administrative Expenses*

Our administrative expenses increased by approximately RM2.1 million or 25.8% from approximately RM8.0 million in FY2017 to approximately RM10.0 million in FY2018. The increase was mainly due to the increase in (i) salaries, wages, allowances and bonuses, which increased by approximately RM1.3 million from RM0.7 million in FY2017 to RM2.0 million in FY2018 as we had paid a one-off bonus compensation to our employees to reward their efforts in rebuilding our Manufacturing Business after the fire incident in FY2017, and (ii) amortisation expense of RM0.4 million, which arose due to amortisation of intangible assets that were recognised due to the acquisition of 55 ordinary shares, representing 55% of the issued and fully-paid ordinary share of MJNMSB. This was partially offset by a decrease in professional fees of approximately RM0.5 million or 51.9% from approximately RM1.0 million in FY2017 to approximately RM0.5 million in FY2018.

#### *Finance Expenses*

Our finance expenses increased by approximately RM0.1 million or 12.8% from approximately RM0.7 million in FY2017 to approximately RM0.8 million in FY2018. The increase was mainly due to the new loans taken up to (i) finance set-up costs of the Honda dealership at Jalan RS; and (ii) general working capital purposes.

### Profit before Income Tax

For the reasons discussed above, our profit before income tax increased by approximately RM10.8 million or 1,606.1% from approximately RM0.7 million in FY2017 to approximately RM11.5 million in FY2018, which was in line with the increase in our revenue and gross profit.

### Income Tax Expense

Our income tax expense increased by approximately RM1.6 million or 253.1% from approximately RM0.6 million in FY2017 to approximately RM2.2 million in FY2018.

The increase in our income tax expense was mainly due to an increase in profit before tax which resulted in higher chargeable income.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### REVIEW OF FINANCIAL POSITION

A review of our audited combined balance sheet as at 31 March 2018 is set out below:

#### Current Assets

As at 31 March 2018, our current assets amounted to approximately RM35.7 million, representing approximately 49.6% of our total assets and comprise the following:

- (i) cash and cash equivalents of approximately RM11.0 million, representing 30.9% of our current assets, which comprised mainly (a) cash at banks and on hand of approximately RM9.4 million, where the bank balances are in various banks in Malaysia and are mainly denominated in RM; and (b) fixed deposits with licensed banks of approximately RM1.6 million in various banks in Malaysia and are mainly denominated in RM;
- (ii) trade and other receivables of approximately RM14.6 million, representing 41.0% of our current assets, which comprised mainly (a) trade receivables from third parties of approximately RM11.1 million, (b) non-trade receivable from Yatta Group Sdn Bhd of approximately RM0.1 million, (c) non-trade receivable due from Mr Wong Sai Hou of approximately RM0.2 million due to the purchase of MJNMSB, which MNASB had paid on behalf of Mr Wong Sai Hou, and (d) others of approximately RM3.3 million;
- (iii) inventories of approximately RM10.0 million, representing 28.1% of our current assets, which comprised mainly (a) raw materials of approximately RM1.6 million relating to our Manufacturing Business, (b) work-in-progress of approximately RM0.1 million relating to our Manufacturing Business, (c) finished goods of approximately RM0.7 million relating to both our Manufacturing Business, and (d) finished goods of approximately RM7.7 million relating to our Dealership Business, which comprised of automobiles of approximately RM6.7 million and spare parts of approximately RM1.0 million.

#### Non-current Assets

As at 31 March 2018, our non-current assets amounted to approximately RM36.2 million, representing approximately 50.4% of our total assets and comprise of property, plant and equipment and intangible assets.

Our property, plant and equipment amounted to approximately RM32.3 million, representing 89.0% of our non-current assets, and comprised (i) computers and office equipment; (ii) tools and machinery; (iii) furniture; (iv) electrical and fittings; (v) renovation and signboard; (vi) automobiles; (vii) buildings; (viii) freehold land; and (ix) leasehold land.

Our intangible assets amounted to approximately RM4.0 million, representing 11.0% of our non-current assets, and comprised goodwill, customer relationship and license, which arose due to the acquisition of 55 ordinary shares, representing 55% of the issued and fully-paid ordinary shares of MJNMSB.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Current Liabilities

As at 31 March 2018, our current liabilities amounted to approximately RM20.2 million, representing approximately 51.0% of our total liabilities and comprise the following:

- (i) trade and other payables of approximately RM8.9 million, representing 44.0% of our current liabilities, which comprised mainly (a) trade payables due to third parties of approximately RM7.0 million and (b) others of approximately RM1.8 million;
- (ii) current income tax liabilities of approximately RM0.7 million, representing 3.6% of our current liabilities; and
- (iii) borrowings of approximately RM10.5 million, representing 52.4% of our current liabilities, which comprised mainly (a) bank overdrafts of approximately RM2.1 million, (b) bill payables of approximately RM0.4 million, (c) finance lease liabilities of approximately RM0.4 million, and (d) the current portion of term loans of approximately RM7.7 million.

Our borrowings increased by approximately RM8.3 million or 367.0% from approximately RM2.3 million as at 31 March 2017 to approximately RM10.5 million as at 31 March 2018. The increase was mainly due to an increase in (i) the bank overdrafts which increased by approximately RM1.7 million or 442.2% from approximately RM0.4 million as at 31 March 2017 to RM2.1 million as at 31 March 2018, which was mainly due to the funding of working capital; and (ii) the current portion of term loans which increased by approximately RM6.4 million or 509.5% from RM1.3 million as at 31 March 2017 to RM7.7 million as at 31 March 2018, which was mainly to fund the renovation of the Mazda dealership at Jalan SB and the Honda dealership at Jalan RS and for working capital.

### Non-current Liabilities

As at 31 March 2018, our non-current liabilities amounted to approximately RM19.4 million, representing approximately 49.0% of our total liabilities and comprise the following:

- (i) deferred tax liabilities of approximately RM2.6 million, representing 13.6% of our non-current liabilities; and
- (ii) borrowings of approximately RM16.8 million, representing 86.4% of our non-current liabilities, which comprised mainly (a) finance lease liabilities of approximately RM0.6 million and (b) the non-current portion of term loans of approximately RM16.2 million.

Our borrowings increased by approximately RM1.9 million or 12.5% from approximately RM14.9 million as at 31 March 2017 to approximately RM16.8 million as at 31 March 2018. The increase was mainly due to an increase in the non-current portion of term loans which increased by approximately RM1.9 million or 13.0% from RM14.3 million as at 31 March 2017 to RM16.2 million as at 31 March 2018, which was mainly due to the renovation of the Mazda dealership at Jalan SB and the Honda dealership at Jalan RS and for working capital.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Total Equity

As at 31 March 2018, our equity attributable to equity holders of the Company amounted to approximately RM30.5 million and comprised share capital and accumulated profits of approximately RM1.5 million and RM29.0 million respectively, and the non-controlling interests amounted to approximately RM1.9 million. The non-controlling interests mainly represent the ownership interests of 45% held by the non-controlling shareholders of the issued and fully-paid ordinary share of MJNMSB.

### LIQUIDITY AND CAPITAL RESOURCES

During FY2016, FY2017 and FY2018, we had financed our working capital, capital expenditures and other capital requirements through a combination of cash generated from operating activities and borrowings from financial institutions.

Our principal uses of cash have mainly been for the payment of the costs of operating expenses, repayment of bank borrowings, interest expenses, working capital and capital expenditures.

With regard to our liquidity and capital resources, we would like to highlight the following:

- (i) in FY2018, our Group generated net cash flows from operating activities before working capital changes amounting to approximately RM15.2 million;
- (ii) as at 31 March 2018, our Group had a net working capital of approximately RM15.5 million;
- (iii) as at 31 March 2018, our Group was in a net debt position with cash and cash equivalents of approximately RM11.0 million and bank borrowings of approximately RM27.3 million; and
- (iv) as at 31 July 2018, our Group had unutilised banking facilities of approximately RM18.0 million.

Please refer to the section entitled “*Capitalisation and Indebtedness*” of this Offer Document for further details of our cash and credit facilities as at 31 July 2018.

Our Directors are of the opinion that, after taking into account the cash flows generated from our operations, our available banking facilities and our existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for our present requirements and for at least 12 months after the listing of our Company on Catalist.

After having made due and careful enquiry, taking into account the cash flows generated from our Group's operations, our Group's available banking facilities and our Group's existing cash and cash equivalents, the Sponsor is of the reasonable opinion that the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for our present requirements and for at least 12 months after the listing of our Company on Catalist.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

A summary of our combined statements of cash flows for FY2016, FY2017 and FY2018 is set out as follows:

	<b>FY2016</b> <b>(RM'000)</b>	<b>Audited</b> <b>FY2017</b> <b>(RM'000)</b>	<b>FY2018</b> <b>(RM'000)</b>
Net cash provided by operating activities	5,635.5	16,996.6	2,580.7
Net cash used in investing activities	(4,939.2)	(22,124.0)	(9,728.3)
Net cash (used in)/provided by financing activities	(662.2)	5,577.9	5,971.5
Net increase/(decrease) in cash and cash equivalents	34.1	450.5	(1,176.1)
Cash and cash equivalents at the beginning of financial year	8,797.7	8,831.8	9,282.3
Cash and cash equivalents at the end of financial year	8,831.8	9,282.3	8,106.2

### FY2016

#### Net cash flows from operating activities

In FY2016, we generated net cash flows of approximately RM8.1 million from operating activities before changes in working capital, derived from profit before income tax of approximately RM5.5 million and adjustments for non-cash items mainly due to the depreciation of property, plant and equipment of approximately RM1.9 million.

Our net working capital outflow amounted to approximately RM1.0 million. The net working capital outflow was mainly due to:

- (i) an increase in inventories of approximately RM3.6 million arising mainly from an increase in the stock level of the number of automobiles arising from (a) the Group starting its first Peugeot dealership at Jalan WS in June 2015, which required the Group to maintain a reasonable stock level of automobiles for the new dealership centre, and (b) the increase in stock level of automobiles at the Group's Mazda dealership as the Group experienced an increase in demand for automobiles in FY2016;
- (ii) an increase in trade and other receivables of approximately RM2.1 million arising mainly from an increase in trade receivables due from third parties of approximately RM1.9 million; and
- (iii) this was partially offset by an increase in trade and other payables of approximately RM4.7 million arising mainly from an increase in trade payables due to third parties of approximately RM3.7 million.

In FY2016, we paid interest of approximately RM0.6 million and income tax of approximately RM0.8 million.

Overall, our net cash flows from operating activities in FY2016 amounted to approximately RM5.6 million.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

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### **Net cash flows used in investing activities**

In FY2016, our net cash used in investing activities amounted to approximately RM4.9 million mainly due to additions to property, plant and equipment of approximately RM5.0 million, which was mainly to finance the purchase of new tools and machinery of approximately RM3.6 million in our factory located at our Main Manufacturing Plant at Lot 1.

### **Net cash flows used in financing activities**

In FY2016, our net cash used in financing activities amounted to approximately RM0.6 million mainly due to repayment of borrowings of approximately RM2.2 million to repay term loans and hire purchase financing, which was partially offset by proceeds from borrowings of approximately RM1.8 million to finance our working capital.

## **FY2017**

### **Net cash flows from operating activities**

In FY2017, we generated net cash flows of approximately RM16.4 million from operating activities before changes in working capital, derived from profit before income tax of approximately RM0.7 million and adjustments for non-cash items, mainly due to (i) property, plant and equipment written-off of approximately RM12.7 million in relation to the fire incident in FY2017; and (ii) depreciation of property, plant and equipment of approximately RM2.0 million.

Our net working capital inflow amounted to approximately RM2.0 million. The net working capital inflow was mainly due to:

- (i) a decrease in inventories of approximately RM3.2 million arising mainly from a decrease in the stock level of the number of automobiles that the Group maintained as the Group experienced a decrease in demand for automobiles in FY2017;
- (ii) an increase in trade and other payables of approximately RM2.7 million arising mainly from an increase in trade payables due to third parties of approximately RM2.8 million; and
- (iii) this was partially offset by an increase in trade and other receivables of approximately RM4.0 million arising mainly from an increase in non-trade receivables from insurance claims of approximately RM2.2 million and an increase in non-trade receivables from GST receivables of approximately RM1.0 million.

In FY2017, we paid interest of approximately RM0.7 million and income tax of approximately RM0.6 million.

Overall, our net cash flows from operating activities in FY2017 amounted to approximately RM17.0 million.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### **Net cash flows used in investing activities**

In FY2017, our net cash used in investing activities amounted to approximately RM22.1 million mainly due to additions to property, plant and equipment of approximately RM25.2 million. Approximately RM11.4 million was for the purchase of new tools and machinery and an aggregate of approximately RM9.1 million was for the purchase of new building and leasehold land at Lot 14 for the relocation of our Thermobonded Felt Plant, and the capitalisation of the renovation costs of our Main Manufacturing Plant at Lot 1. This was partially offset by the disposal of property, plant and equipment of approximately RM2.8 million, which was due to the disposal of automobiles used by our Group.

### **Net cash flows used in financing activities**

In FY2017, our net cash generated from financing activities amounted to approximately RM5.6 million mainly due to proceeds from borrowings of approximately RM8.9 million to finance the purchase of new tools and machinery, which was partially offset by repayment of borrowings of approximately RM3.0 million to repay term loans and the hire purchase financing.

### **FY2018**

#### **Net cash flows from operating activities**

In FY2018, we generated net cash flows of approximately RM15.2 million from operating activities before changes in working capital, derived from profit before income tax of approximately RM11.1 million and adjustments for non-cash items, mainly due to (i) depreciation of property, plant and equipment of approximately RM2.3 million; and (ii) property, plant and equipment written-off of approximately RM1.1 million due to the relocation of the Mazda dealership to Jalan SB.

Our net working capital outflow amounted to approximately RM10.9 million. The net working capital outflow was mainly due to:

- (i) an increase in inventories of approximately RM6.5 million arising mainly from an increase in the stock level of the number of automobiles arising from (a) the Group starting its second Peugeot dealership at Galla Industrial Park in September 2017 and its first Honda dealership at Jalan RS in December 2017, which required the Group to maintain a reasonable stock level of automobiles for the new dealership centres; and (b) the increase in stock level of automobiles at its existing dealership centres as the Group experienced an increase in demand for automobiles in FY2018;
- (ii) an increase in trade and other receivables of approximately RM1.8 million arising mainly from an increase in trade receivables due from third parties of approximately RM4.0 million, which was partially offset by a decrease in non-trade receivables from insurance claims of approximately RM2.2 million and a decrease in non-trade receivables from GST receivables of approximately RM0.6 million; and
- (iii) a decrease in trade and other payables of approximately RM2.7 million arising mainly from a decrease in trade payables due to third parties of approximately RM3.0 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

In FY2018, we paid interest of approximately RM0.8 million and income tax of approximately RM0.9 million.

Overall, our net cash flows from operating activities in FY2018 amounted to approximately RM2.6 million.

### Net cash flows used in investing activities

In FY2018, our net cash used in investing activities amounted to approximately RM9.7 million mainly due to the acquisition of a subsidiary corporation and additions to property, plant and equipment of RM2.1 million and RM8.5 million respectively. Approximately RM2.1 million was for the acquisition of 55 ordinary shares, representing 55% of the issued and fully-paid ordinary share of MJNMSB, approximately RM4.6 million was for renovation of the Mazda dealership at Jalan SB and the new Honda dealership at Jalan RS and approximately RM1.7 million was for the purchase of tools and machinery.

### Net cash flows used in financing activities

In FY2018, our net cash generated from financing activities amounted to approximately RM6.0 million mainly due to proceeds from borrowings of approximately RM10.5 million due to (i) finance set-up costs of the Honda dealership at Jalan RS; and (ii) general working capital purposes, which was partially offset by the dividends paid to Shareholders of approximately RM1.9 million.

## CAPITAL EXPENDITURE, DIVESTMENTS, COMMITMENTS AND CONTINGENT LIABILITIES

### Capital Expenditure and Divestments

Our major capital expenditures and divestments in FY2016, FY2017, FY2018 and for the period from 1 April 2018 up to the Latest Practicable Date were as follows:

	FY2016 (RM'000)	FY2017 (RM'000)	FY2018 (RM'000)	From 1 April 2018 to the Latest Practicable Date (RM'000)
<b>Expenditures</b>				
Computer and office equipment	141.8	456.6	552.6	48.9
Tools and machinery	3,603.5	11,426.6	1,752.9	182.7
Furniture, electrical and fittings	50.8	1,051.5	1,250.2	0.7
Renovation and signboard	1,119.1	0.4	4,585.9	25.9
Automobiles	442.0	3,430.3	721.4	1,156.0
Buildings	—	6,934.8	173.6	—
Freehold Land	—	—	—	—
Leasehold Land	—	2,200.3	—	—
<b>Total</b>	<u>5,357.2</u>	<u>25,500.5</u>	<u>9,036.6</u>	<u>1,414.2</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

	FY2016 (RM'000)	FY2017 (RM'000)	FY2018 (RM'000)	From 1 April 2018 to the Latest Practicable Date (RM'000)
<b>Divestments</b>				
Computer and office equipment	—	—	—	—
Tools and machinery	—	—	—	—
Furniture, electrical and fittings	—	—	—	—
Renovation and signboard	—	—	—	—
Automobiles	—	(2,768.9)	(526.7)	—
Buildings	—	—	—	—
Freehold Land	—	—	—	—
Leasehold Land	—	—	—	—
<b>Total</b>	<u>—</u>	<u>(2,768.9)</u>	<u>(526.7)</u>	<u>—</u>

The above capital expenditures were made mainly for our business operations and were primarily financed by internally generated funds and bank borrowings.

### Commitments

#### *Capital commitments*

As at the Latest Practicable Date, our Group has capital commitments of RM2.1 million relating to the purchase of forming and cutting tools and moulds for our Manufacturing Business.

In addition, we anticipate that we will require approximately RM15.0 million to upgrade our existing Honda 3S dealership at Jalan RS to offer 4S services and to establish our new Honda 3S dealership in the Kuala Selangor district in Selangor, Malaysia (including cost of constructions works for a permanent facility). The capital required for the foregoing has yet to be committed. We intend to finance this through internally generated funds and/or bank borrowings.

#### *Operating lease commitments – payables*

We lease automobile showrooms cum office spaces, warehouse spaces and workers' accommodation from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

As at the Latest Practicable Date, we have future minimum lease payables under non-cancellable operating leases amounting to approximately RM3.3 million. We intend to finance such operating lease payment commitments through internally generated funds. Our future minimum lease payables under non-cancellable operating leases as at 31 March 2016, 31 March 2017, 31 March 2018 and as at the Latest Practicable Date are as follows:

	<b>As at 31 March 2016 (RM'000)</b>	<b>As at 31 March 2017 (RM'000)</b>	<b>As at 31 March 2018 (RM'000)</b>	<b>As at the Latest Practicable Date (RM'000)</b>
Not later than one year	1,063.7	1,158.8	2,108.1	2,085.4
Later than one year and not later than five years	519.8	1,383.0	2,162.6	1,197.4
<b>Total</b>	<b>1,583.5</b>	<b>2,541.8</b>	<b>4,270.7</b>	<b>3,282.8</b>

Our operating lease payments represent rentals payable for the leases of premises. Leases of premises by us are usually negotiated for a term of three years with an option to extend for another three years from the expiry of the lease terms. Rental amounts are fixed for the first three year period and are subject to revision of rent upon the expiry of the three year period. The operating lease commitments estimated above were determined assuming the same rental expense fixed in the first year continues for the remaining terms of lease.

### *Contingent liabilities*

We have provided corporate guarantees to banks in connection with certain facilities granted to our Group Companies and the aggregate principal amount of the guarantees provided by our group companies amounted to approximately RM28.9 million as at the Latest Practicable Date. Save as disclosed, as at the Latest Practicable Date, we do not have any other contingent liabilities.

## FOREIGN EXCHANGE MANAGEMENT

### Accounting treatment of foreign currencies

The accounting records of our Group are maintained in RM. Transactions in foreign currencies are recorded in RM using exchange rates approximating those prevailing at the transaction dates. Foreign currency monetary assets and liabilities as at the balance sheet date are translated into RM at exchange rates approximating those prevailing as at that date. All resultant exchange difference are dealt with through the income statements.

### Foreign exchange exposure

Our reporting currency is in RM and our operations are primarily carried out in Malaysia. As our sales and expenses (other than purchases) are largely denominated and transacted in RM, our foreign exchange exposure for sales and expenses (other than purchases) is not significant.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Our purchases are denominated and transacted in RM, USD, JPY and THB. The percentage of purchases denominated in RM, USD, JPY and THB for each of FY2016, FY2017 and FY2018 are set out below:

Percentage of purchases denominated in	FY2016 (%)	FY2017 (%)	FY2018 (%)
RM	91.7	80.9	91.2
USD	2.7	4.5	2.3
JPY	0.7	10.0	3.7
THB	4.9	4.6	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

To the extent that our revenue, purchases and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to adverse fluctuations of USD, JPY and THB against RM, which could adversely affect our earnings.

Our realised currency exchange gain or loss and unrealised currency exchange gain or loss for each of FY2016, FY2017 and FY2018 are as follows:

	FY2016	FY2017	FY2018
Realised currency exchange gain/(losses) – net (RM'000)	23.6	(69.6)	926.2
As a percentage of profit before income tax (%)	0.4	(10.3)	8.1
Unrealised currency exchange gain/(losses) – net (RM'000)	3.8	(566.7)	–
As a percentage of profit before income tax (%)	0.1	(84.1)	–

At present, we do not have a formal hedging policy against foreign exchange exposure given that the volume of our operations outside of Malaysia is not significant and in most circumstances, the payments and receipts are denominated in the same currency. We may, however, subject to the approval of our Board, enter into relevant transactions when necessary, to hedge our exposure to foreign currency fluctuations if we deem the exchange risk to be significant.

In addition, should we establish any formal hedging policy in the future, such policy shall be subject to the review and approval by our Board prior to implementation. Our Audit Committee will review periodically the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of our Group.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### CHANGES IN ACCOUNTING POLICIES

Save as disclosed in the *"Independent and Reporting Auditor's Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018"* as set out in Appendix A to this Offer Document, there have been no changes in our accounting policies during FY2016, FY2017 and FY2018.

Please refer to the *"Independent and Reporting Auditor's Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018"* as set out in Appendix A to this Offer Document for details on our accounting policies.

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## EXCHANGE CONTROLS

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### Singapore

Currently, there are no exchange control restrictions on the repatriation of capital and the remittance of profits into or out of Singapore by or to our Group Companies in Singapore.

### Malaysia

The exchange control restrictions in Malaysia are governed by the Foreign Exchange Administration (“**FEA**”) rules issued by Bank Negara Malaysia (“**BNM**”). In upholding the FEA rules, BNM has issued guidelines in the form of notices (“**FEA Notices**”) pursuant to Section 214 of Financial Services Act 2013 which came into operation on 30 June 2013 which generally sets out transactions that are allowed by BNM. A person must obtain approval of BNM to undertake or engage in any transactions that are not provided or allowed by BNM under any of the FEA Notices. The FEA Notices may be amended or revoked by BNM through issuance of subsequent FEA Notices.

Currently, the FEA rules may be divided into the following two categories:

#### **(a) Rules applicable to a non-resident entity**

##### Investment in Malaysia

A non-resident is free to invest in any form of ringgit assets either as direct or portfolio investments in Malaysia. The investment can be funded through the conversion of foreign currency to Malaysian ringgit with licensed onshore banks (excluding licensed international Islamic banks) or through an appointed overseas office of the licensed onshore bank’s banking group. Investment can also be funded through foreign currency borrowings from licensed onshore banks or Malaysian ringgit borrowing from licensed onshore banks (excluding licensed international Islamic banks) for real sector activities and for the purchase of residential and commercial properties in Malaysia except for the purchase of land only.

##### Repatriation and Remittance

A non-resident is free to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency.

##### Foreign Currency and Ringgit Accounts

A non-resident is free to open foreign currency accounts with licensed onshore banks in Malaysia and Malaysian ringgit accounts in Malaysia. Funds in these accounts are free to be remitted abroad in foreign currency.

##### Financing

A non-resident is allowed to obtain Malaysian ringgit financing from a resident entity in any amount to finance real sector activities in Malaysia. A non-resident is free to obtain foreign currency financing from licensed onshore banks to be utilised within or outside Malaysia.

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## EXCHANGE CONTROLS

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### **(b) Rules applicable to resident entity**

#### Investment in Foreign Currency Assets

A resident without domestic ringgit borrowing is free to invest abroad in foreign currency assets. A corporate resident with domestic Malaysian ringgit borrowing who is converting Malaysian ringgit into foreign currency is free to invest abroad in foreign currency assets up to RM50 million equivalent in aggregate for the group of resident entities with parent-subsidiary relationship per calendar year.

#### Borrowings

A resident is free to obtain any amount of foreign currency borrowing from resident or non-resident entities within its group of entities. A resident is free to obtain from non-resident entities within its group of entities and non-resident direct shareholders, any amount of Malaysian ringgit borrowing to finance activities in the real estate sector in Malaysia.

#### Guarantees

A resident is free to obtain any amount of financial guarantees from their non-bank non-resident group of entities. Approval is required only for the obtaining of financial guarantees from other non-residents exceeding RM100 million equivalent in aggregate.

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## GENERAL INFORMATION ON OUR GROUP

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### HISTORY AND DEVELOPMENT

Our Company was incorporated in Singapore on 7 February 2018 under the Companies Act as a private limited company, under the name of “MeGroup Pte. Ltd.”.

On 7 February 2018, our Singapore subsidiaries, namely, MeMG and MeAG, were incorporated in Singapore as private limited companies. Pursuant to the Restructuring Exercise, MNSB became a wholly-owned subsidiary of MeMG and MNHSB became a wholly-owned subsidiary of MeAG.

On 26 September 2018, our Company was converted into a public company limited by shares and we changed our name to “MeGroup Ltd.”. Please refer to the section entitled “*Restructuring Exercise*” of this Offer Document for further details.

Our Group’s history can be traced back to 1995 when MNSB was founded by Mr Abdul Razak Bin Montel and another founding shareholder in a shophouse in Balakong in Selangor, Malaysia. Mr Abdul Razak Bin Montel was a former employee of Paragon Union Berhad, a company in the business of manufacturing and distributing automobile components including commercial carpets and NVH interior and insulator trims, which was founded by our Executive Chairman and CEO, Mr Wong Cheong Chee. Mr Wong Cheong Chee would go on to sell a majority of his stake in Paragon Union Berhad in 1995 and ceased to be a Substantial Shareholder of Paragon Union Berhad on 1 April 2000. At the request of Mr Abdul Razak Bin Montel, Mr Wong Cheong Chee became a majority shareholder of MNSB in 1999. In 2007, MNSB’s other founding shareholder disposed of his shares in MNSB to Mr Ng Tin Poh @ Ng Say Heng.

The table below sets out our key milestones:

Year	Event
1995	Our Group was incorporated on 30 March 1995 and operated out of a shophouse that was approximately 600 sq m in Balakong in Selangor, Malaysia. At that time, our Group was principally engaged in the manufacturing of automobile carpet flooring and other NVH components for the Proton brand of automobiles.
1999	<p>In order to keep pace with the increase in demand of our NVH components and non-NVH components due to the growth of the automotive industry in Malaysia, our Group expanded its manufacturing capacity and re-located to an approximately 1,200 sq m plant in 1999.</p> <p>In the first quarter of 1999, our Executive Chairman and CEO, Mr Wong Cheong Chee, became the majority shareholder of our Group.</p>
2000	Our Group qualified as an Approved Supplier of Perodua Manufacturing Sdn Bhd and began supplying our NVH components and non-NVH components for the Perodua brand of automobiles.
2001	We were accredited with ISO 9002 certification for the manufacturing of interior parts for noises, vibrations and harshness.

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## GENERAL INFORMATION ON OUR GROUP

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Year	Event
2004	<p>We qualified as an Approved Supplier of the manufacturers of the Ford, Mazda and Nissan brands of automobiles, which enabled us to participate in tender proposals for new models of automobiles under the Ford, Mazda and Nissan brands. This year also marked our Group's first foray into the international export market.</p> <p>For the Period Under Review, our Group has focused on the domestic market, supplying our NVH components and non-NVH components exclusively to local manufacturers in Malaysia.</p>
2008	<p>To keep up with the demand for our products, we relocated to our current approximately 43,000 sq ft manufacturing plant at Lot 1 in December 2008. Alteration and amendment works were completed shortly thereafter with production commencing in the beginning of 2009.</p> <p>Our Group signed on to Phase 1 of the Malaysia Japan Automotive Industries Cooperation (MAJAICO) Improvement Programme, an initiative under the Malaysia-Japan Economic Partnership Agreement of 2006 entered into between the Government of Malaysia and the Government of Japan to further enhance competitiveness of the automotive industry in Malaysia. Under the MAJAICO Improvement Programme, we were granted access to automotive industry experts from Japan who conducted training sessions on "Lean Manufacturing" which allowed us to improve our standardised processes across our production lines by eliminating waste, increasing efficiency as well as productivity.</p>
2011	<p>In 2011, we enrolled into the Kaizen programme conducted by Japan High Comm Co., Ltd., which allowed us to further improve our manufacturing processes.</p>
2012	<p>Our wholly-owned subsidiary, MNASB, was incorporated as a private limited company under the Malaysia Companies Act on 2 August 2012 and MNASB was appointed as Bermaz's authorised parts and service dealer of automobiles under the Mazda brand. Our first Mazda 3S dealership at Lot 304A, Jalan Sg Besi, 57100, Kuala Lumpur, commenced operations on 18 November 2012. Our Mazda 3S dealership was subsequently re-located to Jalan SB.</p> <p>Details of our Mazda dealership are set out in the section entitled "<i>General Information on our Group – Our Dealership Arrangements</i>" of this Offer Document.</p>
2013	<p>Due to various financial, operational and strategic reasons, we diversified upstream and established a Thermobonded Felt line at our Main Manufacturing Plant at Lot 1.</p>
2014	<p>On 1 August 2014, we entered into a Technical Assistance Agreement with Hirotani Co Ltd., a Japanese auto-parts manufacturer that supplies NVH components in Japan, to further improve our expertise and technical know-how.</p>



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## GENERAL INFORMATION ON OUR GROUP

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Year	Event
	<p>In September 2014, we were accredited with ISO/TS 16949:2009 certification for our quality management system in respect of the manufacturing of interior parts for noise, vibration and harshness.</p> <p>Our subsidiaries, MNHSB and MNOSB, were incorporated on 3 October 2014 and 21 October 2014 respectively.</p>
2015	<p>We entered into a dealership agreement with Nasim and were appointed as Nasim's authorised sales and parts service dealer for automobiles manufactured and/or distributed by Nasim, including the Peugeot brand of automobiles. We launched our first 4S Peugeot dealership, located at Jalan WS.</p> <p>Details of our Peugeot dealership are set out in the section entitled "<i>General Information on our Group – Our Dealership Arrangements</i>" of this Offer Document.</p> <p>In 2015, our Group became an Approved Supplier of Mazda Malaysia Sdn. Bhd. and we commenced the supply of headliners to Mazda Malaysia Sdn. Bhd. for the Mazda brand of automobiles. Pursuant to this, we also entered into a service agreement with Mazda Logistics Malaysia Sdn. Bhd., under which Mazda Logistics Malaysia Sdn. Bhd. agreed to provide warehouse facilities and other services to our Group for our Assembly Line in the Kulim District in the state of Kedah, Malaysia. This Assembly Line was subsequently re-located to One Auto Hub in 2017.</p> <p>In March 2015, we were accredited with ISO 14001:2004 certification for our environmental management systems in respect of the manufacture of NVH insulation and internal parts.</p>
2016	<p>On 5 August 2016, a fire occurred at our Main Manufacturing Plant at Lot 1. As a result, the entire Main Manufacturing Plant was razed. Through the efforts of our management staff and employees, production was halted for only two days. The remains of the old plant were cleared and a new plant was constructed. Our Main Manufacturing Plant returned to full production capacity by the fourth quarter of the calendar year 2016.</p> <p>As at the Latest Practicable Date, we have made successful insurance claims amounting to an aggregate of RM20.9 million, comprising RM15.7 million for damage to our property, plant and equipment and approximately RM5.2 million for consequential losses.</p>
2017	<p>To better manage disruption risk to our supply chain, we established our Thermobonded Felt Plant by re-locating our Thermobonded Felt line from our Main Manufacturing Plant to a nearby 2,600 sq m (approximately) Thermobonded Felt Plant at Lot 14.</p> <p>We launched our second 4S Peugeot dealership located at Galla Industrial Park in June 2017.</p>

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## GENERAL INFORMATION ON OUR GROUP

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Year	Event
	<p>On 18 August 2017, we entered into a Sale of Shares Agreement to acquire a controlling stake in MJNMSB. MJNMSB is a company that was incorporated in Malaysia on 7 July 2017, and, prior to completion of the Sale of Shares Agreement, had no operations and generated no revenue. The vendors were shareholders of MJ Motors Sdn. Bhd., a company incorporated in Malaysia which had an existing dealership agreement with Honda Malaysia. A condition precedent to the completion of the Sale of Shares Agreement was the issuance by Honda Malaysia of a letter of appointment appointing MJNMSB as an exclusive 3S dealer of Honda Malaysia for the area of Cheras, Kuala Lumpur in Selangor, Malaysia.</p> <p>We entered into a dealership agreement with Honda Malaysia on 1 December 2017 pursuant to which MJNMSB was appointed as an authorised non-exclusive dealer of Honda Malaysia for sale, after sales and services of automobiles bearing the Honda brand name which are manufactured by Honda Malaysia. Our Honda dealership at Jalan RS commenced operations in December 2017.</p> <p>Details of our Honda dealership are set out in the section entitled “<i>General Information on our Group – Our Dealership Arrangements</i>” of this Offer Document.</p>
2018	<p>In February 2018, Honda Malaysia approved our application to offer 4S (body and paint) services at our existing 3S Honda dealership at Jalan RS. We expect construction works to upgrade our existing facilities to offer 4S services to commence in the fourth quarter of calendar year 2018.</p> <p>In July 2018, Honda Malaysia awarded MJNMSB the right to operate a second 3S Honda dealership within the Kuala Selangor district in Selangor, Malaysia. In connection with this, we incorporated MJNASB, a wholly-owned subsidiary of MJNMSB, on 15 August 2018. As at the date of this Offer Document, MJNASB is a dormant company and we expect to commence operations of this 3S dealership at an interim location by November 2018.</p> <p>Construction works for the permanent Honda 3S dealership facility at Kuala Selangor is expected to commence in the first half of calendar year 2019.</p> <p>As part of our Group’s business plans, the Group has also diversified its Manufacturing Business into the HVAC industry. As the NVH components to be supplied to the HVAC industry are manufactured using similar processes and machinery as our current NVH components, we do not expect to incur significant capital investment. As at the Latest Practicable Date, our Group has been appointed as an Approved Supplier of Johnson Controls Hitachi. We anticipate to commence production and supply of NVH components to Johnson Controls Hitachi by January 2019.</p>

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## GENERAL INFORMATION ON OUR GROUP

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### BUSINESS OVERVIEW

Our business comprises two segments:

- (a) **Manufacturing** – we manufacture NVH components and other non-NVH components primarily for the automotive industry in Malaysia. Our NVH components include headliners and engine outers and are incorporated into various parts of automobiles, including the ceiling, dashboard, hood and boot. Our non-NVH components include parcel trays and board assembly decks.
- (b) **Dealership** – we own and operate 3S and 4S automobile dealerships for the sale of new automobiles in various parts of Malaysia under the Honda, Mazda and Peugeot brands. Our 3S automobile dealerships offer the following services: (i) 1S services, being the sale of new automobiles; (ii) 2S services, being the provision of after-sales services; and (iii) 3S services, being the sale of automobile parts and accessories. Our 4S automobile dealerships also offer 4S services to its customers, being automobile body paintwork and collision repair services, in addition to the 1S, 2S and 3S services.

Our revenue was derived principally from our Dealership Business, which accounted for approximately 69.9%, 59.5% and 74.4% of our total revenue in FY2016, FY2017 and FY2018 respectively. Revenue from our Manufacturing Business accounted for approximately 30.1%, 40.5% and 25.6% of our total revenue in FY2016, FY2017 and FY2018 respectively.

As at the Latest Practicable Date, the Group owns and operates our Main Manufacturing Plant, our Thermobonded Felt Plant, our Assembly Line and four automobile dealerships, all of which are located in Malaysia. Please refer to “*General Information on our Group – Properties and Fixed Assets*” for more information.

### Our Manufacturing Business

Our customers are mainly automobile manufacturers in Malaysia. As at the Latest Practicable Date, we supply NVH components and non-NVH components to Honda Malaysia, Perodua Manufacturing Sdn. Bhd., Mazda Malaysia Sdn. Bhd. and Perusahaan Otomobil Nasional Sdn. Bhd. Our NVH components and non-NVH components are incorporated into various parts of our customer’s automobiles at various stages of the manufacturing process and are customised to the specific requirements of each customer. We typically supply such NVH components and non-NVH components to our customers for the entire life-cycle of a particular model of automobile.

As part of our Group’s business plans, the Group has, in 2018, diversified its Manufacturing Business into the HVAC industry. As the NVH components to be supplied to the HVAC industry are manufactured using similar processes and machinery as our current NVH components, we do not expect the supply of NVH components to the HVAC industry to require significant capital investment. Our Group was appointed as an Approved Supplier of Johnson Controls Hitachi in June 2018 and we anticipate to commence production and supply of NVH components to Johnson Controls Hitachi by January 2019.

Generally, our customers invite a closed list of Approved Suppliers to submit tender proposals for the supply of components and parts, including NVH components and non-NVH components, prior to the launch of a particular model of automobile or product. Such request-for-quotations will include, *inter alia*, the technical NVH specifications required by the customer for the part to be supplied. We generally respond to such request-for-quotations with a sample product adhering closely to the specified technical specifications. The sample product will be subject to materials testing by the customer to ensure compliance with the specified technical specifications.

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## GENERAL INFORMATION ON OUR GROUP

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To qualify as an Approved Supplier, our customers must be satisfied that a supplier meets certain internally prescribed standards. This typically includes sufficiency of financial resources and quality of its manufacturing processes and end-products. Customers may also conduct periodic audits throughout to ensure that such standards are maintained. As at the Latest Practicable Date, we have qualified as Approved Supplier for Honda Malaysia, Perodua Manufacturing Sdn. Bhd., Perodua Global Manufacturing Sdn. Bhd., Mazda Malaysia Sdn. Bhd., Perusahaan Otomobil Nasional Sdn. Bhd. and Johnson Controls Hitachi, allowing us to participate in tender proposals for new models of automobiles under the Honda, Perodua, Mazda and Proton brands and HVAC components used in the retail and commercial air-conditioning units manufactured by Johnson Controls Hitachi.

Our internal process of preparing a tender proposal typically includes an evaluation of the customer's tender requirements, conducting internal cost analysis and internal budgeting analysis. Throughout the internal process of preparing a tender proposal, our senior management works closely with our research and development team to ensure that the sample sent to customers meets the requirement specifications of our customers.

We manufacture the following products:

### **A. Thermobonded Felts**

In addition to NVH components and non-NVH components, our Group also manufactures a variety of Thermobonded Felts with a range of NVH properties at our Thermobonded Felt Plant, which are used for the manufacture of our NVH components and non-NVH components. Our Thermobonded Felts are made from a mixture of Thermoplastic Fibres and Non-Thermoplastic Fibres which are bonded together by the application of thermal heat. We source our Thermoplastic Fibres and Non-Thermoplastic Fibres from suppliers in Malaysia, Thailand and Korea. As at the Latest Practicable Date, we incorporate all of the output of our Thermobonded Felt Plant into our NVH components and non-NVH components.

By varying the composition of Thermoplastic Fibres and Non-Thermoplastic Fibres, we are able to produce Thermobonded Felts with a range of NVH properties in order to meet our customer's specific NVH requirements.

Our Thermobonded Felts are manufactured using the following process:

Process	Description
<b>Bale Openers</b>	The Thermoplastic Fibres and Non-Thermoplastic Fibres are delivered to our Thermobonded Felt Plant in tightly compressed bales. The bales are manually unwrapped and fed into one of five Bale Openers (according to fibre-type) which gently opens the fibres evenly into smaller tufts. The fibres are then weighed and introduced to the Thermobonded Felt Plant in weighted doses to ensure the feeding of a correct fibre blend onto the conveyor belt. This enables us to control the composition of the fibre blend to meet specific NVH absorption requirements of our customers.

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## GENERAL INFORMATION ON OUR GROUP

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Process	Description
<b>Pre-Opener and Main Openers</b>	The partially-opened fibres are then fed by conveyor belt into Pre-Openers and Main Openers, which further cards the fibres into lighter, homogenous and fluffier tufts. This process opens the fibres into smaller tufts. This is also the start of the blending process.
<b>Mixing Bin</b>	The weighted fibre tufts are then delivered to the Mixing Bin where it is mixed and deposited to form horizontal layers.
<b>Metal Detection and Removal</b>	The mixed fibres then pass through a metal detector which detects and removes any small metallic particles which may be present in the mixed fibres. If not fully detected, these metal particles may cause damage to the rest of the Thermobonded Felt Plant.
<b>Air-lay Line</b>	The opened fibres are then conveyed onto the Air-lay Line, where it is exposed to a strong wall of air in a negative pressured rotary drum. The air is pulled through the drum and the fibres are collected on the outside of the drum where they are removed as a mixed web. Because of air turbulence, the fibres are no longer in any ordered orientation and produces a material of equal strength properties in all directions.
<b>Thermobonding Oven</b>	The mixed fibre sheets are then conveyed into the Thermobonding Oven. Hot air of temperatures between 180°C and 220°C hit the mixed fibre sheets through a nozzle system. The hot air flows through the mixed fibres sheets and causes the Thermoplastic Fibres to become viscous and enables the Thermoplastic Fibres to flow over fibre-to-fibre crossover points, eventually leading to the formation of bonding regions. Such bonding regions are fixed by subsequent cooling.
<b>Presser and Cooling system</b>	The mixed fibre sheets are then passed through a Presser and cooling system, which cools and shapes the mixed fibre sheets into even thinner sheets.
<b>Slitter/Guillotine</b>	The sheets are then conveyed through the Slitter and the Guillotine, which slits the bonded felts into the required width and lengths.

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## GENERAL INFORMATION ON OUR GROUP

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### **B. Our NVH components and non-NVH components**

We manufacture the following NVH components and non-NVH components for the automotive industry in Malaysia.

(i) Engine compartment insulation

We manufacture a range of engine compartment insulation components, including hood insulators and dash outer insulators. Such components are incorporated into the hoods and engine casings of automobiles to reduce sound emission and vibrations from automobile engines into the environment as well as into the interior cabin of the automobile and also aid in retaining heat within the engine casing of the automobile.

(ii) Under-body shielding systems

We also manufacture under-body shielding systems which are incorporated into the undercarriage of automobiles. In addition to providing insulation to the cabin of the automobile from noise and vibrations, under-body shielding systems also influences the aerodynamic performance of an automobile.

(iii) Interior system insulation

Our Group also manufactures interior system insulation components such as inner dash systems, which are incorporated into the dashboard of automobiles to insulate the automobile cabin from NVH emitted from the engine compartment.

(iv) Headliners

We also operate our Assembly Line located at One Auto Hub for the assembly of headliners for the Mazda brand of automobiles. The space for the Assembly Line is guaranteed to the Group under a service agreement entered into between Mazda Logistics Malaysia Sdn. Bhd. and MNSB. As at the Latest Practicable Date, our Assembly Line is approximately 744 sq m.

(v) Trunk systems

Our Group also manufactures trunk systems such as trunk floor systems and trunk side liners in a variety of coverings. These trunk systems are used to line the floor of the boots of the automobile.

### **Our Dealership Business**

We own and operate one 4S automobile dealership under the Mazda brand, two 4S automobile dealerships under the Peugeot brand and one 3S automobile dealership for the Honda brand.

As at the Latest Practicable Date, we have obtained the approval of Honda Malaysia to offer 4S services. Construction works to upgrade the existing Honda 3S dealership at Jalan RS for 4S Services is due to commence in the fourth quarter of calendar year 2018.

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## GENERAL INFORMATION ON OUR GROUP

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In July 2018, we were awarded the right to operate a second 3S Honda dealership within the Kuala Selangor district in Selangor, Malaysia by Honda Malaysia. We expect to commence operations of this 3S dealership at an interim location by November 2018. Construction works for the permanent Honda 3S dealership facility in Kuala Selangor is expected to commence in the first half of calendar year 2019.

### **A. Sale of New Automobiles (1S services)**

As at the Latest Practicable Date, we have entered into dealership agreements in respect of the Honda, Mazda and Peugeot brands of automobiles.

As at the Latest Practicable Date, we offer the following automobile models for sale:

Brand	Models offered
Honda	Jazz, City, Civic, Accord, B-RV, C-RV, H-RV, Odyssey
Mazda	Mazda2, Mazda3, Mazda6, CX-3, CX-5, CX-9, Biate, BT-50, MX-5
Peugeot	208, 2008, 308, 3008, 408, 508, 5008, Traveller

Our customers place orders for new automobiles by signing a standard sale agreement with us. Typically, the standard terms of such agreements include provisions on (i) no claims lying against us for any loss or expenses suffered or incurred by the customer in the event of our inability to supply the automobile unless such delay is due to reasons within our reasonable control; (ii) no guarantee or warranty given by us in respect of the automobiles sold, unless added as a special condition; (iii) trading-in used automobiles; and (iv) interest payable by the customer for any sum due and unpaid by the customer. We are entitled to treat the contract as repudiated by the customer (and forfeit any booking fees paid by the customer) in the event the customer fails to take and pay for the automobile within seven days of notification.

### **B. Provision of After-Sales Services (2S services)**

Under our dealership agreements, we are entitled to offer certain after-sales services to our customers, which include maintenance and repair services and breakdown assistance services in all our dealerships.

#### **(i) Preventive and corrective maintenance and grooming services**

We provide regular scheduled maintenance services and routine inspections for our new automobiles based on the mileage and age of the automobiles. These schedules are typically recommended by our Principals. The maintenance services generally include oil changes, replacement of spark plugs and air filters and wheel alignment.

In addition, we offer automobile grooming services, such as waxing and polishing, interior cleaning and leather treatment.



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## GENERAL INFORMATION ON OUR GROUP

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(ii) Repair services

We provide repair services for automobiles which are under warranty or otherwise. Our repair services typically include repair of manufacturer's defects or replacement of parts due to wear and tear.

Warranties for the automobiles at our dealerships are provided by the respective automobile manufacturers. The warranty for our new automobiles is typically for a period of 60 months or earlier, commencing from the date the automobile is registered.

For repair services for automobiles with an existing manufacturer's warranty, we may be entitled to make a claim against our Principals for the cost of the repair works, if such repair works constitute claimable works. For claimable works, our Group is entitled to undertake the repairs and subsequently claim the cost of repairs from our Principals. For non-claimable works, our customers will have to bear the cost of repairs and these works typically consist of wear and tear as well as damage caused by the customers. For automobiles with an expired manufacturer's warranty, we will charge a fee for services rendered by us in respect of the repair services. Our charges for repair services are typically based on the labour time and cost of parts incurred.

Automobile manufacturers may recall their automobiles from time to time to remedy certain problems and product defects. Please refer to "*Risk Factors – Product defects and automobile recalls could have an adverse effect on our business*" of this Offer Document for further details. Nevertheless, we are generally not liable for any costs of such recalls and are typically compensated by the automobile manufacturers for the assistance rendered by us in conducting the recalls.

**C. Sale of automobile spare parts and accessories (3S services)**

Under our dealership agreements, we are permitted by our Principals to retail approved automobile spare parts and accessories, such as body components, tyres, batteries and other automobile accessories to our customers in all our dealerships.

**D. Automobile Body and Collision Repair Services (4S services)**

We also offer automobile body repair and collision repair services such as paintwork repairs to minor scratches, scuffs and dents as well as major repairs to the bodies of automobiles damaged by collisions in our 4S automobile dealerships.

**E. Sale of automobile insurance and automobile financing services**

We act as a processing agent for automobile insurance companies and financial institutions offering automobile financing services, which we offer to our customers in all of our dealerships as a value-added service. We receive a commission from these insurance companies and financial institutions for each financing arrangement or insurance policy processed at our dealerships.

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## GENERAL INFORMATION ON OUR GROUP

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### OUR DEALERSHIP ARRANGEMENTS

#### **A. *Honda Dealership Agreement***

Our Group, through MJNMSB, had on 1 December 2017 entered into a dealership agreement with Honda Malaysia, pursuant to which Honda Malaysia had appointed MJNMSB as an authorised non-exclusive dealer of Honda Malaysia and granted MJNMSB the right to undertake the selling (including special sales to any government bodies, units, agencies, organisations, persons and others that involves certain procedures, schemes policies and termed conditions set by the Malaysian government and/or Honda Malaysia), after sales and services of the automobiles bearing the Honda brand name which are manufactured, assembled, imported, marketed and/or distributed by Honda Malaysia, including Honda genuine parts and accessories, as well as any other item that Honda Malaysia may later supply or expressly authorise MJNMSB to market and service and resell from time to time.

The Honda dealership agreement is for a contract period commencing 1 December 2017 and ending on 31 March 2019 and subject to our achieving prescribed sales targets and there being no breach of the terms and conditions of the Honda dealership agreement, Honda Malaysia is entitled to renew the Honda dealership agreement for a further period of which shall be determined by Honda Malaysia.

Honda Malaysia has, as of 6 February 2018, approved our application to offer 4S services to our customers. Construction works to upgrade our Honda 3S automobile dealership are expected to commence in the fourth quarter of calendar year 2018.

Honda Malaysia has also awarded our Group the right to operate a second Honda 3S automobile dealership in the Kuala Selangor district in Selangor, Malaysia. We expect to commence operations of this 3S automobile dealership at an interim location by November 2018. Construction works for the permanent Honda 3S automobile dealership facility at Kuala Selangor is expected to commence in the first half of calendar year 2019.

#### **B. *Peugeot Dealership Agreements***

Our Group, through MNOSB, has entered into dealership agreements with Nasim, pursuant to which Nasim had appointed MNOSB on a non-exclusive basis to undertake (i) the promotion and sale of mixed variants of vehicles as manufactured and/or distributed by Nasim or produced and licensed by Peugeot SA or to the order of Nasim ("**Vehicles**"); and (ii) the provision of diagnosis, general service, repair, warranty and maintenance (including body and paint work, in particular, accident repair) and sale of genuine spare parts, components, approved consumables and accessories for Vehicles (which shall also include lubricants), to customers at Jalan WS and Galla Industrial Park.

The term of the Peugeot dealership agreements is for a period of one year and Nasim is entitled to extend the term of the Peugeot dealership agreements subject to fulfilment by MNOSB of its obligations under the respective Peugeot dealership agreements. Nasim has extended the term of the Peugeot dealership agreement for Galla Industrial Park once and for Jalan WS for a third time; the term for the Peugeot dealership agreement for Jalan WS is due to expire on 22 July 2019, and the term for the Peugeot dealership for Galla Industrial Park is due to expire on 2 April 2019.

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## GENERAL INFORMATION ON OUR GROUP

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### **C. *Mazda Dealership Agreement***

Bermaz is a company incorporated in Malaysia and is the sole distributor in Malaysia of locally assembled Mazda3, CX-5 and Completely Knocked-down (“**CKD**”) and Completely Built-up (“**CBU**”) Mazda range of vehicles manufactured or produced by Mazda Motor Corporation of Japan.

Our Group, through MNASB, has entered into a vehicle sales dealer agreement with Bermaz pursuant to which Bermaz had appointed MNASB as its dealer for the promotion and sale of Mazda CBU Japan, Mazda CBU Thailand and CKD. The current term of the Mazda dealership agreement for the Mazda dealership located at Jalan SB is for a period of three years commencing from 1 November 2015 and automatically renews for additional one year periods at Bermaz’s absolute discretion.

In addition, we have been appointed by Bermaz as an “Authorised Body & Paint In House Repairer” and are able to offer 4S Services to our customers at our Mazda dealership at Jalan SB.

### **D. *Salient terms of our Dealership Agreements***

In addition to the foregoing, our dealership agreements typically contain the following key provisions:

- (a) restrictions on changes in shareholding;
- (b) restrictions on the disposal of assets;
- (c) restrictions on any form of reorganisation; and
- (d) confidentiality obligations.

As at the Latest Practicable Date, our Group is not in breach of any terms or conditions or covenants of the above dealership agreements. To the best of their knowledge, our Directors are not aware of any information or arrangements which would lead to a cessation or termination of any of the above dealership agreements or non-renewal agreements with any of the above automobile distributors.

## **SALES AND MARKETING**

### **A. *Manufacturing***

Our Sales and Marketing department for our Manufacturing Business is responsible for marketing the Manufacturing Business to new and existing customers within Malaysia and liaising with our existing customers. As at the Latest Practicable Date, our sales are mainly derived in Malaysia and our customers are mainly Malaysian-based automobile manufacturers.

We carry out the following sales and marketing initiatives:

- (i) Proactive outreach to new customers

For new customers who have yet to qualify us as Approved Suppliers, our Group proactively schedules presentation appointments with the procurement divisions of

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## GENERAL INFORMATION ON OUR GROUP

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such customers. Once such an appointment is scheduled, representatives of our Group will meet with such customers and deliver a presentation of our Group's capabilities. If successful, such customers generally undertake an audit of our Group. If the audit is completed to the satisfaction of the customer, such customers will admit us as an Approved Supplier, which will allow us to participate in tenders for any future automobile models of automobiles manufactured by that customer.

(ii) Regular contact with existing customers

Our commitment to our existing customers has resulted in good working ties between our existing customers and us. Through visits to our customers' offices, we are able to develop an in-depth understanding of our customer's needs. As a result, we are able to serve them better and to provide solutions which suit their requirements. We work directly and closely with our customers on a regular basis, to ensure that all our customers' needs are met effectively and efficiently.

(iii) Quality assurance

Our prospective customers are offered the opportunity to independently conduct their own evaluation of our production facilities to satisfy themselves that we are capable of meeting their requirement specifications. We also deliver product samples to our customers prior to the commencement of a project, to ensure that our customers are satisfied that our products meet their NVH or other requirement specifications. As our NVH components and non-NVH components are incorporated by our customers into the bodies of automobiles, the shape and dimensions of our NVH and non-NVH components must be precise so that they can be incorporated into the bodies of automobiles during assembly.

### **B. Dealership**

Our sales and marketing team for our Dealership Business carries out the following initiatives:

(i) Showrooms

We have dedicated showrooms where automobiles of the brands we carry are prominently displayed. Our showrooms have been specially designed in accordance with the corporate identity requirements of our Principals. We provide automobiles for test-drive at our showrooms. As at the Latest Practicable Date, we operate the following showrooms:

Showroom	Address
Mazda	Jalan SB
Peugeot	Jalan WS, Galla Industrial Park
Honda	Jalan RS

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## GENERAL INFORMATION ON OUR GROUP

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(ii) Customer relations

We have put in place Customer Relationship Management systems in accordance with the requirements of our Principals, which enable us to monitor and gauge the level of interest at marketing events and to better profile our customers' needs and requirements. This enables us to tailor and conduct targeted marketing campaigns, including road shows and advertising and/or promotions through the various social media platforms.

### RESEARCH AND DEVELOPMENT

#### **A. Manufacturing**

Our Research & Development (“R&D”) team is responsible for continuously developing improved products that meet the NVH requirements of our customers in order for the Group to compete in the industry. For certain research and developments projects, our Group consults with Hirotani Co Ltd. to leverage on their experience and expertise.

The following is a brief description of the research and development work we undertake:

- (i) on an ongoing basis, we develop new Thermobonded Felt varieties to meet the requirement specifications of our customers for future models of automobiles; and
- (ii) we also constantly test the suitability of different materials (other than Thermobonded Felt materials) to manufacture our NVH components.

#### **B. Dealership**

We do not carry out any research and development activities. However, we constantly monitor the markets, consumer preferences and competition, and are always on the lookout for various opportunities to expand our business.

### STAFF TRAINING

#### **A. Manufacturing**

Due to the nature of our business, most of our staff training is conducted in-house. Programmes such as operational and manufacturing procedures, quality assurance standards, products knowledge, sales techniques and specific market knowledge are conducted by our team heads or by external trainers (for external quality assurance standards). We emphasise on operational and manufacturing procedures and quality assurance standards to ensure that all staff clearly understand the nature of their respective jobs. Our employees are trained and instructed to comply strictly with documented procedures in order to produce high quality products.

We also engage third party instructors for our staff training. In respect of our Assembly Line, our team heads have received training from Hirotani Co Ltd. Our Group also signed on to Phase 1 of the Malaysia Japan Automotive Industries Cooperation (MAJAICO) Improvement Programme, which gave us access to automotive industry experts from Japan who conducted training sessions on “Lean Manufacturing”, allowing us to improve our standardised processes across our production lines by eliminating waste, increasing efficiency as well as productivity.

We are of the opinion that such in-house and external training programmes have enhanced the skills of our employees and increased their productivity.

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## GENERAL INFORMATION ON OUR GROUP

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### **B. Dealership**

As this segment of our business is mainly sales-oriented, it is important that we place a strong emphasis on the training of our staff to ensure and enhance our quality of service.

Typically, our Principals provide training for new employees and, as and when new models of automobiles are launched, for our sales staff. Our employees also undergo on-the-job training under a senior staff, who trains and equips them with the necessary knowledge and practical skills to perform their tasks. The type of training conducted varies with the job scope of the employee.

Our service centres are manned by a team of technicians, mechanics and service advisers, who have received training from our Principals. For body and paint services, the employees will also be trained by the respective Principals.

### **CORPORATE SOCIAL RESPONSIBILITY**

We view corporate social responsibility as both a responsibility and a competitive advantage. We recognise that we have an obligation towards our employees, investors, customers, suppliers, and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal with, is one of our most valuable assets. We seek to maintain our reputation and such trust and confidence, and we are committed to achieving long-term mutually sustainable relationships with our stakeholders.

We will be required to disclose our corporate social responsibility policies with reference to the SGX-ST's Sustainability Reporting Guide, and our Board of Directors will establish a corporate social responsibility policy which will include the following areas of our Group's activities:

- (a) to review and recommend our Group's policy in respect of corporate social responsibility issues;
- (b) to review our Group's health, safety and environment policies and standards;
- (c) to review the social impact of our Group's business practices in the communities that we operate in;
- (d) to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
- (e) to review and recommend policies and practices with regard to regulators.

### **WORKPLACE SAFETY AND HEALTH MEASURES**

Pursuant to the Occupational Safety and Health Act 1994 of Malaysia ("**OSHA**"), we have established a general policy in respect to safety and health for all of our Group Companies.

We have also established safety and health committees for our operations at our Main Manufacturing Plant and 3S Honda dealership at Jalan RS.

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## GENERAL INFORMATION ON OUR GROUP

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Our safety and health committees perform the following functions:

- (a) to review safety and health of all persons in our workplace;
- (b) to maintain safe and healthy working conditions in our workplace by promoting co-operation between our management and employees;
- (c) to carry out inspections on any accident cases and dangerous occurrences in the interests of the safety and health of our employees;
- (d) to review safety and health policies at our workplaces; and
- (e) to carry out other functions and duties as prescribed under the OSHA.

We conduct health and safety briefings for our non-operational personnel. In addition, each of our technicians and mechanics is required to attend briefings and trainings, including on-the-job familiarisation and safety demonstrations, which are provided by the equipment suppliers.

### SEASONALITY

Generally, both our Manufacturing and our Dealership Businesses are not subject to any significant seasonal fluctuations that will affect our business and operations. However, for our Dealership Business, sales of automobiles will fluctuate depending on the stage of the life-cycle of a particular automobile model. Sale of a particular automobile model will typically be higher when it is newly launched and will decline towards the end of its life-cycle. Generally, for our Dealership Business, we observe an increase in sales of automobiles prior to major holidays. For our Manufacturing Business, we observe a decrease in sales during such major holidays and as and when our major customers cease operations for annual maintenance.

### INTELLECTUAL PROPERTY

Both our Manufacturing Business and our Dealership Business are not dependent on nor do we have any registered trademark, patent or licence or any other intellectual rights.

Under our dealership agreements, we are generally able to use the trade names, trademarks and other branding materials in a manner consistent with the standards and requirements set by our Principals for the purposes of promoting and marketing their respective automobiles.



## GENERAL INFORMATION ON OUR GROUP

### PROPERTIES AND FIXED ASSETS

As at the Latest Practicable Date, our Group owns the following properties:

Location	Approximate land area (sq m)	Encumbrances	Tenure	Use of property
Lot 1	4,561	Charge in favour of Public Bank Berhad <sup>(1)</sup>	Leasehold of 99 years expiring on 14 May 2088	Main Manufacturing Plant
Lot 14	2,560	Charge in favour of Public Bank Berhad <sup>(1)</sup>	Leasehold of 99 years expiring on 14 May 2088	Thermobonded Felt Plant
Jalan CJ	100	Charge in favour of Malayan Banking Berhad <sup>(1)</sup>	Leasehold for 99 years expiring on 4 July 2095	Staff Hostel
Bandar Serendah Lot	8,376	Charge in favour of Malayan Banking Berhad <sup>(1)</sup>	Freehold	Vacant land

**Note:**

(1) Please refer to the section entitled “*Capitalisation and Indebtedness*” of this Offer Document for further details.

As at the Latest Practicable Date, our Group leases or licenses the following properties:

Location	Approximate land area (sq m)	Rent/Fees (RM/month)	Tenure	Use of property	Lessor/ Licensor/ Landlord
Jalan CSL	1,000	14,000	3 years commencing 1 December 2015 <sup>(1)</sup>	Body and Paint workshop for Mazda brand of automobiles	Individual Owner
Jalan SB <sup>(2)</sup>	4,049	54,000	3 years commencing 1 November 2016 <sup>(3)</sup>	Mazda 4S automobile dealership	Chuan Huat Steel Sdn. Bhd.
Jalan WS <sup>(2)</sup>	2,483	26,875	3 years commencing 1 November 2017	Peugeot 4S automobile dealership	Segayan Harta Sdn. Bhd.
Galla Industrial Park	3,040	10,000	3 years commencing 15 May 2017	Body and Paint Workshop for Peugeot brand of automobiles Peugeot 4S automobile dealership	Inmaju Holdings Sdn. Bhd.

## GENERAL INFORMATION ON OUR GROUP

Location	Approximate land area (sq m)	Rent/Fees (RM/month)	Tenure	Use of property	Lessor/ Licensor/ Landlord
Jalan RS	6,070	68,000	3 years commencing 16 July 2017	Honda 3S automobile dealership	Awanis Sdn. Bhd. <sup>(4)</sup>
One Auto Hub	744	13,200	1 year commencing 15 May 2017 and extended for a further 1 year on 16 May 2018	Assembly Line	Mazda Logistics Malaysia Sdn. Bhd. <sup>(5)</sup>
Bersatu Industrial Park	446	7,120	1 year commencing 1 January 2018	For warehousing of NVH components and non-NVH components	Rakan Bersatu Sdn. Bhd.
Jalan CJ4	109	1,000	2 years commencing 1 October 2017	Staff Hostel	Individual owner
Jalan CJ4 2	109	1,000	2 years commencing 1 October 2017	Staff Hostel	Individual owner

**Note:**

- (1) We have been granted an option to renew the lease for a further term of 3 years at a fixed monthly rent upon the expiration of the initial 3 year term. We do not foresee any difficulties in exercising our option to renew the lease.
- (2) We have been advised by our Legal Advisers to the Company as to Malaysia Law, Naqiz & Partners, that the following properties require Certificates of Completion and Compliance issued under the Street, Drainage and Building Act (Amendment) 2007 of Malaysia. Naqiz & Partners have issued a legal opinion stating that having made enquiries with the Kuala Lumpur City Hall and Kajang Municipal Council, the municipal branches having jurisdiction for the issuance of the Certificates of Completion and Compliance for our Mazda automobile dealership at Jalan SB and our Peugeot automobile dealership at Jalan WS respectively, both the Kuala Lumpur City Hall and the Kajang Municipal Council have confirmed that the day-to-day operations of the Dealership Businesses located at these premises will not be affected pending the issuance of the Certificates of Completion and Compliance. Our architects have commenced the process of obtaining the requisite approvals from local authorities required prior to the issuance of the Certificates of Completion and Compliance. We do not foresee any difficulties in obtaining the Certificates of Completion and Compliance.
- (3) We have been granted an option to renew the lease for a further term of 3 years subject to a maximum increase of 10% of the existing rent rate. We do not foresee any difficulties in exercising our option to renew the lease.
- (4) This is a sub-tenancy. The registered owners of this property are individual owners. Awanis Sdn. Bhd. has obtained the prior written approval from the registered owners of the property to sublet or part with possession of the land during the term of the principal Tenancy Agreement to any of Awanis' subsidiaries or other entities who are in the motor vehicle business.
- (5) Pursuant to a service agreement entered into between Mazda Logistics Malaysia Sdn. Bhd. and MNSB.

## GENERAL INFORMATION ON OUR GROUP

### Plants and Utilisations

As at the Latest Practicable Date, we have two plants and one assembly line which we own or lease, occupying a combined built-up area of approximately 7,865 sq m.

The average production capacity and extent of utilisation of our production facilities for FY2016, FY2017 and FY2018 were as follows:

	FY2016		FY2017		FY2018	
	Annual Production Capacity <sup>(1)</sup> (units)	Extent of Utilisation <sup>(2)</sup> (%)	Annual Production Capacity <sup>(1) (3)</sup> (units)	Extent of Utilisation <sup>(2)</sup> (%)	Annual Production Capacity <sup>(1)</sup> (units)	Extent of Utilisation <sup>(2)</sup> (%)
Main Manufacturing Plant	1,467,648	83.8	1,467,648	85.0	1,485,120	71.2
Thermobonded Felt Plant	1,073,280	68.01	1,073,280	70.7	1,073,280	50.6 <sup>(4)</sup>
Assembly Line	21,120	37.33	21,120	58.07	25,344	71.02

#### Notes:

- (1) Assuming our manufacturing facilities operate for 8 hours per day, 26 days per month, 12 months per year, save for the Assembly Line, which operates for 8 hours per day, 22 days per month, 12 months per year and “units” refers to units of production.
- (2) Approximate extent of utilisation is calculated based on actual annual production output divided by annual production capacity and for FY2017, including production output from temporary production facilities, as described below.
- (3) The fire incident in FY2017 did not affect the Annual Production Capacity of our Main Manufacturing Plant or our Thermobonded Felt Plant. While the fire incident in FY2017 caused production to halt for 2 days, we were able to continue production through the establishment of temporary production facilities which allowed us to continue supplying our NVH and non-NVH components to our customers.
- (4) The reduction in utilisation rate of our Thermobonded Felt Plant from 70.7% in FY2017 to 50.6% in FY2018 is due to a customer discontinuing production of a particular model of automobile.

### Other Fixed Assets

We own other material fixed assets comprising mainly machinery and equipment, office equipment, furniture and fittings and automobiles. As at 31 March 2018, our fixed assets (excluding our properties) had a net book value of approximately RM14.6 million, representing approximately 40.2% of our non-current assets of approximately RM36.2 million as at 31 March 2018.

Save as disclosed above and in the section entitled “*Risk Factors*” and “*Summary of Relevant Laws and Regulations*” set out in Appendix D of this Offer Document, as at the Latest Practicable Date, to the best of our Directors’ knowledge, there are no regulatory requirements or environmental issues that may materially affect our Group’s utilisation of the above properties and fixed assets.

### MAJOR SUPPLIERS

#### A. Manufacturing

Our major suppliers are carefully selected according to criteria such as quality, pricing and reliability of their products, the timely delivery of their products and the length of their business relationship with our Group. We generally do not enter into long-term or exclusive contracts with our major suppliers.

## GENERAL INFORMATION ON OUR GROUP

The following are our major suppliers that supplied 5.0% or more of our Group purchases in any of FY2016, FY2017 and FY2018:

Name of Supplier	Percentage of Group Purchases (%)		
	FY2016	FY2017	FY2018
Hirofani Co., Ltd.	0.7	10.0 <sup>(1)</sup>	3.7
SNC Sound Proof Co., Ltd	4.9	4.6	2.8
Asian Resinated Felt Sdn Bhd	1.0	6.3 <sup>(2)</sup>	0.3

**Notes:**

- (1) Purchases from our supplier, Hirofani Co., Ltd., amounted to 10.0% of our Group purchases for FY2017. This was primarily due to the fire incident at our Main Manufacturing Plant in FY2017. As we were unable to manufacture any Thermobonded Felt immediately after the fire incident, we purchased Thermobonded Felt from Hirofani Co., Ltd to meet our supply obligations to our customers.
- (2) Purchases from our supplier, Asian Resinated Felt Sdn. Bhd., amounted to 6.3% of our Group purchases for FY2017. This was primarily due to the fire incident at our Main Manufacturing Plant in FY2017. As we were unable to manufacture any Thermobonded Felt immediately after the fire incident, we purchased Thermobonded Felt from Asian Resinated Felt Sdn. Bhd. to meet our supply obligations to our customers. As we have since re-established our Thermobonded Felt Plant at Lot 14, we are no longer materially dependent on Asian Resinated Felt Sdn. Bhd. as a supplier.

### **B. Dealership**

As at the Latest Practicable Date, we have entered into dealership agreements with Honda Malaysia, Bermaz and Nasim, who each account for 5.0% or more of our total purchases in any of FY2016, FY2017 and FY2018:

Name of Supplier	Percentage of Group Purchases (%)		
	FY2016	FY2017	FY2018
Honda Malaysia <sup>(1) (4)</sup>	—	—	25.2
Bermaz	67.5 <sup>(2)</sup>	47.5	24.7
Nasim	4.7 <sup>(3)</sup>	5.1	8.5
MJ Motors Sdn. Bhd. <sup>(4)</sup>	—	—	11.8

**Notes:**

- (1) MJNMSB entered into the Honda dealership agreement with Honda Malaysia on 1 December 2017.
- (2) Based on the gross amount of group purchases from Bermaz (including GST) against our total purchases (excluding GST), derived from the creditors ageing report for MNASB for FY2016. This method of computation was utilised as certain records reflecting the Group's purchases from Bermaz for FY2016 were lost during the fire incident in FY2017.
- (3) Based on the gross amount of group purchases from Nasim (including GST) against our total purchases (excluding GST), derived from the creditors ageing report for MNOSB for FY2016. This method of computation was utilised as certain records reflecting the Group's purchases from Nasim for FY2016 were lost during the fire incident in FY2017.
- (4) Purchases from MJ Motors Sdn. Bhd., amounted to 11.8% of our Group purchases for FY2018. These purchases were made in connection with our acquisition of a controlling stake in MJNMSB. While MJNMSB was awarded the dealership by Honda Malaysia in September 2017, MJNMSB only entered into the Honda dealership agreement with Honda Malaysia on 1 December 2017. During the interim period, MJNMSB had purchased automobiles and other 3S services at cost from MJ Motors Sdn. Bhd., which were subsequently sold to MJNMSB's customers. As we have since entered into the Honda dealership agreement, we are not materially dependent on MJ Motors Sdn. Bhd. as a supplier.

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## GENERAL INFORMATION ON OUR GROUP

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Please refer to the section entitled “*General Information on our Group – History and Development*” for more information on our acquisition of our interest in MJNMSB.

### C. General

Our Dealership Business is materially dependent on our ongoing relationship with our Principals, namely, Honda Malaysia, Bermaz and Nasim. Save for this, our Directors are of the opinion that our business and profitability are currently not dependent on any other single supplier or on any particular industrial, commercial or financial contract with any other supplier.

To the best of their knowledge, our Directors are not aware of any information or arrangements which would lead to the cessation or non-renewal of our current relationship with any of our major suppliers.

As at the date of this Offer Document, save as disclosed in the section entitled “*Interested Person Transaction – Potential Conflicts of Interest*”, none of our Directors, Substantial Shareholders or their Associates has any interest, direct or indirect, in Honda Malaysia, Bermaz, Nasim and MJ Motors Sdn. Bhd.

## MAJOR CUSTOMERS

### A. Manufacturing

We supply our NVH components and non-NVH components to local automobile manufacturers in Malaysia, who then incorporate our NVH components and non-NVH components into their automobiles. The following are the major customers whose purchases constituted 5.0% or more of our revenue in any of FY2016, FY2017 and FY2018:

Name of Customer	Percentage of Total Revenue (%)		
	FY2016	FY2017	FY2018
Honda Malaysia	16.4	14.4	10.1
Perodua Manufacturing Sdn. Bhd. <sup>(2)</sup>	11.8	12.3	5.1
Perodua Global Manufacturing Sdn. Bhd. <sup>(2)</sup>	n.m. <sup>(1)</sup>	9.9	6.5

#### Notes:

- (1) Purchases by Perodua Global Manufacturing Sdn. Bhd. in FY2016 constituted less than 0.1% of our revenue for FY2016.
- (2) Perodua Global Manufacturing Sdn. Bhd. and Perodua Manufacturing Sdn. Bhd. are members of the Perodua Group. According to information set out in the Perodua Group website at [www.perodua.com.my/corporate/company](http://www.perodua.com.my/corporate/company), Perodua Manufacturing Sdn. Bhd. is the company responsible for the manufacturing of Perodua automobiles and Perodua Global Manufacturing Sdn. Bhd. is Perodua's Energy Efficient Vehicle (EEV) state of the art new manufacturing facility.

We have qualified as an Approved Supplier for Honda Malaysia, Perodua Manufacturing Sdn. Bhd., Perodua Global Manufacturing Sdn. Bhd., Mazda Malaysia Sdn. Bhd., Perusahaan Otomobil Nasional Sdn. Bhd. and Johnson Controls Hitachi, allowing us to participate in tender proposals for new models of automobiles under the Honda, Perodua, Mazda and Proton brands and HVAC components to Johnson Controls Hitachi.

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## GENERAL INFORMATION ON OUR GROUP

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Typically, we enter into supply agreements with our customers upon qualifying as an Approved Supplier (each a **“Supply Agreement”**). In general, such agreements would set out the terms and conditions of the supply of our NVH components and non-NVH components to our customers, including, but not limited to, our customer’s quality assurance requirements, our obligations in relation to the delivery of our NVH components and non-NVH components, terms of payment, rectification of defects and compensation for late delivery.

The general decline in percentage of total revenue constituted by the above-mentioned major customers for the Manufacturing Business is a result of the growth of the Group’s revenue contribution from our Dealership Business.

### **B. Dealership**

Our customers comprise mainly individuals and corporates who purchase our new automobiles.

No single customer contributed 5.0% or more of our total revenue.

### **C. General**

Save in respect of Honda Malaysia, Perodua Manufacturing Sdn. Bhd., and Perodua Global Manufacturing Sdn. Bhd., our Directors are of the opinion that the business and profitability of our Group are currently not dependent on any single customer or on any particular industrial, commercial or financial contract with any customer.

To the best of their knowledge, our Directors are not aware of any information or arrangements which would lead to a cessation or non-renewal of our current relationship with any of our major customers.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or their associates has any interest, direct or indirect, in Honda Malaysia, Perodua Manufacturing Sdn. Bhd., and Perodua Global Manufacturing Sdn. Bhd.

## **CREDIT MANAGEMENT**

### **A. Credit Policy to customers**

#### **Manufacturing**

The credit terms generally granted to our customers range from 30 to 60 days.

For cases where the credit terms requested by customers are outside our usual credit limits, the approval of the board of directors of MNSB will be required.

Our finance team monitors the trade receivables vis-à-vis the credit terms granted to our customers and reports to the board of directors of MNSB and the sales team. Our sales personnel will then subsequently contact these customers to collect payment.

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## GENERAL INFORMATION ON OUR GROUP

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### Dealership

Typically our customers will enter into a financing arrangement with a financial institution when purchasing an automobile from any of our dealerships. From time to time, our customers may pay in cash and/or credit card. We generally do not grant any credit terms to our customers (whether such customers purchase new automobiles or after-sales services).

Our allowance for impairment of trade receivables, bad debts written-off and trade receivables turnover days of our Group for the Period Under Review are set out below:

	FY2016	FY2017	FY2018
Allowance for impairment of trade receivables (RM'000)	nil	nil	nil
Bad debts written-off – trade receivables (RM'000)	(179.9)	(3.3)	(10.0)
Trade receivables turnover (days) <sup>(1)</sup>	22.8	29.8	22.3

**Note:**

(1) The trade receivables turnover days is calculated based on the average opening and closing trade receivables balances of the relevant financial year divided by the corresponding revenue and multiplied by 365 days for FY2016, FY2017 and FY2018.

Our trade receivables arise mainly from sales to our Manufacturing Business customers.

### B. Credit terms from our suppliers

#### Manufacturing

Our trade payables arise mainly from the purchase of fibres, KP Sheets, semi-cured felt and carpets ("**Raw Materials**"), adhesives and base materials for the manufacturing of our headliners from manufacturers. We pay for our purchases of Raw Materials in any one of the following ways. For suppliers who are located outside of Malaysia, through (i) telegraphic transfer prior to delivery; (ii) telegraphic transfer 30 days after delivery; or (iii) a letter of credit obtained from a financial institution. For our suppliers located within Malaysia, (i) by cheque issued on delivery of the Raw Materials; (ii) by cheque issued before the Raw Materials are delivered; or (iii) by cheque issued within 45 days or 75 days from the closing month of the invoice.

Our trade payables turnover days for the Period Under Review are generally within the credit terms granted to us.

#### Dealership

Our trade payables arise mainly from the purchase of new automobiles and automobile parts and accessories from manufacturers and distributors.

Our purchases of new automobiles are generally conducted on a payment-before-delivery basis, by way of cash payment or by utilising our revolving facilities with our banks. Please refer to the section entitled "*Capitalisation and Indebtedness*" of this Offer Document for more details. However, for automobile parts and accessories, our Principals may grant us a credit term of 30 to 90 days from the date of invoice.



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## GENERAL INFORMATION ON OUR GROUP

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Our trade payables turnover days for the Period Under Review for the Group are as follows:

	FY2016	FY2017	FY2018
Trade payables turnover (days) <sup>(1)</sup>	27.2	52.0	29.1

**Note:**

- (1) The Trade payables turnover days is calculated based on the average opening and closing trade payables balance of the relevant financial year divided by the corresponding cost of purchases and multiplied by 365 days for FY2016, FY2017 and FY2018.

Our trade payables turnover days for the Period Under Review are within the credit terms granted to us.

### INVENTORY MANAGEMENT

#### **A. Manufacturing**

We allocate budgets based on firm and forecasted figures provided by each of our customers in a monthly report to us. Raw materials for our NVH components and non-NVH components are purchased at the beginning of each month. We purchase raw materials according to our purchase plan, which is prepared based on the firm and forecasted figures provided by our customers. We adopt the “first-in-first-out” method of stock control which means that raw materials received first will be used first in our production.

We believe that effective inventory management and control is critical in meeting the needs of our customers, minimising risk of stock obsolescence and price erosion and thus ensuring the profitability of our businesses. In general, we manufacture our NVH components and non-NVH components (including our Thermobonded Felts) in response to customers’ orders and specifications based on the firm and forecasted figures provided by our customers in a monthly report. This minimises the amount of our products that have to be maintained in our warehouses. In addition, we are required by our supply agreements with our customers to maintain a certain minimum level of safety stock for certain of our NVH components and non-NVH components in order to meet any anticipated requirements of our customers as well as to mitigate any unforeseen disruptions to our production lines.

#### **B. Dealership**

Our inventory consists of new automobiles and automobile parts and accessories. New automobiles comprise the bulk of our inventory. Accordingly, our inventory turnover days are largely dependent upon the movement of the inventory for new automobiles.

In order to respond to customer demand and at the same time manage our cashflow effectively, we aim to stock a reasonable level of our products. We typically procure our inventory based on historical movements of and anticipated demand for new automobiles and automobile parts and accessories and based on the purchase arrangements with our Principals. We maintain inventory management systems for new automobiles and automobile parts and accessories, which enable us to monitor and manage our inventory turnover for these products in a real-time manner. For new automobiles that have aged beyond a certain period of time, we will take initiatives, such as marketing events, to reduce such inventory level.

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## GENERAL INFORMATION ON OUR GROUP

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Our inventories and average inventory turnover days of our Group for the Period Under Review are as follows:

	FY2016	FY2017	FY2018
Inventories (RM'000)	6,837.4	3,597.0	10,043.2
Average inventory turnover (days) <sup>(1)</sup>	23.2	28.6	21.8

**Note:**

- (1) The average inventory turnover days are calculated based on the average opening and closing inventory balance of the relevant financial year divided by the corresponding cost of purchases and multiplied by 365 days for FY2016, FY2017 and FY2018.

During FY2016, our Group recognised a write-down in inventories of RM270,865. During FY2017, our Group reversed a previous inventory write-down from a prior FY amounting to RM270,865. The Group has sold the goods that were the subject of the write-down.

As at the Latest Practicable Date, our Directors are not aware of any information or reasons for our Group to make provision or write-down our inventory.

### INSURANCE

As at the Latest Practicable Date, we have taken up insurance policies in respect of, *inter alia*, the following:

- (a) fire insurance (including fire consequential loss policy);
- (b) work injury compensation insurance for our employees, including our foreign workers;
- (c) marine cargo insurance in respect of certain raw materials purchased from our suppliers;
- (d) public liability insurance;
- (e) trade credit insurance; and
- (f) burglary insurance.

The above insurance policies are reviewed annually to ensure that they adequately satisfy both regulatory and business requirements. We may increase the coverage if we deem it necessary and appropriate.

Our Directors are of the opinion that the above insurance policies are adequate for our existing operations. However, any significant disruption to our operations or damage to our properties or assets, whether as a result of fire and/or other causes, may still have a material adverse impact on our business, results of operations or financial position. Please refer to the section titled “*Risk Factors – We may be affected by major or sustained disruptions to our operations*” of this Offer Document for further details.

## GENERAL INFORMATION ON OUR GROUP

### LICENCING, PERMITS AND APPROVALS

To the best of our Directors' knowledge, save as disclosed below, our Company has obtained all the necessary permits, approvals and licences which are material to our business and operations.

The following are the main licences, permits and approvals (apart from those pertaining to general business requirements) issued to our Group which are essential for the business operations of our Group:

Licence, permit or approval	Issuing Authority	Expiry Date
Manufacturing licence issued to MNSB for the Main Manufacturing Plant and the Thermobonded Felt Plant <sup>(1)</sup>	Ministry of International Trade and Industry of Malaysia	Not applicable (granted 17 November 2008)
Business Licence issued to MNSB for the Main Manufacturing Plant	Kajang Municipal Council	31 December 2018
Business Licence issued to MNSB for the Thermobonded Felt Plant	Kajang Municipal Council	27 June 2019
Business Licence issued to MNSB for the Assembly Line at One Auto Hub	Seberang Perai Municipal Council	31 December 2018
Business Licence issued to MNASB for Mazda 4S dealership at Jalan SB	Kuala Lumpur City Hall	5 July 2019
Business Licence issued to MNASB for Mazda Body and Paint Workshop at Jalan CSL	Kuala Lumpur City Hall	13 August 2019
Business Licence issued to MNOSB for Peugeot 4S dealership at Jalan WS	Kajang Municipal Council	21 June 2019
Business Licence issued to MNOSB for Peugeot 4S dealership at Galla Industrial Park	Seremban Municipal Council	13 July 2019
Business Licence issued to MJNMSB for Honda 3S dealership at Jalan RS	Klang Municipal Council	3 January 2019
Certificates of fitness for MNASB's scissor lifts, post lifts and air receivers	Department of Occupational Safety and Health	7 April 2019 (scissor lifts and post lifts)/11 April 2019 (post lift)/20 June 2019 (air receiver)
Certificates of fitness for MNOSB's horizontal air receiver tank, scissors lifts and post lifts <sup>(2)</sup>	Department of Occupational Safety and Health	25 July 2018/(horizontal air receiver tank, scissors lifts, post lifts)/17 December 2019 (post lifts)

## GENERAL INFORMATION ON OUR GROUP

Licence, permit or approval	Issuing Authority	Expiry Date
Certificates of fitness for MJNMSB's post lifts, scissors lifts horizontal air receiver tank <sup>(2)</sup>	Department of Occupational Safety and Health	27 February 2019 (scissors lifts, post lifts/4 July 2018 (post lift, scissors lifts, horizontal air tank)
Certificate issued to MNOSB certifying MNOSB as an approved repairer under the General Insurance Association of Malaysia	General Insurance Association of Malaysia	31 March 2019

### Notes:

- (1) We had on 24 July 2018 submitted an application for a manufacturing licence for our Thermobonded Felt Plant at Lot 14. The Malaysian Investment Development Authority ("MIDA") has confirmed via a letter dated 1 August 2018 that our Thermobonded Felt Plant will not require a separate manufacturing licence from the Ministry of International Trade and Industry of Malaysia as the products of the Thermobonded Felt Plant (that is, our Thermobonded Felts) are incorporated into the finished products manufactured at our Main Manufacturing Plant (that is, our NVH components and non-NVH components) and are for our own use and are not for sale.
- (2) The Company had, on 26 July 2018, submitted an application to the Department of Safety and Health for the renewal of the Certificates of Fitness in relation to horizontal air receive tanks, scissor lifts and post lifts that expired in July 2018. Our Legal Advisers to the Company as to Malaysia law, Naqiz & Partners, have issued a legal opinion stating that they have made enquiries to the Department of Occupational Safety and Health, Malaysia, who have confirmed that the machinery can be operated in the usual course of operations pending the renewal of the Certificates of Fitness and no penalties will be imposed by the Department of Occupational Safety and Health, Malaysia pending the renewal of Certificates of Fitness. As at the Latest Practicable Date, no such penalties have been imposed on our Group. We do not foresee any difficulties in obtaining a renewal of the Certificates of Fitness.

As at the Latest Practicable Date, none of the aforesaid permits, approvals and licences has been suspended, revoked or cancelled, and to the best of our Directors' knowledge, they are not aware of any facts or circumstances which would cause such permits, approvals and licences to be suspended, revoked or cancelled as the case may be, or cause any applications for, or renewal of, any of these permits, approvals and licences to be rejected by the relevant authorities.

While we have not submitted renewal applications for the permits, approvals and licences that are due to expire within one year of the date of this Offer Document, we will, at the appropriate juncture, make the relevant filing or submission to the relevant government authority prior to the expiration of permits, approvals and licences.

## QUALITY CONTROL AND ASSURANCE

We are committed to achieving customer satisfaction by delivering high quality products. We place great emphasis on quality control measures to ensure consistent quality standards that meets the requirements of our customers.

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## GENERAL INFORMATION ON OUR GROUP

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For our Manufacturing Business, we have implemented the following quality control and assurance measures to maintain the high quality of the products we supply, ensure that our products meet the specifications and minimise incidents of rejects, reworks, defects and wastage arising from our various production processes:

- (a) incoming raw materials from suppliers are subject to inspection and defect checks before they are despatched for production;
- (b) the quality of work-in-progress of our NVH components and non-NVH components is monitored and examined at each stage of the production process; and
- (c) our finished NVH components and non-NVH components are subject to a final visual inspection before final packaging. Defective NVH components and non-NVH components subject to a final visual inspection are separated and investigations carried out to determine the cause of defect. We will carry out rectification works if necessary. We may, if appropriate, conduct remedial works on such defective NVH components and non-NVH components to meet the required level of quality standards.

Our quality control team works closely with our production personnel to ensure that the existing production flow and method achieves the required standards of quality, and that innovation and improvement are continually introduced to our business process to improve quality standards.

For our Dealership Business, we conduct visual inspections and defect checks on every automobile supplied to us by our Principals. In the event visual defects are detected, we prepare checklist reports which we send to our Principals for their approval. Upon approval, the defective automobile will be replaced by the Principal.

### COMPETITION

The automotive industry has high barriers to entry due to, *inter alia*, intensive capital requirements and stringent distributor and/or dealer selection criteria.

For our Manufacturing Business, to the best of our knowledge and belief, we consider Hirotako Acoustics Sdn. Bhd. and Paragon Union Berhad as our key competitors. For our Dealership Business, to the best of our knowledge and belief, our competitors are typically dealers of mass-market automobiles.

Save as disclosed in the section entitled “*Interested Person Transactions and Conflicts of Interest – Potential Conflicts of Interest*”, Our Directors, Substantial Shareholder and/or their associates do not have any interest, direct or indirect, in either Hirotako Acoustics Sdn. Bhd. or Paragon Union Berhad or any other dealer of automobiles.

### COMPETITIVE STRENGTHS

We believe that competition in our Manufacturing Business is largely based on, *inter alia*, (i) manufacturing expertise; (ii) customer service; and (iii) delivery capability. Competition in our Dealership Business is largely based on (i) the strength and quality of the brands of the automobiles which we sell; and (ii) the performance of any particular model of automobiles.

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## GENERAL INFORMATION ON OUR GROUP

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We have identified the following as our key competitive strengths:

### **We have developed long-standing partnerships with our manufacturing customers**

Our manufacturing operations commenced in 1995 and we have grown from operating out of a shophouse to, as at the Latest Practicable Date, operating two plants in the Balakong area in the Klang Valley of central Selangor, Malaysia, comprising our Main Manufacturing Plant and our Thermobonded Felt Plant, and our Assembly Line in Pulau Pinang. Over the years, we have gained a reputation as a reliable manufacturer and supplier of quality NVH components and non-NVH components to the automotive industry in Malaysia. We have developed an established track record and long-standing relationships with leading Malaysian automobile manufacturers and assemblers, which manufacture and assemble automobile brands such as Perodua, Honda, Mazda and Proton, amongst others.

We place great emphasis on understanding the needs and requirements of our manufacturing customers to ensure we provide them with quality services that meet their expectations. We usually manufacture and supply the NVH components and non-NVH components for the entire life-cycle of a particular automobile model, which typically lasts between 3 to 5 years. Throughout the entire life-cycle of a model, we work closely with our manufacturing customers to continuously enhance the quality of the products we manufacture and provide constant costing improvements.

We believe that our emphasis on understanding the needs and requirements of our manufacturing customers has contributed to a strong growth in our customer base and has contributed to a high level of repeat sales to our existing manufacturing customers. Our approach with managing our relationships with these leading Malaysian automobile manufacturers and assemblers backed by our proven track record of successful execution will enable us to continually grow in existing markets and expand into new markets.

### **We maintain established relationships with our Principals**

We have established relationships with our Principals, who are leading Malaysian automobile distributors. Malaysian automobile distributors are generally selective in entering dealership agreements, especially in selecting dealerships for 4S services. Our ability to meet our Principal's sales expectations and targets and our ability to deliver quality after-sales services to our customers have enabled us to grow our Dealership Business relatively quickly, from one dealership in 2012 to four as at the Latest Practicable Date.

As at the Latest Practicable Date, Honda Malaysia has approved our application to offer 4S services to our customers. Construction works to upgrade our Honda 3S automobile dealership is expected to commence in the fourth quarter of calendar year 2018. Honda Malaysia has also awarded our Group the right to operate a second Honda 3S automobile dealership in the Kuala Selangor district in Selangor, Malaysia. We expect to commence operations at this 3S automobile dealership at an interim location by November 2018. Construction works for the permanent Honda 3S automobile dealership facility at Kuala Selangor is expected to commence in the first half of calendar year 2019.

We believe that our strong relationship, strong sales, high customer satisfaction and proven track record will place us in a favourable position to maintain the existing dealerships with our Principals. In addition, we believe that our reputation as an established dealership with a proven track record of growing our Dealership Business gives us the competitive advantage in obtaining new dealership agreements from our Principals as well as obtaining new dealership agreements from other Malaysian automobile distributors for other brands of automobiles.

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## GENERAL INFORMATION ON OUR GROUP

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### **We have a diversified and balanced portfolio of business within the Malaysian automotive industry**

Our business spans across the Malaysian automotive industry value chain where our operations include manufacturing and assembling, as well as sales and after-sales processes. The exposure that we have to manufacturing and assembling processes in the Malaysian automotive industry provides us with a deeper understanding of the supply trends in the Malaysian automotive industry, and this gives us a competitive advantage in shaping our Dealership Business's strategies.

Our exposures to various segments of the Malaysian automotive value chain provides diversification of revenue streams and sustainable growth prospects.

### **We have an experienced and committed management team with proven track record**

The growth of our businesses can be attributed to the efforts of our experienced and committed management team. We have an experienced management team who has in-depth knowledge of the industry. Our Executive Chairman and CEO, Mr Wong Cheong Chee, and our Executive Director, Ms Wong Keat Yee, collectively have more than 50 years of experience in the Malaysian automotive industry. In particular, Mr Wong Cheong Chee has been instrumental in developing the business of our Group and charting its strategic direction.

Our Board is assisted by our senior management, the majority of whom have more than 15 years of experience in the automotive industry.

Our management team's strong management capabilities, industry and product knowledge and understanding have contributed significantly to the growth of our business and are vital to our continued growth and future development.

## **BUSINESS STRATEGIES AND FUTURE PLANS**

### **Upgrading our machinery and equipment and acquiring new technology to expand our upstream activities**

To cater for our future growth and development, we intend to invest in new technologies to increase our productivity and achieve cost efficiency as well as increase our existing capabilities. We also intend to upgrade our machinery and equipment to increase our productivity.

Having established our Thermobonded Felt line in 2012 and subsequently our Thermobonded Felt Plant in 2017, we may also pursue other opportunities to expand our upstream activities. For example, we may acquire new technologies to allow us to manufacture other types of raw materials required in our NVH components and non-NVH components. This would enable us to keep up with advances in technology and is expected to improve the cost-efficiency of our supply chain.

### **Diversification into other NVH components and non-NVH components businesses**

We may diversify into other NVH components and non-NVH components businesses where we will be able to achieve greater economies of scale in the production of NVH components and non-NVH components at our existing plants. These businesses will complement our existing NVH components and non-NVH components business by leveraging on our existing manufacturing capabilities as well as our established reputation as a reliable supplier of NVH components and



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## GENERAL INFORMATION ON OUR GROUP

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non-NVH components. We perform internal assessments on an ongoing basis to enable us to identify and evaluate further untapped opportunities. As at the Latest Practicable Date, we have been appointed as an Approved Supplier to supply NVH components to Johnson Controls Hitachi. Such NVH components will be incorporated into their HVAC products such as air-conditioning units. We believe that our NVH components and non-NVH components can also be incorporated into the manufacturing of building insulation materials, packaging materials, home appliances and audio equipment.

### **Expansion of our business through investments, acquisitions, joint ventures, strategic alliances and/or new product offerings**

We may also expand our business, whether in Malaysia, Singapore or overseas, through investments, acquisitions, joint ventures and/or strategic alliances that we believe will complement our current and future businesses.

We may expand our portfolio of NVH components and non-NVH components through investments, acquisitions or entering into joint ventures and/or strategic alliances, allowing us to leverage on our status as Approved Supplier to our existing customers to sell a wider variety of NVH components and non-NVH components to our existing customers. We may also expand our portfolio of automobile brands by entering into new dealership agreements, or acquiring other automobile dealership businesses, which will enable us to leverage on our existing customer base.

We believe that suitable investments, acquisitions, joint ventures and/or strategic alliances will give us access to new markets and customers as well as new businesses. They will also bring about greater economies of scale and provide an impetus for our future growth.

As at the Latest Practicable Date, we have not entered into definitive agreements with any party for acquisitions, joint ventures or strategic alliances. Should such opportunity arise, we will seek requisite approvals, where necessary, from our Shareholders and the relevant authorities as may be required by the relevant laws and regulations.

### **PROSPECTS**

Going forward, in light of our competitive strengths and barring any unforeseen circumstances, our Directors are confident of the prospects and outlook of our business, due to the following factors.

#### **Steady growth in Malaysia's GDP**

According to BNM, the Malaysian economy grew by 5.9% in 2017, supported by faster expansion in both private and public sector spending, and is projected to grow by 5.5% – 6.0% in 2018.<sup>(1)</sup> The rising affluence and spending power of Malaysian consumers are likely to lead to more discretionary spending and provides greater business potential for a wide range of services.

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### Steady growth in Malaysia's Total Industry Volume

According to the Malaysian Automotive Association, the total industry volume of automobile sales ("TIV") in Malaysia in 2017 as well as the projected TIV for the next five years<sup>(2)</sup> is as set out below:

Market Segment	2017 (Actual)	2018 (Forecast)	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)	2022 (Forecast)
Passenger Vehicles	514,679	526,500	536,800	548,200	560,250	573,100
Commercial Vehicles	61,956	63,500	65,000	66,500	68,000	69,600
Total Vehicles	576,635	590,000	601,800	614,700	628,250	642,700

The projected compound annual growth rate ("CAGR") from 2017 to 2022 for passenger vehicles, commercial vehicles and total vehicles is approximately 2.2%, 2.4% and 2.2% respectively. This indicates a projected stable growth in the TIV in Malaysia from 2017 to 2022.

### Launch of New Models of Automobiles

In respect of our Manufacturing Business, we are actively participating in tenders for the supply of NVH components and non-NVH components to our customers whom we have qualified as Approved Suppliers for. We believe we are positioned to be appointed as supplier for new models of automobiles under the Perodua, Mazda, Proton and Honda brands of automobiles. As we typically supply such NVH components and non-NVH components to our customers for the entire life-cycle of a particular model of automobile, this is expected to drive the growth of sales of our NVH components and non-NVH components going forward.

In respect of our Dealership Business, the Honda, Mazda and Peugeot brands of automobiles have unveiled new models of automobiles which are likely to attract existing automobile owners and prospective buyers. Sales typically increase when new models are launched as they create consumer interest for their respective brands, which in turn would attract customers to our dealerships. This is expected to drive the growth of sales of our automobiles going forward.

### Attractiveness of Malaysia as an automotive production hub

In recent years, Malaysia has attracted investments and acquisitions by global automotive players, including:

Year	Transactions
Mid 2017	Zhejiang Geely's acquisition of a 49.99% stake in Proton Holdings Berhad <sup>(3)</sup>
Early 2018	Groupe PSA's acquisition of a 56% stake in Naza Automotive Manufacturing Sdn Bhd <sup>(4)</sup>
Mid 2018	Tan Chong Motor's RM500 million investment in Bagan Datuk <sup>(5)</sup>

In addition, Toyota also announced its intention to build a new RM2 billion factory in Bukit Raja Industrial Estate, Klang, which will have an initial annual production capacity of 50,000 units a year. Combined with the current factory, Toyota's Malaysian production volume will be around 90,000 to 100,000 units per annum.<sup>(6)</sup>

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## GENERAL INFORMATION ON OUR GROUP

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Investments in the Malaysia automotive industry is expected to result in the increase in production of automobiles in Malaysia, which in turn is likely to lead to an increase in demand for automobile components manufactured in Malaysia.

### Notes:

1. Source: Publication entitled “Bank Negara Malaysia Annual Report 2017” dated 28 March 2018 by Bank Negara Malaysia. Information was extracted from the website of Bank Negara Malaysia at [http://www.bnm.gov.my/files/publication/ar/en/2017/ar2017\\_book.pdf](http://www.bnm.gov.my/files/publication/ar/en/2017/ar2017_book.pdf). Please note that the Bank Negara Malaysia has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that Bank Negara Malaysia does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.
2. Source: Press release entitled “Market Review for 2017 and Outlook for 2018” dated 23 January 2018 by the Malaysian Automotive Association. Information was extracted from the website of the Malaysian Automotive Association at [http://www.maa.org.my/pdf/Market\\_Review\\_2017.pdf](http://www.maa.org.my/pdf/Market_Review_2017.pdf). Please note that the Malaysian Automotive Association has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that the Malaysian Automotive Association does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.
3. Source: Company announcement made by DRB-Hicom Berhad on 29 September 2017. Information was extracted from the Bursa Malaysia website at [http://disclosure.bursamalaysia.com/FileAccess/apbursaweb/download?id=82271&name=EA\\_GA\\_ATTACHMENTS](http://disclosure.bursamalaysia.com/FileAccess/apbursaweb/download?id=82271&name=EA_GA_ATTACHMENTS). Please note that DRB-Hicom Berhad has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that DRB-Hicom Berhad does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.
4. Source: Company announcement made by Groupe PSA on 26 February 2018 announcing the signing of a share sale agreement and joint venture agreement between Groupe PSA and Naza Corporation Holdings to establish the Naza Automotive Manufacturing plant. Information was extracted from the website of Groupe PSA at <https://media.groupe-psa.com/en/naza-corporation-holdings-and-groupe-psa-establish-shared-manufacturing-hub-asean>. Please note that Groupe PSA has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that Groupe PSA does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.
5. Source: Press release entitled “Tan Chong Motor Holdings Berhad Set to Make Bagan Datuk Country’s New Auto Hub” on 5 May 2018. Information was extracted from the Bursa Malaysia website at <http://www.bursamalaysia.com/market/listed-companies/company-announcements/5784669>. Please note that Tan Chong Motor Holdings Berhad has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that Tan Chong Motors Holdings Berhad does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.
6. Source: Press release entitled “New Toyota Manufacturing Plant to be built in Malaysia” on 25 May 2016. Information was extracted from the Toyota Motor Sdn. Bhd. website at <https://toyota.com.my/more/press-release/new-toyota-manufacturing-plant-to-be-built-in-malaysia>. Please note that Toyota Motor Sdn. Bhd. has not consented to the inclusion of the information extracted from its website in this section and is thereby not liable for such information under Sections 253 and 254 of the SFA. Our Directors are aware that Toyota Motor Sdn. Bhd. does not guarantee or assume responsibility that the information on its website is accurate, adequate, current or reliable, or may be used for any purpose other than for general reference. Although we have extracted the relevant information in its proper form and context in this Offer Document, we have not separately verified the accuracy of such information.

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## GENERAL INFORMATION ON OUR GROUP

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### TREND INFORMATION

Barring unforeseen circumstances, our Directors have observed the following trends for FY2019 based on the sales and operations of our Group as at the Latest Practicable Date:

- (a) we expect revenue to increase due to the full year revenue contribution of our new dealerships established in FY2018;
- (b) we expect our operating expenses to move in tandem with our level of activities to cater for any changes in the scale of our business operations; and
- (c) we also expect to incur higher expenses mainly due to (i) expenses incurred in connection with the listing expenses; (ii) directors' fees due to appointment of directors; and (iii) compliance costs as a listed company.

In addition, our Directors expect our revenue for our Dealership Business to increase during the three-month period commencing 1 June 2018 due to the zero-rating of Malaysia's goods and service tax during this period; however our Directors are of the view that such an increase in revenue is not sustainable.

For FY2019, the Group's bank borrowings and finance expenses are expected to increase as a result of the financing required to upgrade our existing Honda 3S dealership at Jalan RS to offer 4S services and to establish our new Honda 3S dealership in the Kuala Selangor district in Selangor, Malaysia (including cost of construction works for a permanent facility). Please refer to the section entitled "*Management's Discussion and Analysis of Results of Operations and Financial Position – Commitments*" of this Offer Document for further details.

For FY2019, our Directors expect that profit for the financial period may be lower than FY2018 largely as a result of (i) the expenses mentioned in sub-paragraph (c) above; (ii) the absence of the net gains from the Adjustment Events in FY2018 (please refer to the section entitled "*Invitation Statistics*" of this Offer Document for further details); and (iii) the expected increase in finance expenses as described above.

Save as disclosed above, and in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Position*" and "*General Information on our Group – Business Strategies and Future Plans*" of this Offer Document and barring any unforeseen circumstances, our Directors are not aware of any other significant recent trends in the costs and selling prices of our products, as well as any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial position. Please also refer to the section entitled "*Cautionary Note Regarding Forward-Looking Statements*" of this Offer Document.

### ORDER BOOK

Due to the nature of our business, we do not maintain an order book.

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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In general, transactions between our Group and any of our interested persons (namely, our Directors, Executive Chairman, CEO or Controlling Shareholder and the associates (as defined in the Catalist Rules) of such Directors, Executive Chairman, CEO or Controlling Shareholder) (“Interested Persons” and each, an “Interested Person”) would constitute interested person transactions for the purposes of Chapter 9 of the Catalist Rules.

Save as disclosed in this section and the sections entitled “*Restructuring Exercise*” and “*Capitalisation and Indebtedness*” of this Offer Document, there have been no interested person transactions which are material in the context of the Invitation for FY2016, FY2017 and FY2018 up to the Latest Practicable Date (the “**Relevant Period**”). Save as otherwise provided in this section, investors, upon subscription for the Invitation Shares, are deemed to have specifically approved these transactions with our interested persons and as such, these transactions are not subject to Rules 905 and 906 of the Catalist Rules to the extent that there are no subsequent changes to the terms of the agreements in relation to each of these transactions.

In line with the rules set out in Chapter 9 of the Catalist Rules, a transaction which is of a value of less than S\$100,000 is not considered material in the context of the Invitation and is not taken into account for the purposes of aggregation in this section.

### PAST INTERESTED PERSON TRANSACTIONS

#### **(a) *Advances from our Executive Chairman and CEO, Mr Wong Cheong Chee***

Our Executive Chairman and CEO, Mr Wong Cheong Chee, had in FY2017, extended a sum amounting to RM500,000 to MNSB for MNSB’s investment in Yatta Group. Yatta Group owns and operates a cafe restaurant and event space under the name of “Kohi Yatta” and “Horu” at an otherwise unused part of the Mazda dealership located at Jalan SB amounting to approximately 700.67 sq m (the “**Relevant Premises**”). Such payment was interest-free, unsecured and had no fixed term of repayment. Accordingly, our Directors are of the view that such payment was not entered into on an arm’s length basis and was not based on normal commercial terms but was not prejudicial to the interests of our Group.

As at the Latest Practicable Date, all amounts due to our Executive Chairman and CEO, Mr Wong Cheong Chee have been fully settled. We do not intend to obtain loans from Interested Persons of our Group after our listing on Catalist.

#### **(b) *Disposal of shares in Yatta Group***

As part of the Restructuring Exercise, for the purpose of disposing of our non-core cafe restaurant and event space business prior to listing on Catalist, MNSB transferred the entire issued and paid-up capital of Yatta Group to the MNSB Shareholders (in proportion to their shareholding in MNSB) for an aggregate consideration of RM500,000 pursuant to a Share Sale Purchase Agreement dated 30 March 2018. The consideration was equal to the initial investment paid by Mr Wong Cheong Chee, on behalf of MNSB.

Our Directors are of the view that the aforesaid transaction was not entered into on an arm’s length basis and was not based on normal commercial terms but was not prejudicial to the interests of our Group as (i) Yatta Group was a loss-making entity for FY2017 and FY2018; and (ii) the consideration for the disposal was above the net asset value of Yatta Group as at 30 March 2018.

## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

### (c) *Sale and Purchase Agreement between MNASB and Mr Wong Sai Hou for shares in MJNMSB*

Mr Wong Sai Hou had, on 29 September 2017, agreed to purchase from MNASB such number of shares in MJNMSB to give Mr Wong Sai Hou a 5% interest in MJNMSB. The consideration for the purchase was RM142,083 and is payable one year from 29 September 2017.

Our Directors are of the view that such a transaction was not entered into on an arm's length basis and was not based on normal commercial terms but was not prejudicial to the interest of our Group as (i) the consideration for the acquisition was at a premium to the subscription price paid by MNASB for its subscription for shares in MJNMSB; and (ii) given Mr Wong Sai Hou's experience in the Dealership Business and his ongoing professional relationship with Honda Malaysia, it would be beneficial to the Group for Mr Wong Sai Hou to have a direct interest in the business performance of MJNMSB.

As at the Latest Practicable Date, all amounts due from Mr Wong Sai Hou have been fully settled.

### PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

#### (a) *Provision of personal guarantees by our Executive Directors and Executive Officers*

As at the Latest Practicable Date, our Executive Chairman and CEO, Mr Wong Cheong Chee, and our Executive Director, Ms Wong Keat Yee, and their associates (being Mr Wong Sai Hou and Mr Wong Sai Keat) and Mr Abdul Razak Bin Montel have provided personal guarantees in respect of our Group's obligations under certain banking and trade facilities granted to our Group, details of which are set out below.

Borrower	Financial Institution	Type of facility	Guarantors	Amount of facility guaranteed	Amount guaranteed as of the Latest Practicable Date (RM)	Largest amount guaranteed during the Relevant Period
MNSB	MayBank	Term Loans, Overdraft	Mr Wong Cheong Chee, Mr Wong Sai Hou, Mr Abdul Razak Bin Montel	5,551,200	3,600,715	5,551,200
MNSB	Public Bank	Term Loans, Trade facilities	Mr Wong Cheong Chee, Mr Wong Sai Hou, Mr Abdul Razak Bin Montel	18,223,950	13,915,944	18,223,950
MNSB	AmBank	Term Loan	Mr Wong Cheong Chee, Mr Wong Sai Hou	1,000,000	869,517	1,000,000
MNASB	MayBank	Trade facility	Mr Wong Sai Hou, Ms Wong Keat Yee, Mr Wong Sai Keat, Mr Abdul Razak Bin Montel	1,500,000	100,000	1,500,000
MNASB	AmBank	Revolving credit facility	Mr Wong Sai Hou, Ms Wong Keat Yee, Mr Wong Sai Keat	2,000,000	141,768	2,000,000



## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

Borrower	Financial Institution	Type of facility	Guarantors	Amount of facility guaranteed	Amount guaranteed as of the Latest Practicable Date (RM)	Largest amount guaranteed during the Relevant Period
MNASB	Public Bank	Overdraft, Bank Guarantee, Trade facility	Mr Wong Sai Hou	3,000,000	387,679	3,000,000
MNOSB	MayBank	Trade facility	Ms Wong Keat Yee, Mr Wong Sai Keat	2,000,000	–	2,000,000
MJNMSB	MayBank Islamic	Term Loan, Overdraft	Mr Wong Sai Hou	3,570,000	3,247,366	3,570,000
MJNMSB	MayBank	Trade Facility	Mr Wong Sai Hou	7,000,000	3,638,435	7,000,000
MJNMSB	AmBank	Revolving credit facility	Mr Wong Cheong Chee, Mr Wong Sai Hou,	5,000,000	1,698,122	5,000,000

As no fees were paid to Mr Wong Cheong Chee, Mr Wong Sai Hou, Ms Wong Keat Yee, Mr Wong Sai Keat or Mr Abdul Razak Bin Montel for the provision of the above guarantees, the above guarantees are not provided on an arm's length basis or on commercial terms, but are not prejudicial to the interest of our Group.

Following the admission of our Company to Catalist, we intend to request for a discharge of the guarantees provided to the aforesaid financial institution and replace them with corporate guarantees provided by our Group. Our Directors do not, to the best of their knowledge, expect any material change in the terms and conditions of the relevant credit facilities arising from the discharge of the personal guarantees. Should any of the financial institutions disagree with the release and we fail to secure alternative facilities on terms similar to those applicable to our existing facilities, our Executive Chairman and CEO, Mr Wong Cheong Chee, and our Executive Director, Ms Wong Keat Yee, their associates (being Mr Wong Sai Hou and Mr Wong Sai Keat), and Mr Abdul Razak Bin Montel have undertaken to continue the provision of the personal guarantees.

### (b) Corporate Services Agreement with Yatta Group

Our Group permits Yatta Group to occupy an otherwise unused part of the Mazda dealership located at Jalan SB amounting to approximate 700.67 sq m (the “**Relevant Premises**”) to operate a cafe restaurant and event space under the name of “Kohi Yatta” and “Horu”. The fees paid by Yatta Group to our Group during the Period Under Review was as follows:

	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
Fees paid to MNASB	–	–	53,210

In connection with the Restructuring Exercise, MNASB had, on 26 September 2018, entered into a Corporate Services Agreement with Yatta Group permitting Yatta Group to occupy the Relevant Premises to operate a cafe restaurant and event space under the name of “Kohi Yatta” and “Horu”. Under the terms of the Corporate Services Agreement, the Yatta Group is obligated to pay a sum of RM11,000 monthly to MNASB for use of the Relevant Premises (being an approximately 10% premium to the rent rate paid by MNASB to the landlord of



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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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Jalan SB for the land area occupied by the Relevant Premises). In addition, Yatta Group shall pay to MNASB a proportionate part of all charges and costs (including any taxes imposed) in respect of water, gas and electricity supplied to the Relevant Premises, calculated by dividing the area of the Relevant Premises with the total area of the premises at Jalan SB and applying this to the total charges and costs in respect of water, gas and electricity charged to the premises at Jalan SB.

The Corporate Services Agreement is for a term of one year commencing on the date of the Company's admission to Catalist and will renew automatically for successive one year periods, unless otherwise terminated in accordance with the terms of the Corporate Services Agreement.

The Corporate Services Agreement may be terminated for cause in the following circumstances:

- (i) by either party with immediate effect from service on the other party of written notice if the other party is in breach of any material obligation and if the breach is capable of remedy, that party has failed to remedy such breach within 30 days of receipt of notice to do so; or
- (ii) by either party with immediate effect from service on the other party of the written notice if the other party enters into liquidation other than for the purposes of reconstruction or amalgamation, ceases or threatens to cease to carry on business or has a receiver appointed or execution or other process levied against any of its undertaking, property or assets which is reasonably considered to have a materially adverse effect on its ability to perform its obligations under the Corporate Services Agreement.

The Corporate Services Agreement may be terminated without cause by either party giving not less than three months' written notice to the other party of such termination.

Our Directors are of the view that the Corporate Services Agreement, including the amounts paid under it, was carried out on an arm's length basis, and was on normal commercial terms and is not prejudicial to the interests of our Group and our minority Shareholders.

After our listing on Catalist, any future variation or amendment or renewal of the terms of the Corporate Services Agreement shall be subject to the approval of our Audit Committee and the relevant Catalist Rules (including Chapter 9 of the Catalist Rules).

### **GUIDELINES AND REVIEW PROCEDURE FOR ON-GOING AND FUTURE INTERESTED PERSON TRANSACTIONS**

All future interested person transactions will be properly documented and submitted to our Audit Committee for periodic review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of our minority Shareholders.

To ensure that all future interested person transactions are carried out on normal commercial terms and will not be prejudicial to the interests of our Group or our minority Shareholders, the following procedures will be implemented by our Group:

- (a) when purchasing any products or procuring any services from an Interested Person, the prices and terms of at least two other comparative offers (where appropriate) from unrelated third parties will be used as a comparison wherever possible. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two comparative offers (where appropriate) from unrelated third parties. In determining the most competitive

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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price or fee, all pertinent factors, including but not limited to quantity, quality, delivery time and track record will be taken into consideration;

- (b) when selling items or providing services to Interested Persons, the prices and terms of at least two other comparative offers (where appropriate) from unrelated third parties will be used as comparison wherever possible. The sale price or fee for the supply of services shall not be lower than the lowest sale price or fee of the other two completed transactions to unrelated third parties;
- (c) when leasing property from or to an Interested Person, the Audit Committee shall take appropriate steps to ensure that the rent is commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar properties and/or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount payable shall be based on the most competitive market rental rate of similar property in terms of size, suitability for purpose and location, based on the results of the relevant inquiries;
- (d) where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products or services may be purchased only from an Interested Person, the interested person transaction will be approved by our Audit Committee, in accordance with our usual business practices and policies. In determining the transaction price payable to the Interested Person for such products and/or services, factors such as, but not limited to, quantity, requirements and specifications will be taken into account; and
- (e) in addition, our Audit Committee will monitor all interested person transactions entered into by us and categorise these transactions as follows:
  - (i) a Category 1 interested person transaction is one where the value thereof is below 3.0% of the latest audited NTA of our Group; and
  - (ii) a Category 2 interested person transaction is one where the value thereof is equal or in excess of 3.0% of the latest audited NTA of our Group.

All interested person transactions above S\$100,000 (either individually or as part of a series or are aggregated with other transactions involving the same Interested Person during the same financial year) shall be approved by our Group Financial Controller, who shall have no interest, directly or indirectly, in the transaction prior to entry. Any contract to be made with an Interested Person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by our Company for the same or substantially similar type of transactions between our Company and unrelated parties and the terms are not more favourable to the Interested Person than those extended or received from unrelated parties. For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between our Company and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the Interested Person are not more favourable than those extended to unrelated third parties.

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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All Category 2 interested person transactions must be approved by our Audit Committee prior to entry whereas Category 1 interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a half-yearly basis by our Audit Committee.

Our Audit Committee will review all interested person transactions, if any, on a half-yearly basis to ensure that they are carried out on an arm's length basis. In accordance with the procedures outlined above, our Audit Committee will take into account all relevant non-quantitative factors. In the event that a member of our Audit Committee is interested in any such transaction, he will abstain from participating in the review and approval process in relation to that particular transaction.

We shall prepare all the relevant information to assist our Audit Committee in its review and will keep a register recording all interested person transactions. The register shall also record the basis for entry into the transactions, including the quotations and other evidence obtained to support such basis. Our Group Financial Controller will regularly update the register. The register of interested persons will be reviewed by the Audit Committee on a quarterly basis.

In addition, our Audit Committee and our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Catalist Rules (in particular, Chapter 9) and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into. Such transactions will also be subject to the approval of our Shareholders if required by the Catalist Rules. We will also endeavour to comply with the recommendations set out in the Code of Corporate Governance.

The internal audit reports will be reviewed by our Audit Committee to ascertain whether the guidelines and procedures established to monitor interested person transactions have been complied with. Our Audit Committee shall also, from time to time, review such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that interested person transactions are conducted on normal commercial terms, on an arm's length basis and do not prejudice our interests and the interests of our minority Shareholders. Further, if during these periodic reviews by our Audit Committee, our Audit Committee is of the opinion that the guidelines and procedures as stated above are not sufficient to ensure that interested person transactions will be on normal commercial terms, on an arm's length basis and not prejudicial to our interests and the interests of our minority Shareholders, our Audit Committee will adopt such new guidelines and review procedures for future interested person transactions as may be appropriate.

Pursuant to the Catalist Rules, we will make the required disclosure in relation to our interested person transactions in our annual report during the relevant financial year under review.

In addition, we are subject to the rules prescribed in the Catalist Rules. As such, we will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all interested person transactions, and if required under the Catalist Rules, we will seek independent Shareholders' approval (where necessary) for such transactions.

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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### POTENTIAL CONFLICTS OF INTEREST

Our Board believes that the interests of our Directors, CEO, Controlling Shareholders and their associates in the following companies and/or their relationship with these companies do not pose any conflict for the reasons set out below:

#### (a) Mr Wong Cheong Chee's shares in Paragon Union Berhad

As at the Latest Practicable Date, our Executive Chairman and CEO, Mr Wong Cheong Chee, owns 70 shares in Paragon Union Berhad. Paragon Union Berhad is a company in the business of manufacturing and distributing automotive components including commercial carpets and NVH interior and insulator trims.

Paragon Union Berhad was founded by Mr Wong Cheong Chee and is a company whose shares are listed and quoted on Bursa Malaysia. Mr Wong Cheong Chee was previously a majority shareholder of Paragon Union Berhad and ceased to be Substantial Shareholder on 1 April 2000. As at the Latest Practicable Date, Mr Wong Cheong Chee's 70 shares in Paragon Union Berhad represents less than 0.0001% of the issued and paid-up share capital of Paragon Union Berhad.

We believe that no conflicts of interest exist between our Group and Mr Wong Cheong Chee having regard to the foregoing and to the fact that (i) Mr Wong Cheong Chee's interest in Paragon Union Berhad is for personal investment purposes only; and (ii) neither Mr Wong Cheong Chee nor his associates have any directorship, executive role or involvement in the day-to-day management or operations of Paragon Union Berhad.

#### (b) Mr Wong Sai Hou's shares in Bermaz Auto Berhad

Our Executive Officer, Mr Wong Sai Hou, owns 26,000 shares in Bermaz Auto Berhad as at the Latest Practicable Date. Bermaz Auto Berhad is a company whose shares are listed and quoted on Bursa Malaysia and is the ultimate parent company of our major supplier, Bermaz. Mr Wong Sai Hou had purchased the 26,000 shares in Bermaz Auto Berhad from the open market in 2017 for personal investment purposes. As at the Latest Practicable Date, Mr Wong Sai Hou's 26,000 shares in Bermaz Auto Berhad represents less than 0.002% of the issued and paid-up share capital of Bermaz Auto Berhad.

We believe that no conflicts of interest exist between our Group and Mr Wong Sai Hou having regard to the foregoing and to the fact that (i) Mr Wong Sai Hou's interest in Bermaz Auto Berhad is for personal investment purposes only; and (ii) neither Mr Wong Sai Hou nor his associates have any directorship, executive role in or involvement in the day-to-day management or operations of Bermaz Auto Berhad.

Save as disclosed above and in the sections entitled "*Restructuring Exercise*" and "*Interested Person Transactions*" of this Offer Document, none of our Directors, Executive Officers, Controlling Shareholders or any of their associates has or has had any interest, direct or indirect, in the following:

- (a) in any material transactions to which our Company or our Group was or is a party;
- (b) in any company carrying on the same business or a similar trade which competed or competes materially and directly with the existing businesses of our Group;

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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- (c) in any company that was or is our customer or supplier of goods and services; and
- (d) in any existing contract or arrangement which was or is significant in relation to the business of our Group.

### Mitigation of Potential Conflicts of Interest

To mitigate any potential conflicts of interest, our Executive Director, Ms Wong Keat Yee, and our Executive Officers Mr Wong Sai Hou and Mr Wong Sai Keat each has on 26 September 2018 executed Deeds of Non-competition in favour of our Group (the “**Non-compete Deeds**”).

Our Executive Chairman and CEO, Mr Wong Cheong Chee will be subject to the non-competition undertaking set out in his Service Agreement. Please refer to the section entitled “*Management and Corporate Governance – Service Agreement*” of this Offer Document for further details.

Under the terms of the Non-compete Deeds, each of Ms Wong Keat Yee, Mr Wong Sai Hou and Mr Wong Sai Keat (each a “**Grantor**”) undertakes to our Group that the Grantor shall not, at any time during the period of the Grantor’s employment with the Group and for a period of one year thereafter:

- (i) in any capacity, be engaged in or interested in or carry on any business which will compete (whether directly or indirectly) with the Business within the Territory;
- (ii) (A) have any interest, directly or indirectly, in any person or entity who carries on, and/or (B) provide any financial assistance to any person or entity to carry on any business or other activity which competes with the Business of the Group within the Territory, save that the Grantor is permitted to have interest in Excluded Companies, notwithstanding that such corporation may be engaging in a business which may compete with the Business of the Group within the Territory;
- (iii) be involved (whether directly or indirectly) in any decision making in any entity that will put him in a conflict of interest position with respect to his duties and responsibilities (where applicable) in the Group;
- (iv) whether directly or indirectly, solicit or entice away, or attempt to solicit or entice away from the Group, any person who is an officer, manager or employee of the Group, whether or not such person would commit a breach of his contract of employment with the Group by reason of leaving such employment;
- (v) whether directly or indirectly, interfere or seek to interfere with or make arrangements which have the effect of harming contractual or other trade relations between the Group and any of the Group’s suppliers, customers, contractors, sub-contractors, agents or business partners;
- (vi) solicit, market to or entice away, whether directly or indirectly, any customers from the Group;
- (vii) be a director and/or holder of an executive management position and/or commissioner (where applicable) of any entity in any business which will compete with the Business of the Group; and
- (viii) use any trade mark of the Group in connection with any business,

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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For the purposes of this paragraph:

**“Business”** means the Dealership Business and the Manufacturing Business;

**“Excluded Companies”** means any corporation in which the Grantor (and/or his associates collectively) does not:–

- (a) hold 5.0% or more of the total interests; or
- (b) have board representation on the board of directors of that corporation; or
- (c) have management control in that corporation; or
- (d) have any involvement in the day to day operations and/or management of that corporation; and

**“Territory”** means Singapore, Malaysia and/or in any other country in which the Group has operations.

In addition to the foregoing, we believe that any potential conflicts of interest, whether with our Directors, Executive Chairman and CEO, Controlling Shareholders and/or their respective associates, are mitigated as follows:

- (a) our Directors have a duty to disclose their interests in respect of any contract, proposal, transaction or any other matter whatsoever in which they have any personal material interest, directly or indirectly, or any actual or potential conflicts of interest (including conflicts of interest that arise from any of their directorships or executive positions or personal investments in any other corporations) that may involve them. Upon such disclosure, such Directors shall not participate in any proceedings of our Board, and shall in any event abstain from voting in respect of any such contract, proposal, transaction or any other matter whatsoever in which the conflict of interest arises, unless and until our Audit Committee has determined that no such conflict of interest exists;
- (b) our Audit Committee is required to examine the internal control procedures and review procedures put in place by our Company to determine if such procedures put in place are sufficient to ensure that interested person transactions are conducted on normal commercial terms and will not be prejudicial to our Company and our minority Shareholders;
- (c) our Audit Committee will review any actual or potential conflicts of interest that may involve our Directors as disclosed by them to our Board. Upon such disclosure of an actual or potential conflict of interest by a Director, our Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of our Audit Committee will not participate in any proceedings of our Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as our Audit Committee may deem reasonably necessary;
- (d) our Audit Committee will also monitor the investments in our customers, suppliers and competitors made by our Directors, Executive Chairman and CEO, Controlling Shareholders and their respective associates who are involved in the management of or have shareholding interests in a similar or related business of our Group (to the extent disclosed by them to our Board) and make assessments on whether there are any potential conflicts of interest; and

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## INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST

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- (e) our Audit Committee will, following the listing of our Company on Catalist, undertake the following additional responsibilities:
  - (i) review on a periodic basis the framework and processes established above for the implementation of the terms of reference in order to ensure that such framework and processes remain appropriate;
  - (ii) review and assess from time to time whether additional processes are required to be put in place to manage any conflicts of interest with our Directors, Executive Chairman and CEO, Controlling Shareholders and their respective associates and propose, where appropriate, the relevant measures for the management of such conflicts; and
  - (iii) review and propose, where appropriate, the relevant measures for the management of all conflicts of interest matters referred to it.

### INTERESTS OF THE SPONSOR AND ISSUE MANAGER AND UNDERWRITER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, save as disclosed below and in the section entitled “*Management and Sponsorship Agreement and Underwriting and Placement Agreement*” of this Offer Document, our Company does not have any material relationship with the Sponsor and Issue Manager and the Underwriter and Placement Agent:

- (a) CIMB is the Sponsor and Issue Manager in relation to the Invitation;
- (b) CGS-CIMB Securities is the Underwriter and Placement Agent in relation to the Invitation;
- (c) CIMB is the Receiving Bank of the Invitation; and
- (d) CIMB will be the continuing Sponsor for our Company for a period of three years from the date our Company is admitted and listed on Catalist.

CIMB and its associates engage in transactions with and perform services for us and/or our associates in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with our Group and/or our affiliates for which they have received, and may in future, receive customary fees.



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## SHARE-BASED INCENTIVE PLANS

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On 26 September 2018, our Shareholders approved the MeGroup Performance Share Plan and the MeGroup Share Option Scheme.

### MEGROUP PERFORMANCE SHARE PLAN

On 26 September 2018, our sole Shareholder approved a performance share scheme known as the MeGroup Performance Share Plan (the “**MeGroup PSP**”), the rules of which are set out in Appendix E of this Offer Document. The MeGroup PSP complies with the relevant rules as set out in Chapter 8 of the Catalist Rules.

Capitalised terms used herein shall, unless otherwise defined, bear the same meanings as defined in Appendix E of this Offer Document.

### Rationale for the MeGroup PSP

Our Directors have implemented the MeGroup PSP to increase our Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate Group Employees and Non-executive directors to achieve increased performance. Our Directors believe that, in addition to the MeGroup Share Option Scheme (the “**MeGroup SOS**”), the plan will further strengthen our Company’s competitiveness in attracting and retaining superior local and foreign talent.

The MeGroup PSP allows our Company to target specific performance objectives and to provide an incentive for participants to achieve these targets. Our Directors believe that the MeGroup PSP will provide our Company with a flexible approach to providing performance incentives to our Group Employees and Non-executive directors and, consequently, to improve performance and achieve sustainable growth for our Company in the changing business environment, and to foster a greater ownership culture amongst key senior management, senior executives and non-executive directors.

### Operation of the MeGroup PSP

Awards granted under the MeGroup PSP will be principally performance-based, incorporating an element of stretched targets for senior executives and significantly stretched targets for key senior management and Non-executive directors aimed at delivering long-term shareholder value.

The MeGroup PSP uses methods fairly common among major local and multinational companies to incentivise and motivate senior executives and key senior management to achieve predetermined targets which create and enhance economic value for Shareholders. Our Company believes that the MeGroup PSP will be an effective tool in motivating senior executives, key senior management and Non-executive directors to work towards stretched goals.

The MeGroup PSP contemplates the award of fully paid Shares, when and after pre-determined performance or service conditions are accomplished.

A participant’s award under the MeGroup PSP will be determined at the sole discretion of our Remuneration Committee. In considering an award to be granted to a participant who is an employee, our Remuneration Committee may take into account, inter alia, the participant’s capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skills set. In considering an Award to be granted to a participant who is a Non-executive director, our Remuneration Committee may take into account, inter alia, the services and contributions made to the growth of our Group, attendance and participation in meetings and the years of service.

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## SHARE-BASED INCENTIVE PLANS

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Awards granted under the MeGroup PSP are principally performance-based with performance targets to be set over a performance period and may vary from one performance period to another performance period and from one grant to another grant. Performance targets set by our Remuneration Committee are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. Such performance targets and performance periods will be set according to the specific roles of each participant, and may differ from participant to participant. The performance targets are stretched targets aimed at sustaining long-term growth. These targets will be tied in with our Company's corporate key performance indicators.

Under the MeGroup PSP, participants are encouraged to continue serving our Group beyond the achievement date of the pre-determined performance targets. Our Remuneration Committee has the discretion to impose a further vesting period after the performance period to encourage the participant to continue serving our Group for a further period of time.

### Maximum Limits on Shares

In order to reduce the dilutive impact of the MeGroup PSP, the maximum number of Shares issuable or to be transferred by our Company pursuant to Awards granted under the MeGroup PSP, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of our Company, will be 15.0% of our Company's total number of issued Shares (excluding Shares held by our Company as treasury shares) on the day preceding that date.

### Summary of the MeGroup PSP

A summary of the rules of the MeGroup PSP is set out as follows:

#### 1. Eligibility

Executive directors and employees of our Group and our associated companies (as they may exist from time to time) ("**Group Employees**") who have attained the age of 21 years and hold such rank as may be designated by our Remuneration Committee from time to time, and Non-executive directors (including our Independent Directors) of our Group, shall be eligible to participate in the MeGroup PSP at the absolute discretion of our Remuneration Committee. For this purpose, a company is our "associated company" if we and/or our subsidiaries hold at least 20% but not more than 50% of the issued shares in that company and provided our Company has control (as defined in the Catalist Rule) over the associated company.

Pursuant to Rule 852 of the Catalist Rules, participation in MeGroup PSP by Controlling Shareholders or associates of such Controlling Shareholders must be approved by independent Shareholders of our Company and a separate resolution must be passed for each such person to approve the actual number and terms of the Awards to be granted to such person. Controlling Shareholders and their associates shall abstain from voting on any resolution in relation to their participation in the MeGroup PSP and grant of Awards to them.

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## SHARE-BASED INCENTIVE PLANS

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### 2. Awards

Awards represent the right of a participant to receive fully paid Shares free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed performance period.

Shares which are allotted and issued or transferred to a participant pursuant to the release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during a specified period (as prescribed by our Remuneration Committee in the award letter), except to the extent approved by our Remuneration Committee.

### 3. Participants

The selection of a participant and the number of Shares which are the subject of each Award to be granted to a participant in accordance with the MeGroup PSP shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of our Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

### 4. Details of Awards

Our Remuneration Committee shall decide, in relation to each award to be granted to a participant:

- (a) the date on which the Award is to be granted;
- (b) the number of Shares which are the subject of the Award;
- (c) the performance target(s) and the performance period during which such performance target(s) are to be satisfied, if any;
- (d) the extent to which Shares, which are the subject of that Award, shall be released on each prescribed performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period; and
- (e) any other condition which our Remuneration Committee may determine in relation to that Award.

Our Remuneration Committee may consist of Directors (including Directors or persons who may be participants of the MeGroup PSP). A member of our Remuneration Committee who is also a participant of the MeGroup PSP must not be involved in its deliberation in respect of awards granted or to be granted to him.

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## SHARE-BASED INCENTIVE PLANS

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### 5. Timing

While our Remuneration Committee has the discretion to grant Awards at any time in the year, it is currently anticipated that awards would in general be made once a year. An award letter confirming the Award and specifying, inter alia, the number of Shares which are the subject of the Award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance target(s), will be sent to each participant as soon as reasonably practicable after the making of an Award.

### 6. Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (i) the misconduct on the part of a participant as determined by our Remuneration Committee in its discretion;
- (ii) the participant ceasing to be in the employment of our Group for any reason whatsoever (other than as specified in paragraph (v) below);
- (iii) an order being made or a resolution passed for the winding-up of our Company on the basis, or by reason, of its insolvency;
- (iv) the bankruptcy of a participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (v) the participant ceases to be in the employment of our Group by reason of:
  - (1) ill health, injury or disability (in each case, evidenced to the satisfaction of our Remuneration Committee);
  - (2) redundancy;
  - (3) retirement at or after the legal retirement age;
  - (4) retirement before the legal retirement age with the consent of our Remuneration Committee;
  - (5) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within our Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within our Group, as the case may be;
  - (6) any other event approved by our Remuneration Committee;
- (vi) the death of a participant;
- (vii) any other event approved by our Remuneration Committee; or

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## SHARE-BASED INCENTIVE PLANS

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(viii) a take-over, reconstruction or amalgamation of our Company or an order being made or a resolution passed for the winding-up of our Company (other than as provided in paragraph (iii) above or for amalgamation or reconstruction).

Upon the occurrence of any of the events specified in paragraphs (i), (ii) and (iii), an Award then held by a participant shall, subject as provided in the rules of the MeGroup PSP and to the extent not yet released, immediately lapse without any claim whatsoever against our Company.

Upon the occurrence of any of the events specified in paragraphs (iv), (v), (vi) and (vii) above, our Remuneration Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant performance period. In exercising its discretion, our Remuneration Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that participant and, in the case of performance-related Awards, the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of the events specified in paragraph (viii) above, our Remuneration Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that participant. If our Remuneration Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, our Remuneration Committee will have regard to the proportion of the performance period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

### **7. Size and Duration of the MeGroup PSP**

The total number of Shares which may be issued or transferred pursuant to awards granted under the MeGroup PSP on any date, when aggregated with the aggregate number of Shares over which options are granted under any other share option schemes of our Company, shall not exceed 15.0% of the total number issued Shares (excluding Shares held by our Company as treasury shares) on the day preceding that date.

The aggregate number of Shares over which Awards may be granted under the MeGroup PSP to Controlling Shareholders and their associates shall not exceed 25.0% of the Shares available under the MeGroup PSP, and the number of Shares over which an Award may be granted under the MeGroup PSP to each Controlling Shareholder and his associate shall not exceed 10.0% of the Shares available under the MeGroup PSP.

The MeGroup PSP shall continue in force at the discretion of our Remuneration Committee, subject to a maximum period of 10 years commencing on the date on which the MeGroup PSP is adopted by our Company in general meeting, provided always that the MeGroup PSP may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the MeGroup PSP, any Awards made to participants prior to such expiry or termination will continue to remain valid.

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## SHARE-BASED INCENTIVE PLANS

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### 8. Operation of the MeGroup PSP

Subject to the prevailing legislation, our Company will deliver Shares to participants upon vesting of their Awards by way of either (i) an issue of new Shares; or (ii) a transfer of Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury shares.

In determining whether to issue new Shares to participants upon vesting of their Awards, our Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of issuing new Shares or delivering existing Shares.

The financial effects of the above methods are discussed below.

New Shares allotted and issued and existing Shares procured by our Company for transfer on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant date of issue or, as the case may be, delivery, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

### 9. Administration of the MeGroup PSP

The MeGroup PSP shall be administered by our Remuneration Committee in its absolute discretion with such powers and duties as are conferred on it by our Board.

Our Remuneration Committee may consist of directors of our Company (including directors of our Company or persons who may be participants of the MeGroup PSP). A member of our Remuneration Committee who is also a participant of the MeGroup PSP must not be involved in its deliberation in respect of Awards granted or to be granted to him.

Our Remuneration Committee shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, our Remuneration Committee shall have the right to make computational adjustments to the audited results of our Company or our Group, to take into account such factors as our Remuneration Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if our Remuneration Committee decides that a properly adjusted performance target would be a fairer measure of performance.

### 10. Abstention from voting

Shareholders who are eligible to participate in the MeGroup PSP are to abstain from voting on any shareholders' resolution relating to the MeGroup PSP and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the MeGroup PSP shall abstain from voting on the following resolutions, where applicable: (a) implementation of the MeGroup PSP; and (b) participation by and grant of Awards to Controlling Shareholders and their associates.

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## SHARE-BASED INCENTIVE PLANS

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### 11. Reporting requirements

Under the Catalist Rules, an immediate announcement must be made on the date of grant of an Award and the announcement must provide details of the grant, including the following:

- (a) date of grant;
- (b) market price of the Shares on the date of grant of the Award;
- (c) number of Shares granted under the Award;
- (d) number of Shares granted to each Director and Controlling Shareholder (and each of their associates) under the Award, if any; and
- (e) the vesting period in relation to the Award.

The following disclosures (as applicable) will be made by our Company in our annual report for so long as the MeGroup PSP continues in operation:

- (a) the names of the members of our Remuneration Committee administering the MeGroup PSP;
- (b) the following information required in the table below for the following participants of the MeGroup PSP:
  - (i) Directors of the Company;
  - (ii) Controlling Shareholders and their associates; and
  - (iii) participants (other than those in paragraph (b)(i) and (b)(ii) above) who have received Shares pursuant to the release of Awards granted under the MeGroup PSP which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the MeGroup PSP:

Name of participant	Aggregate number of Shares comprised in Awards under the MeGroup PSP during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards vested to such participant since commencement of the MeGroup PSP to end of financial year under review	Aggregate number of Shares comprised in Awards issued since commencement of the MeGroup PSP to end of financial year under review	Aggregate number of Shares comprised in Awards which have not been released as at the end of financial year under review

- (c) such other information as may be required by the Catalist Rules or the Companies Act, provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in our annual report.



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## SHARE-BASED INCENTIVE PLANS

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### Adjustments and Alterations under the MeGroup PSP

The following describes the adjustment events under, and provisions relating to alterations of, the MeGroup PSP.

#### 1. Adjustment events

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation or distribution, or otherwise) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares over which future Awards may be granted under the MeGroup PSP,

shall be adjusted in such manner as our Remuneration Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the participant receives a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment, unless our Remuneration Committee considers an adjustment to be appropriate.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by our Company's auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

#### 2. Modifications or alterations to the MeGroup PSP

The MeGroup PSP may be modified and/or altered from time to time by a resolution of our Remuneration Committee subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of participants under the MeGroup PSP who, if their Awards were released to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued or transferred in full of all outstanding awards under the MeGroup PSP.

No alteration shall be made to particular rules of the MeGroup PSP to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting.

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## SHARE-BASED INCENTIVE PLANS

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### **Rationale for participation of Group Employees and Non-executive directors (including our Independent Directors) of our Group and our associated companies (as they may exist from time to time) in the MeGroup PSP**

The extension of the MeGroup PSP to Group Employees and Non-executive directors (including our Independent Directors) of our Group allows our Group to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the MeGroup PSP will also enable us to attract, retain and provide incentives to its participants to achieve higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating participants generally to contribute towards the long-term growth of our Group.

Although the Non-executive directors are not involved in the day-to-day running of our Group's business, they, nonetheless, play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by the Non-executive directors in the MeGroup PSP will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment.

In order to minimise any potential conflict of interests and not to compromise the independence of the Non-executive directors, our Company intends to grant only a nominal number of Awards under the MeGroup PSP to such Non-executive directors.

### **Rationale for the participation of Controlling Shareholders and their associates in the MeGroup PSP**

Although the Controlling Shareholders and their associates already have shareholding interests in our Company, our Directors are of the view that they should be provided an opportunity to participate in the MeGroup PSP as they have contributed significantly to the growth and performance of our Group, and the opportunity to participate therein will further motivate and encourage them to continue expending great energies towards the success of our Group. Awards will additionally encourage such Controlling Shareholders and their associates to achieve performance targets as this will affect the amount of benefit that they will ultimately derive from their participation in the MeGroup PSP. It is in the long-term interests of our Company to ensure that these Controlling Shareholders and their associates who are actively contributing to our Group be incentivised to remain in and contribute to the growth and development of our Group. Their continued contribution will benefit our Group.

### **Financial effects of the MeGroup PSP**

The MeGroup PSP is considered a share-based payment that falls under the Financial Reporting Standard 102 on Share-based Payment ("**FRS 102**") where participants will receive Shares and the awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

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## SHARE-BASED INCENTIVE PLANS

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The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the period between the grant date and the vesting date of an Award. The fair value per share of the Awards granted will be determined using an option pricing model. The significant inputs into the option pricing model will include, inter alia, the share price as at the date of grant of the Award, the risk free interest rate, the vesting period, volatility of the share and dividend yield. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to the reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to the income statement is made.

The amount charged to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to the amounts charged to the income statement are made whether or not the market condition is met. However, if the performance target is not a market condition, the fair value per share of the Awards granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment by our Group Financial Controller at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there would be no cumulative charge to the income statement if the Awards do not ultimately vest.

The following sets out the financial effects of the MeGroup PSP.

### **(a) Share capital**

The MeGroup PSP will result in an increase in our Company's issued share capital when new Shares are issued to participants. The number of new Shares issued will depend on, inter alia, the size of the Awards granted under the MeGroup PSP. In any case, the MeGroup PSP provides that the number of Shares to be issued or transferred under the MeGroup PSP, when aggregated with the aggregate number of Shares over which options are granted under any other share option schemes of our Company, will be subject to the maximum limit of 15.0% of our Company's total number of issued Shares (excluding Shares held by our Company as treasury shares) from time to time. If instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the MeGroup PSP will have no impact on our Company's issued share capital.

### **(b) NTA**

As described in paragraph (c) below on EPS, the MeGroup PSP is likely to result in a charge to our Company's income statement over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. When new Shares are issued under the MeGroup PSP, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the NTA would be impacted by the cost of the Shares purchased. It

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## SHARE-BASED INCENTIVE PLANS

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should be noted that the delivery of Shares to participants under the MeGroup PSP will generally be contingent upon the eligible participants meeting prescribed performance targets and conditions.

### **(c) EPS**

The MeGroup PSP is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with FRS 102.

It should again be noted that the delivery of Shares to participants of the MeGroup PSP will generally be contingent upon the participants meeting the prescribed performance targets and conditions.

### **(d) Dilutive impact**

The issuance of new Shares under the MeGroup PSP will have a dilutive impact on our consolidated EPS.

We have made an application to the SGX-ST for permission to deal in and for quotation of the Award Shares which may be issued upon the release of the share awards to be granted under the MeGroup PSP. The approval of the SGX-ST is not to be taken as an indication of the merits of our Company, our subsidiaries, our Shares, the Invitation Shares, the Option Shares or the Award Shares.

## **MEGROUP SHARE OPTION SCHEME**

In conjunction with our listing on Catalist, we have adopted a share option scheme known as the MeGroup Share Option Scheme, which was approved by our sole Shareholder on 26 September 2018. The rules of our MeGroup Share Option Scheme are set out in Appendix F of this Offer Document. The MeGroup SOS complies with the relevant rules as set out in Chapter 8 of the Catalist Rules.

Capitalised terms used herein shall, unless otherwise defined, bear the same meanings as defined in Appendix F of this Offer Document.

The MeGroup SOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The MeGroup SOS, which forms an integral and important component of our employee compensation plan, is designed to primarily reward and retain directors and employees whose services are vital to our well-being and success.

As at the Latest Practicable Date, no options have been granted under the MeGroup SOS.

### **Objectives of the MeGroup SOS**

The objectives of the MeGroup SOS are as follows:

- (a) to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;
- (b) to retain key employees and directors whose contributions are essential to the long-term growth and profitability of our Group;
- (c) to instil loyalty to, and a stronger identification by participants with the long-term prosperity of, our Group;

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## SHARE-BASED INCENTIVE PLANS

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- (d) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and
- (e) to align the interests of participants with the interests of our Shareholders.

### Summary of the MeGroup SOS

A summary of the rules of the MeGroup SOS is set out as follows:

#### 1. Participants

Under the rules of the MeGroup SOS, executive directors and employees of our Group and our associated companies (“**Group Employees**”), non-executive directors (including our Independent Directors) of our Group and our associated companies (as they may exist from time to time) and directors and employees of our Company’s parent company who have contributed to the success and development of the Company, are eligible to participate in the MeGroup SOS. For this purpose, a company is our “associated company” if our Company or our Company and our subsidiaries and associated companies (as they may exist from time to time) hold at least 20% but not more than 50% of the issued shares in that company and provided our Company has control (as defined in the Catalist Rules) over the associated company.

Pursuant to Rule 852 of the Catalist Rules, participation in MeGroup SOS by Controlling Shareholders or associates of such Controlling Shareholders must be approved by independent Shareholders of our Company and a separate resolution must be passed for each such person to approve the actual number and terms of the Options to be granted to such person. Controlling Shareholders and their associates shall abstain from voting on any resolution in relation to their participation in the MeGroup SOS and grant of Options to them.

#### 2. Scheme administration

The MeGroup SOS shall be administered by our Remuneration Committee with powers to determine, inter alia, the following:

- (a) persons to be granted Options;
- (b) number of Options to be granted; and
- (c) recommendations for modifications to the MeGroup SOS.

Our Remuneration Committee may consist of Directors (including Directors or persons who may be participants of the MeGroup SOS). A member of our Remuneration Committee who is also a participant of the MeGroup SOS must not be involved in its deliberation in respect of Options granted or to be granted to him.

#### 3. Size of the MeGroup SOS

The aggregate number of shares over which our Remuneration Committee may grant Options on any date, when added to the number of Shares issued and issuable or transferred and to be transferred in respect of all Options granted under the MeGroup SOS and the number of Shares issued and issuable or transferred and to be transferred in respect of all Options or awards granted under any other share option schemes or share schemes of our

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Company, shall not exceed 15.0% of the total number of issued Shares (excluding Shares held by our Company as treasury shares) on the day immediately preceding the date on which an offer to grant an option is made.

Our Company believes that this 15.0% limit gives our Company sufficient flexibility to decide the number of Option Shares to offer to our existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goals of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of our talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants, will increase as a result. If the number of Options available under the MeGroup SOS is limited, our Company may only be able to grant a small number of options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of options to offer to new employees as well as to existing employees. The number of options offered must also be significant enough to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that our Remuneration Committee will definitely issue Option Shares up to the prescribed limit. Our Remuneration Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee, which will depend on the performance and value of the employee to our Group.

The aggregate number of Shares which may be issued or transferred pursuant to Options under the MeGroup SOS to participants who are Controlling Shareholders and their associates collectively shall not exceed 25.0% of the Shares available under the MeGroup SOS. The number of Shares which may be issued or transferred pursuant to Options under the MeGroup SOS to each participant who is a Controlling Shareholder or his associates shall not exceed 10.0% of the Shares available under the MeGroup SOS.

#### 4. Maximum entitlements

The aggregate number of Shares comprised in any Options to be offered to a grantee shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service and potential for future development of that grantee.

#### 5. Options, exercise period and exercise price

The Options that are granted under the MeGroup SOS may have exercise prices that are, at our Remuneration Committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for a Share on the SGX-ST for the five consecutive market days immediately preceding the date on which an offer to grant an Option is made or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price ("**Market Price Option**") may be exercised after the first anniversary of the date on which an offer to grant that Option is made while Options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date on which an offer to grant that Option is made ("**Incentive Option**"). Options granted under the MeGroup SOS to any Group Employee will have a life span of up to 10 years from the date on which they are granted and all other Options granted under the MeGroup SOS will have a life span of five years from the date on which they are granted.

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## SHARE-BASED INCENTIVE PLANS

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### 6. Grant of options

Under the rules of the MeGroup SOS, there are no fixed periods for the grant of options. As such, offers of the grant of Options may be made at any time from time to time at the discretion of our Remuneration Committee. However, no Option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made on or after the third market day from the date on which the aforesaid announcement is made.

### 7. Termination of options

Special provisions in the rules of the MeGroup SOS deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant's employment in our Group, the bankruptcy of the participant, the death of the participant, a take-over of our Company, and the winding-up of our Company.

### 8. Acceptance of options

The grant of Options shall be accepted within 30 days from the date of the offer. Offers of Options made to grantees, if not accepted in accordance with the rules of the MeGroup SOS before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

### 9. Rights of shares arising

Subject to the prevailing legislation, our Company will deliver Shares to participants upon exercise of their Options by way of either (i) an allotment and issue of new Shares; or (ii) a transfer of Shares acquired by our Company pursuant to a share purchase mandate and/or held by our Company as treasury shares.

In determining whether to issue new Shares or deliver existing Shares to participants upon exercise of their Options, our Company will take into account factors such as (but not limited to) the prevailing market price of the Shares and the cost to our Company of issuing new Shares or delivering existing Shares.

The financial effects of the above methods are discussed below.

Shares arising from the exercise of Options are subject to the provisions of our Constitution. Shares allotted and issued, and existing Shares procured by our Company for transfer, upon the exercise of an Option shall rank *pari passu* in all respects with the then existing issued Shares, save for any dividends, rights, allotments or distributions, the record date ("**Record Date**") for which is prior to the relevant exercise date of the Option. "Record Date" means the date as at the close of business on which Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).



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## SHARE-BASED INCENTIVE PLANS

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### 10. Duration of the MeGroup SOS

The MeGroup SOS shall continue in operation for a maximum duration of 10 years commencing from the date of listing of our Company on Catalist, and may, subject to compliance with any applicable laws and regulations in Singapore, be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

### 11. Abstention from voting

Shareholders who are eligible to participate in the MeGroup SOS are to abstain from voting on any shareholders' resolution relating to the MeGroup SOS and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the MeGroup SOS shall abstain from voting on the following resolutions, where applicable: (a) implementation of the MeGroup SOS; (b) the maximum discount which may be given in respect of any Option; and (c) participation by and grant of Options to Controlling Shareholders and their associates.

### 12. Reporting requirements

Under the Catalist Rules, an immediate announcement must be made on the date of grant of an Option and the announcement must provide details of the grant, including the following:

- (a) date of grant;
- (b) exercise price of the Options granted;
- (c) number of Options granted;
- (d) market price of the Shares on the date of grant;
- (e) number of Options granted to each Director and Controlling Shareholder (and each of their associates), if any; and
- (f) the validity period of the Options.

The following disclosures (as applicable) will be made by our Company in our annual report for so long as the MeGroup SOS continues in operation:

- (a) the names of the members of our Remuneration Committee administering the MeGroup SOS;
- (b) the following information required in the table below for the following participants of the MeGroup SOS:
  - (i) Directors of the Company;
  - (ii) Controlling Shareholders and their associates; and

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## SHARE-BASED INCENTIVE PLANS

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- (iii) participants (other than those in paragraph (b)(i) and (b)(ii) above) who have received Shares pursuant to the exercise of Options under the MeGroup SOS which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the MeGroup SOS:

Name of participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the MeGroup SOS to end of financial year under review	Aggregate Options exercised since commencement of the MeGroup SOS to end of financial year under review	Aggregate Options outstanding as at end of financial year under review
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- (c) the number and proportion of Options granted at a discount during the financial year under review in respect of every 10.0% discount range, up to the maximum quantum of discount granted; and
- (d) such other information as may be required by the Catalist Rules or the Companies Act, provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in our annual report.

### Grant of options with a discounted exercise price

The ability to offer Options to participants of the MeGroup SOS with exercise prices set at a discount to the prevailing market prices of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. The MeGroup SOS will also serve to recruit new Group Employees whose contributions are important to the long-term growth and profitability of our Group. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Options at a discount as only employees who have made outstanding contributions to the success and development of our Group would be granted Options at a discount.

At present, our Company foresees that Options may be granted with a discount principally in the following circumstances:

- (a) Firstly, where it is considered more effective to reward and retain talented employees by way of an Incentive Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to our Group's performance and the Incentive Option serves as additional incentives to such Group Employees. Options granted by our Company on the basis of Market Price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence, during such period, the ability to offer such Options at a discount would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Options granted at a discount will give an opportunity to Group Employees to realise some tangible benefits even if external events cause the share price to remain largely static.

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## SHARE-BASED INCENTIVE PLANS

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- (b) Secondly, where it is more meaningful and attractive to acknowledge a participant's achievements through an Incentive Option rather than paying him a cash bonus. For example, Options granted at a discount may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options or Incentive Options, as part of eligible employees' compensation packages. The MeGroup SOS will provide Group Employees with an incentive to focus more on improving the profitability of our Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of the Shares after the vesting period.
- (c) Thirdly, due to speculative forces and having regard to the historical performance of the Share price, the Market Price of the Shares at the time of the grant of the Options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

Our Remuneration Committee will have the absolute discretion to grant Options where the exercise price is discounted, to determine the level of discount (subject to a maximum discount of 20% of the Market Price) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the MeGroup SOS at a discount not exceeding the maximum discount as aforesaid.

In deciding whether to give a discount and the quantum of such discount (subject to the aforesaid limit), our Remuneration Committee will have regard to the financial and other performance of our Company and our Group, the years of service and individual performance of the grantee, the contribution of the grantee to the success and development of our Group and the prevailing market conditions.

Our Company may also grant Options without any discount to the Market Price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the Options (whether such Options are granted at the Market Price or at a discount to the Market Price), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

### **Adjustments and Alterations under the MeGroup SOS**

The following describes the adjustment events under, and provisions relating to alterations of, the MeGroup SOS.

#### **1. Adjustment events**

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation or distribution, or otherwise) shall take place, then:

- (a) the exercise price in respect of the Shares comprised in the Option to the extent unexercised; and/or
- (b) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or

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## SHARE-BASED INCENTIVE PLANS

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- (c) the maximum entitlement in any one financial year; and/or
- (d) the class and/or number of Shares of which additional Options may be granted to participants under the MeGroup SOS,

shall be adjusted in such manner as our Remuneration Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the participant receives a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment, unless our Remuneration Committee considers an adjustment to be appropriate.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by our Company's auditors (acting only as experts and not as arbitrators) to be, in their opinion, fair and reasonable.

### **2. Modifications or alterations to the MeGroup SOS**

The MeGroup SOS may be modified and/or altered from time to time by a resolution of our Remuneration Committee subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration which shall adversely affect the rights attached to any Options granted prior to such modification or alteration and which in the opinion of our Remuneration Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration, shall be made except with the written consent of such number of participants under the MeGroup SOS who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued or transferred in full of all outstanding Options.

No modification or alteration shall be made to particular rules of the MeGroup SOS to the advantage of participants under the MeGroup SOS except with the prior approval of Shareholders in general meeting.

### **Rationale for participation of Group Employees and Non-executive directors (including our Independent Directors) of our Group and our associated companies (as they may exist from time to time) in the MeGroup SOS**

The extension of the MeGroup SOS to Group Employees and Non-executive directors (including our Independent Directors) of our Group and our associated companies (as they may exist from time to time) allows our Group to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of our Group.

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## SHARE-BASED INCENTIVE PLANS

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We believe that the MeGroup SOS will also enable us to attract, retain and provide incentives to its participants to achieve higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating participants generally to contribute towards the long-term growth of our Group.

Although the Non-executive directors are not involved in the day-to-day running of our Group's business, they nonetheless play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by the Non-executive directors in the MeGroup SOS will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment.

In order to minimise any potential conflict of interests and not to compromise the independence of the Non-executive directors, our Company intends to grant only a nominal number of options under the MeGroup SOS to such Non-executive directors.

### **Rationale for the participation of Controlling Shareholders and their associates in the MeGroup SOS**

Although the Controlling Shareholders and their associates already have shareholding interests in our Company, our Directors are of the view that they should be provided an opportunity to participate in the MeGroup SOS as they have contributed significantly to the growth and performance of our Group, and the opportunity to participate therein will further motivate and encourage them to continue expending great energies towards the success of our Group. Options, unlike cash bonuses, will additionally encourage such Controlling Shareholders and their associates to take a long term view of our Group, and will motivate them towards improving the return on equity as this will affect the amount of benefit that they will ultimately derive from their participation in the MeGroup SOS. It is in the long-term interests of our Company to ensure that these Controlling Shareholders and their associates who are actively contributing to our Group be incentivised to remain in and contribute to the growth and development of our Group. Their continued contribution will benefit our Group.

Pursuant to Rule 852 of the Catalist Rules, participation in the MeGroup SOS by Controlling Shareholders and their associates must be approved by independent Shareholders of our Company and a separate resolution must be passed for each such person to approve the actual number and terms of the Options to be granted to such person. Controlling Shareholders and their associates shall abstain from voting on any resolution in relation to their participation in the MeGroup SOS and grant of Options to them.

### **Financial effects of the MeGroup SOS**

The MeGroup SOS will increase our issued share capital to the extent of the new Shares that will be issued and allotted pursuant to the exercise of Options. Under the FRS 102, the fair value of employee services received in exchange for the grant of the Options would be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each Option granted at the grant date and the number of Options vested by vesting date, with a corresponding increase in equity.

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## SHARE-BASED INCENTIVE PLANS

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Before the end of the vesting period, at each balance sheet date, the entity revises its estimates of the number of Options that are expected to vest by the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement would be made. The proceeds net of any directly attributable transaction costs are credited to the share capital when the Options are exercised.

During the vesting period, the consolidated earnings per share would be reduced by both the expenses recognised and the potential ordinary shares to be issued under the MeGroup SOS. When the Options are exercised, the consolidated NTA will be increased by the amount of cash received for exercise of the Options. On a per share basis, the effect is accretive if the exercise price is above the net tangible assets per share but dilutive otherwise.

There will be no cash outlay expended by us at the time of grant of such Options as compared to the payment of cash bonuses. However, as Shareholders may be aware, any Options granted to subscribe for new shares (whether the exercise price is set at the Market Price of the shares at the date of grant or otherwise) have a fair value at the time of grant. The fair value of an Option is an estimate of the amount that a willing buyer would pay a willing seller for the Option on the grant date. Options are granted to participants at a nominal consideration of S\$1.00. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to our Company in that we will receive from the participant upon the grant of the Option a consideration that is less than the fair value of the Option.

The following sets out the financial effects of the MeGroup SOS.

### **(a) Share capital**

The MeGroup SOS will result in an increase in our Company's issued share capital when new Shares are issued to participants. The number of new Shares issued will depend on, inter alia, the size of the Options granted under the MeGroup SOS. Whether and when the Options granted under the MeGroup SOS will be exercised will depend on the exercise price of the Options, when the Options will vest as well as the prevailing trading price of the Shares. In any case, the MeGroup SOS provides that the number of Shares to be issued or transferred under the MeGroup SOS, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of our Company, will be subject to the maximum limit of 15.0% of our Company's total number of issued Shares (excluding Shares held by our Company as treasury shares) from time to time. If instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the MeGroup SOS will have no impact on our Company's issued share capital.

### **(b) NTA**

As described in paragraph (c) below on EPS, the grant of Options will be recognised as an expense, the amount of which will be computed in accordance with FRS 102. When new Shares are issued pursuant to the exercise of Options, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the NTA would be impacted by the cost of the Shares purchased.

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## SHARE-BASED INCENTIVE PLANS

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### **(c) EPS**

Without taking into account earnings that may be derived by our Company from the use of the proceeds from the issuance of Shares pursuant to the exercise of Options granted under the MeGroup SOS, any new Shares issued pursuant to any exercise of the Options will have a dilutive impact on our Company's EPS.

### **(d) Dilutive impact**

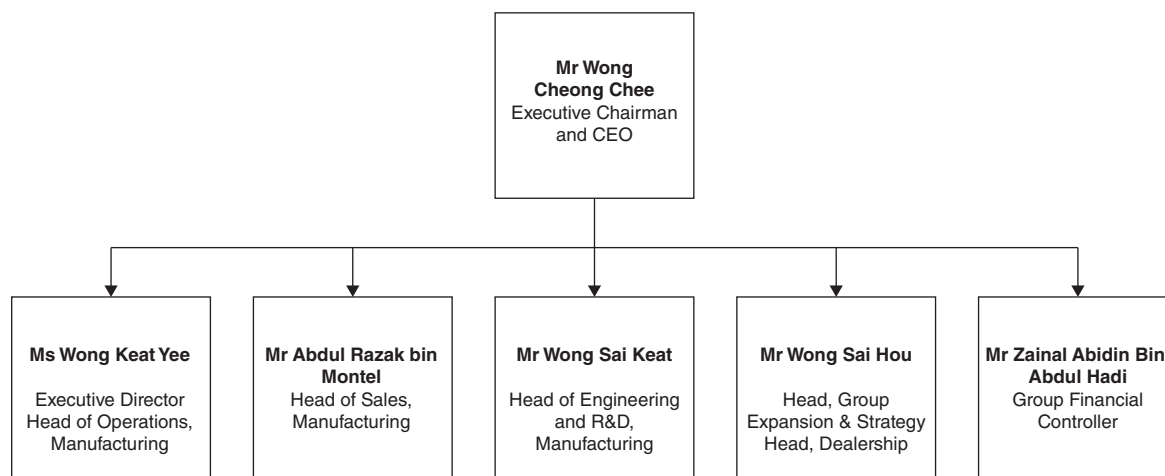
The issuance of new Shares under the MeGroup SOS will have a dilutive impact on our consolidated EPS.

We have made an application to the SGX-ST for permission to deal in and for quotation of the Option Shares which may be issued upon the exercise of the Options to be granted under the MeGroup SOS. The approval of the SGX-ST is not to be taken as an indication of the merits of our Company, our subsidiaries, our Shares, the Invitation Shares, the Option Shares or the Award Shares.



## MANAGEMENT AND CORPORATE GOVERNANCE

### MANAGEMENT REPORTING STRUCTURE



### DIRECTORS

Our Board is entrusted with the responsibility for our overall management and direction of our Group. Our Director's particulars are listed below:

Name	Age	Address	Designation
Mr Wong Cheong Chee	70	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Executive Chairman and CEO
Ms Wong Keat Yee	39	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Executive Director and Head of Operations, Manufacturing
Mr Chee Teck Kwong Patrick	63	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Lead Independent Director
Mr Benjamin Choo	42	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Independent Director
Mr Edmund Lai Sou Wei	43	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Independent Director

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## MANAGEMENT AND CORPORATE GOVERNANCE

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Information on the working and business experience of our Directors is set out below:

**Mr Wong Cheong Chee** is our Executive Chairman and CEO and our Non-Independent Director. He has more than 40 years of experience in the manufacturing industry. Prior to his involvement with the Group, he was one of the founders of Paragon Union Berhad, a company listed on Bursa Malaysia in the business of manufacturing and distributing automotive components (including commercial carpets and NVH interior and insulator trims). Mr Wong is responsible for the Group's overall management and operations, including formulating our Group's strategic direction and expansion plans for both the Group's Manufacturing Business and Dealership Business and has been instrumental in our Group's growth, leading to the expansion of our Manufacturing Business and operations. Mr Wong graduated from the University of Malaya with a degree in Mechanical Engineering in 1970.

**Ms Wong Keat Yee** is our Executive Director and our Non-Independent Director and Head of Operations, Manufacturing. She is responsible for the overall operations of our Manufacturing Business, including overseeing the Group's human resources, purchasing and procurement departments. Ms Wong is also responsible for our Manufacturing Business's supply chain strategy. Ms Wong has been with our Group since 2001, and joined as an executive in the production and planning department of the Manufacturing Business. During her time with the Group, Ms Wong spearheaded the Group's efforts to obtain the ISO 9002 accreditation in 2001 and the ISO/TS 16949:2009 accreditation in 2014 and oversaw the revamp of the Group's purchasing department and the Group's production department. She also pioneered the Group's Kaizen initiatives and is the chairperson the Group's Kaizen and 5S practice committees. She has nearly 17 years' experience in the industry and is a graduate from the South Australian Matriculation pre-university programme conducted by Taylor's College, Malaysia in 1998.

**Mr Edmund Lai Sou Wei** is our Independent Director and was appointed to our Board on 26 September 2018. Mr Lai has over 13 years of corporate recovery experience with Deloitte Malaysia, with a focus on corporate debt recovery, financial monitoring and financial restructuring. In his 13 years with Deloitte Malaysia, Mr Lai was actively involved in a variety of restructuring exercises including debt restructuring for companies, special administration of companies and other insolvency administration engagements such as receivership, liquidation and corporate closure management. Mr Lai's experience spans industries such as property development, property management, construction and manufacturing.

Mr Lai also has five years' experience in providing independent whistleblowing services, having led Deloitte Malaysia's whistleblowing services division from 2013 to 2017. Mr Lai left Deloitte Malaysia in June 2017 to establish his own financial advisory firm providing various corporate advisory services, including corporate debt recovery and independent whistleblowing services. Mr Lai graduated with a Bachelor of Commerce in Accounting & Finance from Monash University in 1999.

**Mr Chee Teck Kwong Patrick** is our Lead Independent Director and was appointed to our Board on 26 September 2018. Mr Chee holds a Bachelor of Law (Hons) Degree from the University of Singapore and is an Advocate and Solicitor of the Supreme Court of Singapore and a Solicitor of the senior courts of England and Wales. Mr Chee has been in private legal practice since 1980 and is now a Senior Legal Consultant with Withers KhattarWong, an international law firm. His areas of practice are corporate and commercial matters, banking and finance, cross-border joint ventures and investments, mergers and acquisitions, and listing of companies. He has also advised on property law and has handled several landmark development projects in Singapore,

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## MANAGEMENT AND CORPORATE GOVERNANCE

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Indonesia, Malaysia and China. He also conducts civil litigation and arbitration proceedings. Mr Chee had initiated and was instrumental to the setting up of a full licensed KhattarWong's law practice in Vietnam.

Mr Chee is a Notary Public and a Commissioner for Oaths and is a member of Singapore Institute of Arbitrators, and Singapore Institute of Directors. He has served several years in the sub-committee of National Crime Prevention Council, Singapore, and worked with National Productivity Board, Singapore in developing and seeing the successful launch of some well-known franchises in Singapore in the early 1990s. From 2002 to 2013, Mr Chee was the Organising Chairman of the "National Street Soccer League – Lee Hsien Loong Challenge Trophy".

Mr Chee also sits on the Board of several public listed companies. He is also Honorary Legal Advisor to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore. Mr Chee is also the recipient of the National Day Awards 2003 – "The Public Service Medal (Pingat Bakti Masyarakat)" from the President of Republic of Singapore.

**Mr Benjamin Choo** is our Independent Director and was appointed to our Board on 26 September 2018. After graduating from the National University of Singapore in 2001, Mr Choo started pupillage with the financial services department of Allen & Gledhill. In 2003, he joined Edmond Pereira & Partners, where his main focus was on white-collar criminal litigation and general regulatory and corporate advisory work. In 2005, Mr Choo joined the corporate team of TSMP Law Corporation and was appointed as director in 2009. He started his second stint with Edmond Pereira & Partners (now corporatized as Edmond Pereira Law Corporation) in April 2012 to helm the Corporate and Transactions practice.

Mr Choo is currently a Director at Genesis Law Corporation and his current practice includes mergers & acquisitions, joint ventures, fintech advisory and securities regulations. His work has been recognised by *The Asia Pacific Legal 500 (2007/2008 Ed, 2008, 2009 Ed & 2009/2010 Ed)*. He is also listed in *Chambers Asia Pacific 2011* as a Leading Individual – Investment Funds: Domestic Firms. He has also been a member of the Inquiry Panel constituted under the Legal Profession Act since 2011, and the Complaints and Disciplinary Panel constituted under the Accountants Act from 2010 to 2014.

### **Rule 406(3)(a) of the Listing Manual**

Rule 406(3)(a) of the Listing Manual states that as a pre-quotation disclosure requirement, a listing applicant must release a statement (via SGXNET or in the offer document) identifying each director, whether the person has prior experience (and what) or, if the director has no prior experience as a director of a listed company, whether the person has undertaken training in the roles and responsibilities of a director of a listed company. With regard to Rule 406(3)(a) of the Listing Manual, as described above, Mr Chee Teck Kwong Patrick and Mr Benjamin Choo have prior experience as directors of public listed companies in Singapore and are familiar with the roles and responsibilities of a director of a public listed company in Singapore.

While Mr Wong Cheong Chee, Ms Wong Keat Yee and Mr Edmund Lai Sou Wei do not have prior experience as directors of public listed companies in Singapore, Mr Wong Cheong Chee, Ms Wong Keat Yee and Mr Edmund Lai Sou Wei have been briefed by the Solicitors to the Invitation and Legal Advisers to our Company as to Singapore law on their obligations as directors under the Catalist Rules as well as the relevant Singapore law and on regulations.

## MANAGEMENT AND CORPORATE GOVERNANCE

### Present and past directorships

The list of present and past directorships of each Director over the last five years preceding the date of this Offer Document excluding those held in our Company is set out below. For details on our Directors' interests in our Shares, please see the section entitled "*Share Capital*" of this Offer Document.

Name	Present Directorships	Past Directorships
Mr Wong Cheong Chee	<u>Group companies or entities</u> MNSB MNHSB MJNMSB MJNASB MeMG MeAG <u>Other companies or entities</u> JCWW Holdings Pte. Ltd.	<u>Group companies or entities</u> MNJ Motors Sdn. Bhd. <sup>(1)</sup> Menang Nusantara Electrical Industries (M) Sdn. Bhd. <sup>(2)</sup>  <u>Other companies or entities</u> Nil
Ms Wong Keat Yee	<u>Group companies or entities</u> MNSB MNOSB MeMG MeAG <u>Other companies or entities</u> Yatta Group	<u>Group companies or entities</u> MNASB  <u>Other companies or entities</u> Nil
Mr Edmund Lai Sou Wei	<u>Group companies or entities</u> Nil <u>Other companies or entities</u> Polaris Corporate Solutions Sdn Bhd MSA Restructuring Sdn. Bhd.	<u>Group companies or entities</u> Nil <u>Other companies or entities</u> Nil
Mr Chee Teck Kwong Patrick	<u>Group companies or entities</u> Nil <u>Other companies or entities</u> China International Holdings Limited Hai Leck Holdings Limited Ramba Energy Limited	<u>Group companies or entities</u> Nil <u>Other companies or entities</u> CSC Holdings Limited Hanwell Holdings Limited Tat Seng Packaging Group Ltd Singapore Singapore Myanmar Investco Limited HengXin Technology Ltd.

## MANAGEMENT AND CORPORATE GOVERNANCE

Name	Present Directorships	Past Directorships
Mr Benjamin Choo	<u>Group companies or entities</u> Nil <u>Other companies or entities</u> Genesis Law Corporation PT Property Gamma Investment Pte. Ltd. Global Beacon Pte. Ltd. Bloom Technologies Pte. Ltd. Talent Beacon Student Care Limited	<u>Group companies or entities</u> Nil <u>Other companies or entities</u> Edmond Pereira Law Corporation Expat Dental Initiative Pte. Ltd. Restaurant Home Pte. Ltd. Antioch Communications Pte. Ltd. AGV Group Ltd. Chart. IT Pte. Ltd.

**Notes:**

- (1) This entity was initially incorporated to hold our Honda dealership at Jalan RS and has since been struck-off.
- (2) This entity was incorporated in 1999 and has been dormant for the last five years. This entity has since been struck-off.

### EXECUTIVE OFFICERS

Our Group's Executive Officers, together with our Executive Directors, are responsible for our day-to-day management and operations. The following table sets forth information regarding our Executive Officers.

Name	Age	Address	Designation
Mr Wong Sai Hou	41	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Head, Group Expansion & Strategy and Head, Dealership
Mr Wong Sai Keat	35	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Head of Engineering and R&D, Manufacturing
Mr Abdul Razak Bin Montel	57	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Head of Sales, Manufacturing
Mr Zainal Abidin Bin Abdul Hadi	57	c/o Lot 1, Jalan 5, Taman Cheras Jaya, 43200 Balakong, Selangor Darul Ehsan, Malaysia	Group Financial Controller

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## MANAGEMENT AND CORPORATE GOVERNANCE

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The business and working experience and general areas of responsibility of our Executive Officers within our Group are set out below:

**Mr Wong Sai Hou** is our Head, Group Expansion & Strategy and Head, Dealership. He joined our Group in 1999 as a product executive in the Manufacturing Business and is currently responsible for overseeing and settling the growth and expansion strategy of our Group's Manufacturing Business and Dealership Business. Mr Wong has also been instrumental in the development of our Group's Dealership Business. As our Head, Dealership, Mr Wong also oversees the operation and management of our Group's dealerships, in addition to his role as Head, Group Expansion & Strategy. Mr Wong graduated from the University of Melbourne with a degree in Engineering in 1998.

**Mr Wong Sai Keat** is our Head of Engineering and R&D, Manufacturing. He joined our Group in 2004 as a programme engineer. He currently oversees the engineering function of our Manufacturing Business, and is responsible for our product development department, ensuring that the physical properties of our Thermobonded Felt products meet the requirements of our customers as well as developing new applications for our Thermobonded Felts. Mr Wong also works closely with our Head of Sales, Manufacturing, to maintain and grow the Group's strategic relationships with our customers, principals and suppliers, primarily with a focus on customer, principals and suppliers who are located outside of Malaysia. Mr Wong graduated from the University of Melbourne with a degree in Computer Science in 2003 and has nearly 14 years of experience in the industry.

**Mr Abdul Razak Bin Montel** is our Head of Sales, Manufacturing. He was a founding member of the Group, establishing MNSB with one other founding shareholder in 1995. Mr Razak started his career in Carpet International Sdn. Bhd. as a sales executive. He subsequently joined Union Carpet Industry Sdn. Bhd., which was subsequently renamed Paragon Union Berhad, where he was promoted to Sales Manager. Mr Razak left Paragon Union Berhad in 1995. Currently, Mr Razak is responsible for the sales and marketing of our Manufacturing Business. With over 30 years of experience in the industry, he has been instrumental in the growth of our Manufacturing Business, and focuses on maintaining and growing the Group's strategic relationships with its customers, principals and suppliers within Malaysia. Mr Razak graduated from Sekolah Aminuddin Baki, Johor Bahru, Johor in 1978 with a Malaysia Certificate of Education (Sijil Pelajaran Malaysia).

**Mr Zainal Abidin Bin Abdul Hadi** joined our Group in January 2017 and is currently our Group Financial Controller. He is responsible for overseeing the financial reporting and accounting as well as corporate matters of our Group. He has more than 25 years of experience in accounting and finance related roles in various organisations. Prior to joining our Group, he spent four years as the Financial Controller of Integrated Process Solutions Sdn. Bhd., a company in the oil and gas industry providing specialised engineering consultant services, two years as the Financial Controller of Concord Express Sdn Bhd. and two years as Finance Manager at Island & Peninsula Berhad. Mr Zainal Abidin also has experience as a Bank Examiner with Bank Negara Malaysia, and has experience in business management, having owned and operated Puncak Manis Enterprise for over 10 years. Mr Zainal Abidin is an associate member of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants.

## MANAGEMENT AND CORPORATE GOVERNANCE

The list of present and past directorships of each Executive Officer over the last five years is set out below:

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Mr Wong Sai Hou	<u>Group companies or entities</u> MNSB MJNMSB MNHSB MNASB MJNASB  <u>Other companies or entities</u> Yatta Group JCWW Holdings Pte. Ltd.	<u>Group companies or entities</u> MNOSB MeGroup Pte. Ltd. MeMG MeAG  <u>Other companies or entities</u> Carz Solution Sdn. Bhd.
Mr Wong Sai Keat	<u>Group companies or entities</u> MNSB MNHSB MNOSB MNASB MJNMSB  <u>Other companies or entities</u> Yatta Group	<u>Group companies or entities</u> Menang Nusantara Electrical Industries (M) Sdn. Bhd.  <u>Other companies or entities</u> Nil
Mr Abdul Razak Bin Montel	<u>Group companies or entities</u> MNSB MNASB  <u>Other companies or entities</u> Crimson Cloud Sdn. Bhd.	<u>Group companies or entities</u> Nil  <u>Other companies or entities</u> Menang Nusantara Electrical Industries (M) Sdn. Bhd. <sup>(1)</sup>
Mr Zainal Abidin Bin Abdul Hadi	<u>Group companies or entities</u> Nil  <u>Other companies or entities</u> Nil	<u>Group companies or entities</u> Nil  <u>Other companies or entities</u> Nil

**Note:**

(1) This entity was incorporated in 1999 and has been dormant for the last five years. This entity has since been struck-off.

### ARRANGEMENT OR UNDERSTANDING

None of our Directors or Executive Officers has any arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or other persons pursuant to which he or she was appointed as our Director, or Executive Officer, as the case may be.



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## MANAGEMENT AND CORPORATE GOVERNANCE

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### FAMILY RELATIONSHIPS

#### *Family relationships among our Board members and Executive Officers*

Our Executive Chairman and CEO, Mr Wong Cheong Chee is the father of our Executive Director, Ms Wong Keat Yee and our Executive Officers, Mr Wong Sai Hou and Mr Wong Sai Keat.

#### *Family relationships among persons with interests in our Shares*

Mdm Lee Soh Hong, who is a joint owner of 70% of JCWW Holdings Pte. Ltd., is the spouse of our Executive Chairman and CEO, Mr Wong Cheong Chee.

Mr Lee Khoon Chuan is the nephew of Mdm Lee Soh Hong.

Save as disclosed above and in the section entitled “*Share Capital*” of this Offer Document, none of our Directors and Executive Officers has any family relationship with each other or with any Substantial Shareholder of our Company.

As at the Latest Practicable Date, other than our Directors, Executive Officers and Substantial Shareholders whose relationships with one another are disclosed in the sections entitled “*Shareholders*” and “*Management and Corporate Governance – Directors*” and “*Management and Corporate Governance – Executive Officers*” of this Offer Document, there no other employees who are related to our Directors, CEO, Executive Officers or Substantial Shareholders.

### REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

#### Directors and Executive Officers

The remuneration (including salary, bonus, contributions to Employees Provident Fund, directors’ fees, allowances and benefits-in-kind) to our Directors and Executive Officers for services rendered in all capacities on an aggregate basis and in remuneration bands<sup>(1)</sup> for FY2017 and FY2018, being the two most recent completed financial years, and as estimated for FY2019 (excluding any bonus or profit-sharing plan or any other profit-linked agreements), are as follows:

Directors and Executive Officers in each remuneration band:

	FY2017	FY2018	FY2019 <sup>(4)</sup> (estimated)
<b>Directors</b>			
Mr Wong Cheong Chee	Band B	Band B	Band B
Ms Wong Keat Yee	Band A	Band A	Band A
Mr Edmund Lai Sou Wei <sup>(2)</sup>	–	–	Band A
Mr Chee Teck Kwong Patrick <sup>(2)</sup>	–	–	Band A
Mr Benjamin Choo <sup>(2)</sup>	–	–	Band A
<b>Executive Officers</b>			
Mr Wong Sai Hou	Band A	Band A	Band A
Mr Wong Sai Keat	Band A	Band A	Band A

## MANAGEMENT AND CORPORATE GOVERNANCE

	FY2017	FY2018	FY2019 <sup>(4)</sup> (estimated)
<b>Executive Officers</b>			
Mr Abdul Razak Bin Montel	Band A	Band A	Band A
Mr Zainal Abidin Bin Abdul Hadi	Band A <sup>(3)</sup>	Band A	Band A

**Notes:**

- (1) Remuneration bands: "Band A" refers to remuneration of up to S\$250,000 per annum. "Band B" refers to remuneration from S\$250,001 to S\$500,000 per annum.
- (2) These persons were only appointed as independent directors of our Group on 26 September 2018.
- (3) Mr Zainal Abidin Bin Abdul Hadi commenced employment with our Group in January 2017.
- (4) In respect of FY2019, the remuneration of our Executive Chairman and CEO, Mr Wong Cheong Chee is assuming that his Service Agreement takes effect from 1 April 2018 and excludes any profit sharing incentive bonus payable under the Service Agreement. Please refer to the section entitled "*Management and Corporate Governance – Service Agreement*" of this Offer Document for further details.

Save as set out in the section entitled "*Management and Corporate Governance – Service Agreement*" of this Offer Document, our Company does not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of our employees and bonuses are expected to be paid on a discretionary basis.

### Pension, retirement or similar benefits

As at the Latest Practicable Date, save as required for compliance with the applicable laws of Singapore and Malaysia, our Group has not set aside or accrued any amounts to provide for pension, retirement or similar benefits for our employees.

### EMPLOYEES

As at the Latest Practicable Date, we have 181 full-time employees. During the Period Under Review and as at the Latest Practicable Date, all our employees were based in Malaysia.

The number of full-time employees of our Group segmented by job functions as at the end of FY2016, FY2017 and FY2018, and as at the Latest Practicable Date, is as follows:

Function	Number of Employees			As at the Latest Practicable Date
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	
<b>Manufacturing</b>				
Management	5	5	5	5
Production	49	48	57	54
Sales and Marketing	3	2	3	3
Accounts and Finance	6	6	8	10
Purchasing	2	2	4	4
Quality Assurance	5	5	8	8

## MANAGEMENT AND CORPORATE GOVERNANCE

Function	Number of Employees			As at the Latest Practicable Date
	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	
Logistic	4	7	7	4
Engineering	9	12	11	11
Human resources and administration	3	3	3	4
<b>Dealership</b>				
Management	1	1	3	3
Sales	23	18	26	20
Service	19	23	50	49
Insurance	2	1	3	2
Warranty	1	1	0	0
Body & Paint	2	2	0	1
Accounts	0	0	2	1
Customer relations	0	0	1	2
<b>Total</b>	<b>134</b>	<b>136</b>	<b>191</b>	<b>181</b>

We do not employ a significant number of temporary workers on a regular basis. As at the Latest Practicable Date, we do not employ any temporary workers.

None of our employees are unionised. While we may encounter disputes with our employees from time to time, there has not been any incidence of work stoppages or labour disputes that have materially affected our operations.

### SERVICE AGREEMENT

On 26 September 2018, our Company entered into a service agreement (the “**Service Agreement**”) with our Executive Chairman and CEO, Mr Wong Cheong Chee (the “**Appointee**”).

The Service Agreement will take effect from the date our Company is admitted to Catalist (the “**Effective Date**”). Details of the Service Agreement are set out below.

#### (a) Term

The Service Agreement is for an initial period of three years with effect from the Effective Date (the “**Initial Employment Period**”). After the Initial Employment Period, the employment of the Appointee is automatically renewed on a year-on-year basis unless otherwise agreed by us and the Appointee, and subject to approval by our Nominating Committee, Audit Committee and Remuneration Committee.

#### (b) Salary and Performance Bonus

Pursuant to the Service Agreement, the Appointee is entitled to an annual salary of RM597,600, which shall comprise a monthly salary of RM49,800 payable in arrears on the

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## MANAGEMENT AND CORPORATE GOVERNANCE

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last working day of each month of service under the Service Agreement. The Appointee will also be entitled to an annual wage supplement (“**AWS**”) equivalent to two months’ annual salary which is payable on or around the 30th day of December each year.

The Appointee will also be paid a performance bonus for each financial year based on a percentage of the Group’s Profit before tax (“**PBT**”). The performance bonus<sup>(1)</sup> that the Appointee will receive for each financial year will be determined as follows:

<b>PBT</b>	<b>Entitlement as a percentage of PBT</b>
Where PBT is RM10 million and above but less than RM12 million	1.2% of the PBT
Where PBT is RM12 million and above but less than RM15 million	1.5% of the PBT
Where PBT is RM15 million and above	1.8% of the PBT

**Note:**

- (1) The abovementioned performance bonus is exclusive of statutorily imposed contributions employers are required to make under the Employees Provident Fund Act 1991 of Malaysia.

### (c) Termination

Our Company may terminate the Service Agreement with summary notice if any of the following events (the “**Prescribed Events**”) occur:

- (i) the Appointee dies;
- (ii) the Appointee is prohibited by any applicable laws, regulations, rules, practice directions or practice rules from taking up the post of director or senior officer of the Company or where the Appointee loses the qualifications to act as a director or senior officer of the Company as set out in the Companies Act and/or the Constitution;
- (iii) if due to health reasons, the Appointee is unable to fully perform his duties hereunder for a continuous 12 month period;
- (iv) the Appointee commits any serious breach and/or repeated and/or continual breach of any of the Appointee’s obligations hereunder;
- (v) the Appointee is guilty of serious misconduct or serious neglect in the discharge of the Appointee’s duties hereunder;
- (vi) the Appointee’s actions or omissions bring the name or reputation of the Company or any member of our Group into disrepute or prejudices the business interests of the Company or other members of our Group;
- (vii) the Appointee is or has become of unsound mind or shall be or become a patient for the purpose of any laws relating to mental health; or
- (viii) the Appointee is sued for criminal liability or convicted of any criminal offence under any applicable law.

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## MANAGEMENT AND CORPORATE GOVERNANCE

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Upon such termination, the Appointee shall not be entitled to claim any compensation or damages for or in respect or by reason of such termination.

**(d) Benefits**

The Appointee shall be entitled to all travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by the Appointee in the course of discharging his duties on behalf of our Group.

The Appointee shall be entitled to a monthly allowance of RM6,976 in addition to his annual salary and performance bonus.

The Company shall provide an executive sedan of the Appointee's choice (up to a maximum value of RM600,000 including applicable taxes) for the Appointee's exclusive use.

The Company shall reimburse the Appointee for all medical and dental expenses incurred during the course of his employment with the Company.

The Appointee shall be entitled to the services of a driver paid for by the Company and shall be entitled to all other remuneration and benefits generally available to employees of the Company.

**(e) Subject to review by the Remuneration Committee**

The terms of the Service Agreement are subject to review each year by the Remuneration Committee on the day falling one week after the Board's approval of the Company's audited accounts for the immediate preceding final year. The Appointee and/or his associates shall abstain from voting in respect of any resolution or decision to be made by the Board in relation to the terms and renewal of this Agreement.

**(f) Non-competition**

Pursuant to the Service Agreement, the Appointee undertakes that he shall not, at any time during the period of his employment and for a period of one year thereafter and shall procure that his associates do not, for so long as he and/or his associates (whether present or future) are directors, controlling shareholders and/or executive officers of our Company:

- (i) in any capacity, be engaged in or interested in or carry on any business which will compete (whether directly or indirectly) with the business of the Group within the Territory;
- (ii) (A) have any interest, directly or indirectly, in any person or entity who carries on, and/or (B) provide any financial assistance to any person or entity to carry on any business or other activity which competes with the business of the Group within the Territory, save that the Appointee is permitted, and together with his associates are permitted, to have interest in the Excluded Companies, notwithstanding that such corporation may be engaging in a business which may compete with the business of the Group within the Territory;
- (iii) be involved (whether directly or indirectly) in any decision making in any entity that will put the Appointee in a conflict of interest position with respect to his duties and responsibilities (where applicable) in the Group;

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## MANAGEMENT AND CORPORATE GOVERNANCE

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- (iv) whether directly or indirectly, solicit or entice away, or attempt to solicit or entice away from the Group, any person who is an officer, manager or employee of the Group, whether or not such person would commit a breach of his contract of employment with the Group by reason of leaving such employment;
- (v) whether directly or indirectly, interfere or seek to interfere with or make arrangements which have the effect of harming contractual or other trade relations between the Group and any of the Group's suppliers, customers, contractors, sub-contractors, agents or business partners;
- (vi) solicit, market to or entice away, whether directly or indirectly, any customers from the Group;
- (vii) be a director and/or holder of an executive management position and/or commissioner (where applicable) of any entity in any business which will compete with the business of the Group; and
- (viii) use any trade mark of the Group in connection with any business,

with the intent that each of these restrictions shall constitute an entirely separate and independent restriction on the Appointee.

For the purposes of this paragraph:

**“associate”** means:

- (a) any member of the Appointee's immediate family;
- (b) the trustees of any trust of which the Appointee is or any member of the Appointee's immediate family is a beneficiary or, in the case of a discretionary trust, the discretionary object; or
- (c) any company in which the Appointee and his immediate family together (directly or indirectly) have an interest of 30% or more;

**“Excluded Companies”** means any corporation in which the Appointee and/or his associates collectively do not or does not:

- (a) hold 5.0% or more of the total interests; or
- (b) have board representation on the board of directors of that corporation; or
- (c) have management control in that corporation; or
- (d) have any involvement in the day to day operations and/or management of that corporation; and

**“Territory”** means Singapore, Malaysia and/or in any other country in which the Group has operations.

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## MANAGEMENT AND CORPORATE GOVERNANCE

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Save as disclosed above, other than for letters of employment entered into in the normal course of business, there are no other existing or proposed service contracts entered into or to be entered into by our Company or any of our subsidiaries with any of our other Directors or Executive Officers which provides for compensation in the form of stock options, or pensions, retirement or other similar benefits, or other benefits, upon the termination of the employment. None of our Directors or Executive Officers is entitled to compensation in the form of stock options, or pensions, retirement or other similar benefits, or other benefits, upon the termination of the employment under their respective letters of employment.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will follow closely the good practices outlined in the Code of Corporate Governance.

Our Board has formed three committees: (i) the Audit Committee, (ii) the Remuneration Committee and (iii) the Nominating Committee. In addition, we have appointed Mr Chee Teck Kwong Patrick as our Lead Independent Director. As our Lead Independent Director, he is the contact person for Shareholders in situations where there are concerns or issues which communication with our Executive Chairman and CEO, and/or Group Financial Controller has failed to resolve or where such communication is inappropriate.

We have five Directors on our Board, of which three are Independent Directors. Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors and/or Substantial Shareholders. Our Independent Directors are also not related to other Directors and/or Substantial Shareholders.

### Audit Committee

Our Audit Committee comprises Mr Edmund Lai Sou Wei, Mr Chee Teck Kwong Patrick and Mr Benjamin Choo, all of whom are Independent Directors. The Chairman of our Audit Committee is Mr Edmund Lai Sou Wei. At least two members, including the Audit Committee Chairman, should have recent and relevant accounting or related financial management expertise or experience.

Our Audit Committee will assist our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee will provide a channel for communication between our Board, our management, our internal auditors and our external auditors on matters relating to audit. Our Group Financial Controller will also be reporting directly to our Audit Committee on our Group's financial matters.



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## MANAGEMENT AND CORPORATE GOVERNANCE

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Our Audit Committee will meet periodically and will, amongst others, carry out the following functions:

- (a) assist our Board in the discharge of its responsibilities on financial and reporting matters;
- (b) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and our management's response, and results of our audits compiled by our internal and external auditors;
- (c) review the half-yearly and annual financial statements and results announcements before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;
- (d) review the effectiveness and adequacy of our internal control and procedures, including accounting and financial controls and procedures and ensure coordination between our internal and external auditors, and our management, reviewing the assistance given by our management to the Independent and Reporting Auditor, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the Independent and Reporting Auditor may wish to discuss (in the absence of our management where necessary);
- (e) review the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (f) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (g) make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (h) consider the appointment and re-appointment of internal auditors, the level of their remuneration and matters relating to the resignation or dismissal of the internal auditors, and review with the internal auditors the internal audit plans and their evaluation of the adequacy of our internal system accounting controls and accounting system before submitting the results of such review to our Board for approval prior to the incorporation of such results in our annual report (where necessary);
- (i) review significant financial reporting issues and judgements with our Group Financial Controller and the external auditors so as to ensure the integrity of the financial statements of our Group and any formal announcements relating to our Group's financial performance before their submission to our Board of Directors;

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## MANAGEMENT AND CORPORATE GOVERNANCE

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- (j) review all interested person transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year) every quarter and approving all interested person transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year) equal to or exceeding 3.0% of the value of the latest audited NTA of our Group, prior to such transactions being entered into, and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with our Company's internal control system and the relevant provisions of the Catalist Rules, as well as all conflicts of interest to ensure that proper measures to mitigate such conflicts of interest have been put in place;
- (k) review and approve any future variation or amendment or renewal of the terms of the Corporate Services Agreement;
- (l) review and report to the Board at least annually the adequacy and effectiveness of our Group's material internal controls with our Group Financial Controller and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;
- (m) review the assistance and co-operation given by our Company's officers to the internal and external auditors;
- (n) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
- (o) review any potential conflicts of interest;
- (p) review and approve all hedging policies and instruments (if any) to be implemented by our Group;
- (q) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting the outcome of such review to be disclosed in the annual reports or, if the findings are material, immediately announced via SGXNET;
- (r) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- (s) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up;
- (t) review and establish procedures for receipt, retention and treatment of complaints received by our Group, amongst others, criminal offences involving our Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on our Group; and
- (u) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

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## MANAGEMENT AND CORPORATE GOVERNANCE

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Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any law, rule or regulation of the jurisdictions in which our Group operates, which has or is likely to have a material impact on our Company's operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Our Audit Committee, after having (i) interviewed Mr Zainal Abidin Bin Abdul Hadi, our Group Financial Controller; (ii) considered his qualifications and past working experience (as described in the section entitled "*Management and Corporate Governance – Management Reporting Structure*" of this Offer Document); (iii) observed his abilities, familiarity and diligence in relation to the financial matters and information of our Group; and (iv) made all reasonable enquiries, is of the view that Mr Zainal Abidin Bin Abdul Hadi is suitable for the position of Group Financial Controller of our Group. Further, after making reasonable enquiries, nothing has come to the attention of our Audit Committee to cause them to believe that Mr Zainal Abidin Bin Abdul Hadi does not have the competence, character or integrity expected of a Group Financial Controller of a listed issuer.

In preparation for our Listing, our Audit Committee has read the Internal Control Assessment Reports prepared by our internal auditors (the "**ICA Reports**"), and held discussions with our Group Financial Controller in relation to our internal controls. Based on the ICA Reports and the aforementioned discussions, our Audit Committee is of the opinion that the internal controls of our Group are adequate to address financial, operational and compliance risks of our Group.

Our Board has also noted that no material internal control weaknesses have been raised by our Independent and Reporting Auditors in the course of their audit of the financial statements of our Group for FY2018.

Following our Listing on Catalist, our Audit Committee will continually review the effectiveness of the internal control procedures within our Group and, if necessary, outsource our Group's internal audit function or hire additional suitably qualified and experienced internal audit staff to ensure the adequacy and sufficiency of internal controls procedures within our Group.

Based on the foregoing, our Board, to the best of its knowledge and belief, with the concurrence of our Audit Committee, based on the internal controls established and maintained by our Group, work performed by the external and internal auditors, and reviews by our Board and our Audit Committee, is of the opinion that the internal controls of our Group including the financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective.

### **Nominating Committee**

Our Nominating Committee comprises Mr Chee Teck Kwong Patrick, Mr Lai Sou Wei and Mr Benjamin Choo. The Chairman of our Nominating Committee is Mr Chee Teck Kwong Patrick. Our Nominating Committee will be responsible for the following functions:

- (a) to make recommendations to the Board on board appointments, including re-nominations of existing directors for re-election in accordance with our Constitution, taking into account the director's contribution and performance;

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## MANAGEMENT AND CORPORATE GOVERNANCE

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- (b) to review and approve any new employment of related persons and proposed terms of their employment;
- (c) to determine on an annual basis whether or not a Director of our Company is independent;
- (d) in respect of a Director who has multiple board representations on various companies, if any, to review and decide whether or not such Director is able to and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced by the director when serving on multiple boards and discharging his duties towards other principal commitments;
- (e) to review succession plans for Directors and key executives;
- (f) to review training and professional development programmes for our Board;
- (g) to decide whether or not a Director of our Company is able to and has been adequately carrying out his duties as a director; and
- (h) to develop a process for evaluation of the performance of our Board, its committees and our Directors and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and addresses how the Board has enhanced long-term shareholders' value.

Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term Shareholders' value.

In addition, our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board.

Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director of our Company. In the event that any member of our Nominating Committee has an interest in a matter being deliberated upon by our Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

### **Remuneration Committee**

Our Remuneration Committee comprises Mr Benjamin Choo, Mr Chee Teck Kwong Patrick and Mr Edmund Lai Sou Wei. The Chairman of our Remuneration Committee is Mr Benjamin Choo. Our Remuneration Committee shall recommend to our Board a framework of remuneration for the Directors and Executive Officers, as well as specific remuneration packages for each Executive Director. The quantum of the bonus of our Executive Directors and CEO will be subject to the approval of our Remuneration Committee.

The recommendations of our Remuneration Committee shall be submitted for endorsement by our entire Board. The scope of responsibilities of our Remuneration Committee encompasses all aspects of remuneration, including but not limited to our Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. Each member of our Remuneration Committee shall abstain from voting on any resolutions in respect of his or her remuneration package.

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## MANAGEMENT AND CORPORATE GOVERNANCE

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Our Remuneration Committee shall also review the remuneration of senior management and employees related to our Directors, if any, to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review.

If necessary, our Remuneration Committee shall seek expert advice inside and/or outside our Company on remuneration matters. Our Remuneration Committee shall ensure that existing relationships, if any, between our Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

### **Board Practices**

Our Constitution provides that our Board of Directors will not consist of less than two Directors. None of our Directors are appointed for any fixed terms.

Our Directors are to be appointed by our Shareholders at a general meeting and an election of Directors is held annually. One third (or the number nearest to one third) of our Directors are required to retire from office at least once every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in the section entitled “*Extracts of our Company’s Constitution*” set out in Appendix B to this Offer Document.

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## DESCRIPTION OF OUR SHARES

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*The following statements are brief summaries of our capital structure and the rights and privileges of our Shareholders as conferred by the laws of Singapore and our Constitution. These statements summarise material provisions of our Constitution but are qualified in entirety by reference to our Constitution and the laws of the Singapore. A copy of our Constitution will be available for inspection at our office during normal business hours for a period of six months from the date of the registration of this Offer Document with the SGX-ST.*

### SHARES

We have only one class of shares which have identical rights in all respects and rank equally with one another. Our Shares do not have a par value.

As at the date of this Offer Document, all the Shares have been issued and fully paid. All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the Catalist Rules, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

### New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company's issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

### Shareholders

Only persons who are registered on our register of shareholders and, in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for our Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the depository register for that Share. We may close our register of members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days' notice and the SGX-ST at least 10 clear Market Days' notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the register to determine our Shareholders' entitlement to receive dividends and other distributions.

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## DESCRIPTION OF OUR SHARES

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### Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law, or the Catalist Rules, or the rules or by-laws of the SGX-ST. Our Directors may, in their discretion, decline to register any transfer of Shares which are not fully paid or Shares on which we have a lien. Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST. Our Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if we are properly notified and the applicant pays a fee which will not exceed S\$2.00 and furnishes any evidence and indemnity that our Directors may require.

### General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Directors may convene an extraordinary general meeting whenever they think fit and must do so if our Shareholders representing not less than 10.0% of the total voting rights of all our Shareholders, request in writing that such a meeting be held. In addition, two or more of our Shareholders holding not less than 10.0% of our issued share capital may call a meeting. Unless otherwise required by law or by our Constitution, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Constitution, a change of our corporate name and a reduction in our share capital or capital redemption reserve fund. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

### Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy does not need to be a Shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 72 hours before the general meeting. Except as otherwise provided in our Constitution, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Constitution, all resolutions put to the vote at any general meeting shall be decided by poll in compliance with Rule 730A(2) of the Catalist Rules, where every member who is present in person or by proxy shall have one vote for every Share he holds or represents.



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## DESCRIPTION OF OUR SHARES

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### Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits. We may satisfy dividends by the issue of Shares to our Shareholders. Please refer to the sub-section entitled “*Bonus and Rights Issue*” below. All dividends are paid *pro rata* amongst our Shareholders in proportion to the amount paid-up on each Shareholder’s Shares, unless the rights attaching to an issue of any Share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

### Bonus and Rights Issue

Our Board may, with the approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or monies carried and standing to any reserve) and distribute the same as bonus shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board may also issue rights to take up additional Shares to other Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

### Take-overs

Under the Take-over Code issued by the Authority pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with persons acting in concert with him, in 30.0% or more of our voting Shares must extend a take-over offer for the remaining voting Shares in accordance with the provisions of the Take-over Code. In addition, a mandatory take-over offer is also required to be made if a person holding, either on his own or together with persons acting or presumed to be acting in concert with him, between 30.0% and 50.0% of the voting Shares acquires additional voting Shares representing more than 1.0% of the voting Shares in any six-month period.

“Parties acting in concert” comprise individuals or companies who, pursuant to an arrangement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- (i) a company and its related and associated companies and companies whose associated companies include any of these companies;
- (ii) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (iii) a company and its pension funds and employee share schemes;
- (iv) a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis but only in respect of the investment account which such person manages;

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## DESCRIPTION OF OUR SHARES

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- (v) a financial or other professional adviser, including a stockbroker, and its clients in respect of shares held by the adviser and persons controlling, controlled by or under the same control as the adviser;
- (vi) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (vii) partners; and
- (viii) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions.

A mandatory offer for consideration other than cash must, subject to certain exceptions, be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of shares that triggered the mandatory offer obligation.

### **Liquidation or Other Return of Capital**

If we are liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

### **Indemnity**

As permitted by Singapore law, our Constitution provides that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, Director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

### **Limitations on Rights to Hold or Vote Shares**

Except as described in the sub-sections entitled “*Voting Rights*” and “*Take-overs*” above, there are no limitations imposed by Singapore law or by our Constitution on the rights of non-resident Shareholders to hold or vote ordinary Shares.

### **Minority Rights**

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:

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## DESCRIPTION OF OUR SHARES

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- (i) our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the Shareholders; or
- (ii) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the relief they may grant and such relief is in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (i) direct or prohibit any act or cancel or vary any transaction or resolution;
- (ii) regulate the conduct of our affairs in the future;
- (iii) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (iv) provide for the purchase of a minority Shareholder's Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital;
- (v) in the case of a purchase of Shares by our Company, provide for a reduction accordingly of our Company's capital; or
- (vi) provide that we be wound up.

### **Treasury Shares**

Our Constitution expressly permits our Company to purchase or acquire Shares or stocks of our Company and to hold such Shares or stocks (or any of them) as treasury shares in accordance with requirements of Section 76 of the Companies Act. Our Company may make a purchase or acquisition of our own Shares (a) on a securities exchange if the purchase or acquisition has been authorised in advance by our Company in general meeting; or (b) otherwise than on a securities exchange if the purchase or acquisition is made in accordance with an equal access scheme authorised in advance by our Company in general meeting. The aggregate number of Shares held as treasury shares shall not at any time exceed 10.0% of the total number of Shares of our Company at that time. Any excess shares shall be disposed or cancelled before the end of a period of six months beginning with the day on which that contravention of limit occurs, or such further period as the Registrar may allow. Where Shares or stocks are held as treasury shares by our Company through purchase or acquisition by our Company, our Company shall be entered in the register as the member holding those Shares or stocks.

Our Company shall not exercise any right in respect of the treasury shares and any purported exercise of such a right is void. Such rights include any right to attend or vote at meetings and our Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of our Company's assets (including any distribution of assets to members on a winding up) may be made to our Company in respect of the treasury shares. However, this would not prevent an

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## DESCRIPTION OF OUR SHARES

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allotment of Shares as fully paid bonus Shares in respect of the treasury shares or the sub-division or consolidation of any treasury share into treasury share of a greater or smaller amount, if the total value of the treasury shares after the sub-division or consolidation is the same as the total value of the treasury shares before the sub-division or consolidation, as the case may be.

Where Shares are held as treasury shares, our Company may at any time (i) sell the Shares (or any of them) for cash; (ii) transfer the Shares (or any of them) for the purposes of or pursuant to any share scheme, whether for our employees, directors or other persons; (iii) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person; or (iv) cancel the Shares (or any of them).

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## TAXATION

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### SINGAPORE TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore on the tax consequences in relation to the purchase, ownership and disposal of the Shares. The discussion is based on current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice.

While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Offer Document, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such law, which may be retrospective, will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of the Shares by Shareholders, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a Shareholder's decision with regard to the Invitation.

**Shareholders should consult their own tax advisors regarding Singapore income tax and other consequences of owning and disposing of the Shares. It is emphasised that neither we, the Directors, nor any other persons involved in this Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.**

#### Singapore Income Tax

##### *Corporate income tax*

Singapore imposes tax on a modified territorial basis i.e. income is subject to tax only when it is accrued in or derived from Singapore (i.e. Singapore-sourced) or when it is received in Singapore from outside Singapore (i.e. foreign-sourced income received or deemed received in Singapore). This applies to both resident and non-resident companies.

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on foreign-sourced income received or deemed received in Singapore, unless otherwise exempted. Foreign-sourced income in the form of branch profits, dividends or service fee income ("**specified foreign income**") received or deemed received in Singapore by a Singapore tax resident company are exempted from Singapore tax provided certain qualifying conditions are met.

A company is regarded as a tax resident in Singapore if the control and management of the company's business is exercised in Singapore. In general, control and management of the company is vested in its board of directors and the place of residence of the company is generally where its directors meet.

The prevailing corporate income tax rate in Singapore is 17% with the first S\$300,000 of chargeable income of a company being partially exempt from tax as follows:

- (a) 75% of the first S\$10,000 of chargeable income; and
- (b) 50% of the next S\$290,000 of chargeable income.

A 30.0% corporate income tax rebate capped at S\$30,000 per Year of Assessment ("**YA**") is available for YA 2013 to YA 2015 and a 50.0% corporate income tax rebate capped at S\$20,000 per YA for YA 2016 and YA 2017.

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## TAXATION

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From YA 2020, the partial tax exemption is applicable on the first S\$200,000 of normal chargeable income of a company as follows:

- (a) 75.0% of up to the first S\$10,000 of normal chargeable income is exempt; and
- (b) 50.0% of up to the next S\$190,000 of normal chargeable income is exempt.

It has been proposed in the Singapore Budget 2018 that corporate income tax rebate at 40.0% of the tax payable, capped at S\$15,000 is available for YA 2018. The corporate income tax rebate will also be extended to YA 2019, at 20.0% of tax payable, capped at S\$10,000.

Qualifying new companies under the tax exemption scheme for new start-up companies are given full exemption on the first S\$100,000 chargeable income and a further 50% exemption on the next S\$200,000 of chargeable income for the first three consecutive YAs. The tax exemption scheme for New Start Up Companies is available to all companies except for companies whose principal activity is that of investment holding and, or developing properties for sale, or investment or both.

Tax exemption is granted to a Singapore-resident company on its foreign-sourced dividend, foreign branch profits or foreign-sourced service income received in Singapore on or after 1 June 2003 provided the following prescribed conditions are met:

- (a) the foreign-sourced income had been subjected to tax in the foreign country from which it is received;
- (b) in the year the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign country from which the income is received is at least 15.0%; and
- (c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the company.

Pursuant to a tax concession granted with effect from 30 July 2004, the above exemption has been extended to specified foreign-sourced income which is exempted from tax in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction, provided that the conditions in (b) and (c) above are also met.

In respect of foreign-sourced income received in Singapore and on which foreign tax has been paid or deducted at source, the Singapore-resident company is entitled to claim a foreign tax credit for the foreign tax paid subject to meeting certain conditions. The amount of foreign tax credit to be granted is based on the lower of the Singapore income tax payable on the foreign-sourced income and the actual foreign taxes paid on that income. Under the foreign tax credit pooling system, a resident taxpayer may elect to pool the foreign taxes paid (including any underlying tax, where applicable) on any items of its foreign-sourced income, provided that all of the following conditions are met:

- (a) income tax must have been paid on the income in the foreign territory from which the income is derived;
- (b) at the time the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign territory from which the income is derived is at least 15.0%;

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## TAXATION

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- (c) there must be Singapore income tax payable on the foreign-sourced income; and
- (d) the taxpayer is entitled to claim foreign tax credits under sections 50, 50A or 50B of the Income Tax Act (Chapter 134) of Singapore (the “**Income Tax Act**”) on its foreign-sourced income.

The amount of foreign tax credit to be granted under the foreign tax credit pooling system is based on the lower of the total Singapore tax payable on those foreign-sourced income and the pooled foreign taxes paid on those income.

### *Individual income tax*

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by a Singapore tax resident individual is generally exempt from income tax in Singapore except for such income received through a partnership in Singapore. Certain Singapore-sourced investment income received or deemed received by individuals is also exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at progressive rates, ranging from 0% to 20%, after deductions of qualifying personal reliefs where applicable, up to YA 2016. With effect from YA 2017, the highest individual income tax rate may be 22.0%.

A non-Singapore tax resident individual is generally taxed at the tax rate of 20% (22.0% with effect from YA 2017) except that Singapore employment income is taxed at a flat rate of 15% or at the progressive resident rates, whichever yields a higher tax.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

### **Dividend Distributions**

Under the one-tier corporate tax system, the tax paid by a resident company is a final tax and the distributable profits of the company can be paid to shareholders as tax exempt (one-tier) dividends, regardless of the tax residence status or the legal form of the shareholders. However, foreign shareholders receiving tax exempt (one-tier) dividends are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

### **Capital Gains Tax**

Singapore currently does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes are considered as capital gains and not subject to Singapore tax.

On the other hand, where such gains or profits arise from activities which the Comptroller of Income Tax regards as the carrying on of a trade or business of dealing in shares in Singapore, gains or profits will be taxed as income.



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## TAXATION

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Gains derived by a resident company from the disposal of ordinary shares, made during the period 1 June 2012 to 31 May 2017 (both dates inclusive), are not taxable if immediately prior to the date of the disposal, the divesting company had legally and beneficially owned at least 20% of the ordinary share capital of the company for a continuous period of at least 24 months.

### **FRS 39 Financial Instruments: Recognition and Measurement (“FRS 39”) Tax Treatment**

With effect from 1 January 2005, the income tax treatment of financial instruments on revenue account has been aligned with the accounting treatment under FRS 39. Gains or losses recognised in the profit or loss account arising from the disposal of our Shares that are held on revenue account will be taxed or allowed as a deduction notwithstanding that such gains or losses are not realised. Gains or losses arising from our Shares that are held on capital account will not be taxed or allowed as a deduction.

### **FRS 109 Financial Instruments (“FRS 109”) Tax Treatment**

The FRS 109 replaces the existing FRS 39 and it applies to companies for financial years beginning on or after 1 January 2018. Generally, the tax treatment of financial assets and liabilities on revenue account that are recognised and measured under FRS 109 will generally be aligned with the accounting treatment. There is no option for companies to opt out of the FRS 109 tax treatment. Any gains or losses arising from our Shares that are held on revenue account recognised in the profit and loss account will be taxed or allowed as a deduction, regardless of whether the gains or losses are realised or not. Gains or losses arising from our Shares held on capital account will not be taxed or allowed as a deduction.

For equity instruments on revenue account measured at fair value through other comprehensive income (“OCI”), the gain or loss recognised in OCI will not be taxed or allowed as a deduction until they are realised. Therefore, at the time of de-recognition, the cumulative gains or losses recognised and remaining in OCI will be taxed or allowed as a deduction. Shareholders who are impacted by FRS 109 are advised to consult their own tax advisers accordingly.

### **Bonus Shares**

Any bonus shares received by our Shareholders are not taxable.

### **Stamp Duty**

There is no stamp duty payable on the subscription and allotment of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of S\$0.20 for every S\$100.00 or any part thereof, computed on the consideration paid or market value of our Shares registered in Singapore, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

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## TAXATION

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### **Goods and Services Tax**

The sale of our Shares by a GST-registered investor to another person belonging in Singapore is an exempt supply that is not subject to GST.

Where our Shares are sold by a GST-registered investor in the course of a business to a person belonging outside Singapore, and that person is outside Singapore when the sale is executed, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at zero-rate. Subject to the normal rules for input tax recovery, any GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him is recoverable from the Comptroller of GST as input tax.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7%. Similar services rendered to an investor belonging outside Singapore is generally subject to GST at zero-rate, provided that the investor is outside Singapore when the services are performed and the services provided do not benefit any Singapore persons.

### **Estate Duty**

Singapore estate duty has been abolished with effect from 15 February 2008.

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## CLEARANCE AND SETTLEMENT

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Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through Catalist will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended, modified or supplemented from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents and Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Constitution and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on Catalist, although they will be prima facie evidence of title and may be transferred in accordance with our Constitution. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book entry settlement system and obtaining physical share certificates.

In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the Share Registrar and Share Transfer Office for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP. The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time. Pursuant to announced rules effective from 1 June 2014, transfers and settlements pursuant to on-exchange trades will be charged a fee of S\$30.00 and transfers and settlements pursuant to off-exchange trades will be charged a fee of 0.015% of the value of the transaction, subject to a minimum of S\$75.00.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.0325% of the transaction value. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST at the prevailing rate of 7.0% (or such other rate prevailing from time to time).

Dealing in our Shares will be carried out in Singapore Dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

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## GENERAL AND STATUTORY INFORMATION

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### INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS

None of our Directors, Executive Officers and Controlling Shareholders:

- (a) has, at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
- (b) has, at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) has any unsatisfied judgement against him;
- (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- (f) has, at any time during the last 10 years, judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, nor has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

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## GENERAL AND STATUTORY INFORMATION

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- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Save as disclosed in the section entitled “*Interested Person Transactions and Potential Conflicts of Interests – Past Interested Person Transactions*” of this Offer Document, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Offer Document, been acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or any of our subsidiaries.

No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

### SHARE CAPITAL

Save as set out in this section and in the section entitled “*Share Capital*” of this Offer Document, there were no changes in the issued and paid-up share capital or changes to the registered share capital of our Company and our subsidiaries within the three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, there is only one class of shares in the capital of our Company. The rights and privileges attached to our Shares are stated in our Constitution.

Save as disclosed in this Offer Document, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the last three years preceding the date of lodgement of this Offer Document.

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## GENERAL AND STATUTORY INFORMATION

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As at the Latest Practicable Date, no person has been, or is entitled to be, given an option to subscribe for any shares in or debentures of our Company or any of our subsidiaries.

### MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of our Company and our subsidiaries (as the case may be), have been entered into by our Company and our subsidiaries (as the case may be) within two years preceding the date of lodgement of this Offer Document and are material:

- (a) the MeMG Restructuring Agreement, details of which can be found in the section entitled *“Restructuring Exercise – Acquisition of shares in MNHSB by MeAG and the acquisition of shares in MNSB by MeMG”*;
- (b) the share sale purchase agreement dated 21 August 2018 between MNASB and MNHSB, pursuant to which MNASB agreed to sell 550,000 shares (comprising 55% of the issued and paid-up capital) of MJNMSB to MNHSB, details of which can be found in the section entitled *“Restructuring Exercise – Acquisition of shares in MJNMSB by MNHSB”*;
- (c) the share sale purchase agreement dated 21 August 2018 between MNSB and MNHSB, pursuant to which MNSB agreed to sell the entire issued and paid-up share capital of MNASB to MNHSB, details of which can be found in the section entitled *“Restructuring Exercise – Acquisition of shares in MNASB by MNHSB”*;
- (d) the MeAG Restructuring Agreement, details of which can be found in the section entitled *“Restructuring Exercise – Acquisition of shares in MNHSB by MeAG and the acquisition of shares in MNSB by MeMG”*;
- (e) the share sale purchase agreement dated 30 March 2018 between MNSB and the MNSB Shareholders, pursuant to which MNSB agreed to sell the entire issued and paid-up share capital of Yatta Group to the MNSB Shareholders, details of which can be found in the section entitled *“Restructuring Exercise – Disposal by MNSB of the entire issued and paid-up share capital of Yatta Group to the MNSB Shareholders”*;
- (f) the corporate services agreement dated 26 September 2018 entered into between MNASB and Yatta Group, pursuant to which MNASB agreed to provide Yatta the service of the use of the relevant premises for the operation of its café restaurant details of which are set out in the section entitled *“Interested Person Transactions – Present and On-going Interested Person Transactions”* of this Offer Document;
- (g) the Service Agreement details of which are set out in the section entitled *“Management and Corporate Governance – Service Agreement”* of this Offer Document;
- (h) the sale of shares agreement dated 18 August 2017 between MNASB and the then shareholders of MJNMSB, pursuant to which the then shareholders of MJNMSB agreed to sell a controlling stake in MJNMSB to MNASB details of which are set out in the section entitled *“General Information on our Group – History and Development”* of this Offer Document; and
- (i) the sale and purchase agreement in respect of shares in MJNMSB between *inter alia*, MNASB and Mr Wong Sai Hou, details of which are set out in the section entitled *“Interested Person Transactions – Past Interested Person Transactions”* of this Offer Document.

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## GENERAL AND STATUTORY INFORMATION

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### LITIGATION

As at the Latest Practicable Date, neither we nor any of our subsidiaries is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgement of the offer document, a material effect on our financial position or profitability and/or the financial position or profitability of our subsidiaries.

### MISCELLANEOUS

There has been no previous issue of Shares by us or offer for sale of our Shares to the public within the two years preceding the date of this Offer Document.

There has not been any public take-over offer by a third party in respect of our Shares or by us in respect of shares of another corporation or units of a business trust which has occurred between the date of the incorporation of our company to the Latest Practicable Date.

Save as disclosed in this offer document, no amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the latest practicable date or is proposed or intended to be paid or given to any promoter at any time.

Save as disclosed in the section entitled “*Management, Underwriting and Placement Agreements*” of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or any of our subsidiaries.

No expert employed on a contingent basis by our company or any of our subsidiaries, has a material interest, whether direct or indirect, in the shares of our company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the invitation.

Application monies received by us in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with CIMB (the “**Receiving Bank**”). In the ordinary course of business, the Receiving Bank will deploy these monies in the inter-bank money market. All profits derived from the deployment of such monies will accrue to the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.

Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since 31 March 2018 to the Latest Practicable Date which may have a material effect on our financial position and results or the financial information provided in this Offer Document.

Nexia TS Public Accounting Corporation is our Independent and Reporting Auditor. We currently have no intention of changing our auditor after the listing of our company on Catalist.



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## GENERAL AND STATUTORY INFORMATION

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### CONSENTS

The Sponsor and Issue Manager, CIMB, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and all references thereto in the form and context in which they are included in this Offer Document and to act in such capacity in relation to this Offer Document.

The Underwriter and Placement Agent, CGS-CIMB Securities, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and all references thereto in the form and context in which they are included in this Offer Document and to act in such capacity in relation to this Offer Document.

The Independent and Reporting Auditor, Nexia TS Public Accounting Corporation, has given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of (i) its name and all references thereto, and (ii) the Independent and Reporting Auditor's Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018, in the form and context in which they are included in this Offer Document, and to act in such capacity in relation to this Offer Document.

The Legal Adviser to our Company on Malaysia law has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of (i) its name and all references thereto in the form and context in which they are included in this Offer Document and (ii) the statements by the Legal Adviser to our Company on Malaysia law which can be found in the sections entitled "*Risk Factors – Risks relating to our businesses or the industries in which we operate – We require various licences, permits, approvals and certificates to operate our business*", "*Risk Factors – Risks relating to our businesses or the industries in which we operate – Non-compliance with Guidelines on Foreign Participation in the Distributive Trade Services Malaysia (the "Guidelines") could have a material effect on our business, financial conditions, results of operations and prospects*", "*General Information on our Group – Properties and Fixed Assets*", "*General Information on our Group – Licencing, Permits and Approvals*", "*Appendix D – Summary of Relevant Laws and Regulations*" and "*Restructuring Exercise – Restructuring Exercise in relation to our Singapore Entities*" in the form and context in which it is included, and to act in such capacity in relation to this Offer Document.

The Solicitors to the Invitation and Legal Advisers to our Company as to Singapore law has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its name and all references thereto in the form and context in which they are included in this Offer Document and to act in such capacity in relation to this Offer Document.

### RESPONSIBILITY STATEMENTS

Our directors collectively and individually accept full responsibility for the accuracy of the information given in this offer document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group, and our Directors are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this offer document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this offer document in its proper form and context.

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## GENERAL AND STATUTORY INFORMATION

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### DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof may be inspected at our registered office during normal business hours for a period of six months from the date of registration of this Offer Document with the SGX-ST (acting as agent on behalf of the Authority):

- (i) Our Constitution;
- (ii) the “*Independent and Reporting Auditor’s Report on the combined financial statements of MeGroup Ltd. and its subsidiary corporations for the Financial Years Ended 31 March 2016, 2017 and 2018*” as set out in Appendix A to this Offer Document;
- (iii) the Letters of Consent referred to in this Offer Document; and
- (iv) the Material Contracts as set out in the section entitled “*General and Statutory Information – Material Contracts*” of this Offer Document.

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

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**MEGROUP LTD. AND ITS SUBSIDIARY CORPORATIONS  
INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 AND 2018**

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

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**MeGroup Ltd.  
Directors’ Statement  
For the Financial Years Ended 31 March 2016, 2017 and 2018**

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In the opinion of the directors,

- (i) the combined financial statements of the Group as set out on pages A-5 to A-80 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 March 2016, 2017 and 2018, and the financial performance, changes in equity and cash flows of the Group for the financial years covered by the combined financial statements; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these combined financial statements for issue.

On behalf of the Directors

.....  
**Wong Cheong Chee**  
*Executive Chairman and CEO*

.....  
**Wong Keat Yee**  
*Executive Director*

**Singapore**

22 October 2018

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

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**INDEPENDENT AND REPORTING AUDITOR’S REPORT ON THE COMBINED FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 AND 2018**

**The Board of Directors  
MEGROUP LTD.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623**

Dear Sirs

**Report on the Audit of the Combined Financial Statements**

*Opinion*

We have audited the accompanying combined financial statements of MeGroup Ltd. (the “Company”) and its subsidiary corporations (collectively, the “Group”), which comprise the combined balance sheets as at 31 March 2016, 2017 and 2018, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the financial years ended 31 March 2016, 2017 and 2018, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages A-5 to A-80.

In our opinion, the accompanying combined financial statements of the Group are properly drawn up in accordance with the Financial Reporting Standards in Singapore (“FRSs”) so as to give a true and fair view of the combined financial position of the Group as at 31 March 2016, 2017 and 2018 and of the combined financial performance, combined statements of changes in equity and combined cash flows of the Group for the financial years ended 31 March 2016, 2017 and 2018.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

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**INDEPENDENT AND REPORTING AUDITOR’S REPORT ON THE COMBINED FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 AND 2018**  
(continued)

*Responsibilities of Management and Directors for the Combined Financial Statements*

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with the FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the combined financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

*Auditor’s Responsibilities for the Audit of the Combined Financial Statements*

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

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**INDEPENDENT AND REPORTING AUDITOR’S REPORT ON THE COMBINED FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 AND 2018**  
(continued)

*Auditor’s Responsibilities for the Audit of the Combined Financial Statements (continued)*

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Restriction on Distribution and Use*

This report is made solely to you as a body and for the inclusion in the Offer Document to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Catalist Board of Singapore Exchange Securities Trading Limited.

**Nexia TS Public Accounting Corporation**  
***Public Accountants and Chartered Accountants***

**Director-in-charge: Philip Tan Jing Choon**

**Singapore**

22 October 2018

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

**MeGroup Ltd. and its Subsidiary Corporations  
Combined Statements of Comprehensive Income  
For the Financial Years Ended 31 March 2016, 2017 and 2018**

	<b>Note</b>	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<b>Continuing operations</b>				
Revenue	4	106,503,807	89,812,278	148,752,053
Cost of sales		(92,442,183)	(87,320,294)	(129,189,984)
Gross profit		14,061,624	2,491,984	19,562,069
Other income	7	196,098	21,179,944	5,365,568
Other gains and losses – net	8	(152,590)	(12,917,000)	162,771
Expenses				
– Selling and distribution		(1,528,225)	(1,402,751)	(2,769,461)
– Administrative		(6,399,245)	(7,957,183)	(10,013,277)
– Finance	9	(629,688)	(721,334)	(813,454)
Profit before income tax		5,547,974	673,660	11,494,216
Income tax expense	10	(1,128,775)	(616,088)	(2,175,224)
<b>Profit from continuing operations</b>		<b>4,419,199</b>	<b>57,572</b>	<b>9,318,992</b>
<b>Discontinued operations</b>				
Loss from discontinued operations	31	–	(7,843)	(410,221)
<b>Total comprehensive income, representing net profit for the financial year</b>		<b>4,419,199</b>	<b>49,729</b>	<b>8,908,771</b>
<b>Total comprehensive income, representing net profit attributable to:</b>				
Equity holders of the Company		4,419,199	49,729	8,944,435
Non-controlling interests		–	–	(35,664)
		<b>4,419,199</b>	<b>49,729</b>	<b>8,908,771</b>
<b>Earnings per share for profit attributable to equity holders of the Company (Sen per share)</b>				
<b>Basic earnings per share</b>	<b>11</b>			
From continuing operations		294.64	3.84	623.71
From discontinued operations		–	(0.52)	(27.35)

*The accompanying notes form an integral part of these combined financial statements.*

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

**MeGroup Ltd. and its Subsidiary Corporations  
Combined Balance Sheets  
As at 31 March 2016, 2017 and 2018**

	<b>Note</b>	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	12	9,855,187	10,184,190	11,018,847
Trade and other receivables	13	8,891,114	12,895,864	14,638,540
Tax recoverable	14	95,063	209,644	–
Inventories	15	6,837,394	3,597,032	10,043,213
		<u>25,678,758</u>	<u>26,886,730</u>	<u>35,700,600</u>
<b>Non-current assets</b>				
Property, plant and equipment	16	19,789,221	27,768,739	32,258,050
Intangible assets	17	–	–	3,967,298
		<u>19,789,221</u>	<u>27,768,739</u>	<u>36,225,348</u>
<b>Total assets</b>		<u>45,467,979</u>	<u>54,655,469</u>	<u>71,925,948</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	19	9,361,565	12,656,863	8,878,360
Current income tax liabilities	10	59,700	142,818	735,885
Borrowings	20	2,676,360	2,259,797	10,553,427
		<u>12,097,625</u>	<u>15,059,478</u>	<u>20,167,672</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	22	1,143,000	1,184,000	2,637,499
Borrowings	20	8,469,834	14,904,712	16,768,806
		<u>9,612,834</u>	<u>16,088,712</u>	<u>19,406,305</u>
<b>Total liabilities</b>		<u>21,710,459</u>	<u>31,148,190</u>	<u>39,573,977</u>
<b>NET ASSETS</b>		<u>23,757,520</u>	<u>23,507,279</u>	<u>32,351,971</u>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the company</b>				
Share capital	23	1,499,852	1,499,852	1,499,852
Retained profits	24	22,257,668	22,007,427	29,002,057
		<u>23,757,520</u>	<u>23,507,279</u>	<u>30,501,909</u>
Non-controlling interests		–	–	1,850,062
<b>Total equity</b>		<u>23,757,520</u>	<u>23,507,279</u>	<u>32,351,971</u>

*The accompanying notes form an integral part of these combined financial statements.*

**APPENDIX A – INDEPENDENT AND REPORTING AUDITOR’S REPORT  
ON THE COMBINED FINANCIAL STATEMENTS OF MEGROUP LTD.  
AND ITS SUBSIDIARY CORPORATIONS FOR THE FINANCIAL YEARS  
ENDED 31 MARCH 2016, 2017 AND 2018**

**MeGroup Ltd. and its Subsidiary Corporations  
Combined Statements of Changes in Equity  
For the Financial Years Ended 31 March 2016, 2017 and 2018**

			Attributable to equity holders of the Company			
	Note	Share capital (RM)	Distributable retained profits (RM)	Total (RM)	Non- controlling interest (RM)	Total equity (RM)
<b>2016</b>						
<b>Beginning of financial year</b>		1,499,852	18,138,439	19,638,291	–	19,638,291
Total comprehensive income for the financial year		–	4,419,199	4,419,199	–	4,419,199
Dividends relating to 2016 paid	25	–	(299,970)	(299,970)	–	(299,970)
<b>End of financial year</b>		<u>1,499,852</u>	<u>22,257,668</u>	<u>23,757,520</u>	<u>–</u>	<u>23,757,520</u>
<b>2017</b>						
<b>Beginning of financial year</b>		1,499,852	22,257,668	23,757,520	–	23,757,520
Total comprehensive income for the financial year		–	49,729	49,729	–	49,729
Dividends relating to 2017 paid	25	–	(299,970)	(299,970)	–	(299,970)
<b>End of financial year</b>		<u>1,499,852</u>	<u>22,007,427</u>	<u>23,507,279</u>	<u>–</u>	<u>23,507,279</u>
<b>2018</b>						
<b>Beginning of financial year</b>		1,499,852	22,007,427	23,507,279	–	23,507,279
Total comprehensive income for the financial year		–	8,944,435	8,944,435	(35,664)	8,908,771
Dividends relating to 2018 paid	25	–	(1,949,805)	(1,949,805)	–	(1,949,805)
Acquisition of a subsidiary corporation	30	–	–	–	1,885,726	1,885,726
<b>End of financial year</b>		<u>1,499,852</u>	<u>29,002,057</u>	<u>30,501,909</u>	<u>1,850,062</u>	<u>32,351,971</u>

*The accompanying notes form an integral part of these combined financial statements.*

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**MeGroup Ltd. and its Subsidiary Corporations  
Combined Statements of Cash Flows  
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	Note	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
<b>Cash flows from operating activities</b>				
Profit before income tax		5,547,974	665,817	11,083,995
Adjustments for:				
– Amortisation of intangible assets		–	–	386,697
– Bad debts written off		179,914	3,338	10,005
– Depreciation of property, plant and equipment		1,853,646	2,047,134	2,252,891
– (Gain)/loss on disposal of property, plant and equipment		–	(193,112)	53,956
– Gain on disposal of subsidiary corporation		–	–	(418,064)
– Property, plant and equipment written off		–	12,704,890	1,063,584
– Interest income		(113,406)	(152,490)	(55,834)
– Interest expense		629,688	721,334	813,454
– Unrealised currency translation (gain)/loss		(3,751)	566,719	–
		8,094,065	16,363,630	15,190,684
Change in working capital:				
– Inventories		(3,554,879)	3,240,362	(6,472,565)
– Trade and other receivables		(2,133,900)	(4,008,088)	(1,766,709)
– Trade and other payables		4,662,469	2,728,579	(2,683,623)
<b>Cash generated from operations</b>		7,067,755	18,324,483	4,267,787
Interest paid		(629,688)	(721,334)	(813,454)
Income tax paid		(802,575)	(606,551)	(873,603)
<b>Net cash provided by operating activities</b>		5,635,492	16,996,598	2,580,730

*The accompanying notes form an integral part of these combined financial statements.*

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	Note	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
<b>Cash flows from investing activities</b>				
Acquisition of a subsidiary corporation, net of cash acquired	30	–	–	(2,131,250)
Additions to property, plant and equipment		(5,037,214)	(25,215,470)	(8,471,084)
Disposal of a subsidiary corporation, net of cash disposed of	12	–	–	335,016
Fixed deposits pledged to licensed banks		(15,359)	(23,082)	(315,272)
Interest received		113,406	152,490	55,834
Investment in a subsidiary corporation by non-controlling interests		–	–	450,055
Proceeds from disposal of property, plant and equipment		–	2,962,040	348,438
<b>Net cash used in investing activities</b>		<u>(4,939,167)</u>	<u>(22,124,022)</u>	<u>(9,728,263)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		1,815,233	8,877,739	10,548,796
Repayment of borrowings		(2,177,476)	(2,999,889)	(2,627,523)
Dividends paid		(299,970)	(299,970)	(1,949,805)
<b>Net cash (used in)/provided by financing activities</b>		<u>(662,213)</u>	<u>5,577,880</u>	<u>5,971,468</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		34,112	450,456	(1,176,065)
<b>Cash and cash equivalents</b>				
Beginning of financial year		8,797,717	8,831,829	9,282,285
<b>End of financial year</b>	12	<u>8,831,829</u>	<u>9,282,285</u>	<u>8,106,220</u>

**Reconciliation of liabilities arising from financing activities**

	1 April 2017 (RM)	Principal and interest payment (RM)	31 March 2018 (RM)
Bill payables	270,000	129,000	399,000
Finance lease liabilities	903,977	50,870	954,847
Term loans	15,607,093	8,282,404	23,889,497

*The accompanying notes form an integral part of these combined financial statements.*

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These notes form an integral part of and should be read in conjunction with the accompanying combined financial statements.

**1. General information**

**1.1 The Company**

The Company is incorporated in Singapore on 7 February 2018 as a private company limited by shares, under the name of “MeGroup Pte. Ltd.”, to act as the holding corporation of the Group. At incorporation, the Company’s issued and paid-up share capital was S\$1, comprising 1 ordinary share. The Company was incorporated for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise (Note 1.2).

The Company was converted into a public limited company and the name was changed to “MeGroup Ltd.” on 26 September 2018. The combined financial statements are presented in Malaysia Ringgit (“RM”) except otherwise indicated.

The combined financial statements of MeGroup Ltd. (the “Company”) and its subsidiary corporations (collectively, the “Group”) have been prepared for the purpose of inclusion in filings associated with the proposed initial public offering (“IPO”) of ordinary shares in the capital of the Company on Catalist, the sponsor-supervised listing platform of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The address of its registered and principal place of business is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 04863.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary corporations are described below.

The Group, after the restructuring exercise, comprises the Company and the following subsidiary corporations:

<b>Name of companies</b>	<b>Country of business/ Incorporation</b>	<b>Principal activities</b>	<b>Equity holding %</b>
MeMG Pte. Ltd. (“MeMG”)	Singapore	Investment holding	100
MeAG Pte. Ltd. (“MeAG”)	Singapore	Investment holding	100
<u>Held by MeMG Pte. Ltd.</u>			
Menang Nusantara Sdn. Bhd. (“MNSB”)	Malaysia	Manufacturing of Noise, Vibration and Harshness (“NVH”) components and other non-NVH components	100



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**1. General information** (continued)

**1.1 The Company** (continued)

The Group, after the restructuring exercise, comprises the Company and the following subsidiary corporations: (continued)

<b>Name of companies</b>	<b>Country of business/ Incorporation</b>	<b>Principal activities</b>	<b>Equity holding %</b>
<u>Held by MeAG Pte. Ltd.</u>			
Menang Nusantara Holdings Sdn. Bhd. (“MNHSB”)	Malaysia	Investment holding	100
<u>Held by Menang Nusantara Holdings Sdn. Bhd.</u>			
Menang Nusantara Auto Sdn. Bhd. (“MNASB”)	Malaysia	Trading of motor vehicles and providing support services relating to the business	100
MN Otomobil Sdn. Bhd. (“MNOSB”)	Malaysia	Trading of motor vehicles and providing support services relating to the business	100
MJN Motors Sdn. Bhd. (“MJNMSB”) <sup>(1)</sup>	Malaysia	Wholesale and retail of new motor vehicles and maintenance and repair of motor vehicles	55

**Note:**

(1) The remaining 45% is held by the non-controlling interests.

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)**

The Group undertook the following Restructuring Exercise prior to the Invitation in preparation for the listing of the Company on Catalist:

**(a) Transfer of Mr Abdul Razak Bin Montel’s shares in MNSB to Crimson Cloud Sdn. Bhd.**

For personal asset planning purposes, the Executive Officer, Mr Abdul Razak Bin Montel, transferred his entire interest in MNSB to Crimson Cloud Sdn. Bhd. (Company No. 1287977-P), a company incorporated in Malaysia that is wholly-owned by Mr Abdul Razak Bin Montel, on 19 September 2018 for nominal consideration.

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**1. General information** (continued)

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)** (continued)

**(b) Disposal by MNSB of the entire issued and paid-up share capital of Yatta Group to the MNSB Shareholders**

To dispose of the non-core cafe restaurant and event space business prior to listing on Catalist, MNSB entered into a Share Sale and Purchase Agreement with the MNSB Shareholders on 30 March 2018 in respect of the entire issued and paid-up share capital of Yatta Group for an aggregate cash consideration of RM500,000, paid by the MNSB Shareholders in proportion to their shareholding in MNSB.

As Yatta Group was a loss-making entity, such cash consideration was equivalent to the initial investment paid by the Executive Chairman and CEO, Mr Wong Cheong Chee on behalf of MNSB in Yatta Group.

**(c) Acquisition of shares in MJNMSB by MNHSB**

Prior to the Restructuring Exercise, the Executive Chairman and CEO, Mr Wong Cheong Chee and the Executive Officer, Mr Wong Sai Hou, held one share each in the share capital of MNHSB, notwithstanding that MNSB had contributed the entire of MNHSB’s initial paid-up capital at the time of incorporation.

On 21 August 2018, MNHSB entered into a sale and purchase agreement with MNASB pursuant to which MNHSB acquired from MNASB 550,000 shares (comprising 55% of the issued and paid-up capital of MJNMSB) at an aggregate consideration of RM2,681,195 (the “MJNMSB Purchase Consideration”), which was equal to the aggregate amount contributed by MNASB to the paid-up capital of MJNMSB, as reflected in the audited financial statements of MJNMSB as at 31 March 2018.

The MJNMSB Purchase Consideration was satisfied by an issue and allotment of an aggregate of 2,681,195 shares in MNHSB credited as fully paid to the MNSB Shareholders in the following manner:

<b>Name of allottee</b>	<b>Number of Shares in MNHSB issued to such allottee</b>
Badariyah Binti Hussein	47,194
Ahmad Izzuddin Bin Md. Isa	9,010
Wong Sai Hou	90,257
Ng Tin Poh @ Ng Say Heng	93,494
Crimson Cloud Sdn. Bhd. (as nominee of Mr Abdul Razak Bin Montel)	322,312

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**1. General information** (continued)

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)** (continued)

**(c) Acquisition of shares in MJNMSB by MNHSB** (continued)

Name of allottee	Number of Shares in MNHSB issued to such allottee
Lee Khoon Chuan	411,462
Ng Bee Eng	93,494
Wong Cheong Chee	1,613,972
<b>Total</b>	<b>2,681,195</b>

Upon completion of the acquisition of shares in MJNMSB by MNHSB, MNHSB became the legal owner of 55% of the issued and paid-up capital of MJNMSB.

**(d) Acquisition of shares in MNASB by MNHSB**

On 21 August 2018, MNHSB entered into a sale and purchase agreement with MNSB pursuant to which MNHSB acquired the entire issued and paid-up capital of MNASB from MNSB for an aggregate consideration of RM5,281,593 (the “MNASB Purchase Consideration”), which was determined based on the audited Net Tangible Assets (“NTA”) of MNASB as at 31 March 2018.

The MNASB Purchase Consideration was satisfied by the allotment and issue of an aggregate of 5,281,593 shares in MNHSB credited as fully paid to the MNSB Shareholders in the following manner:

Name of allottee	Number of Shares in MNHSB issued to such allottee
Badariyah Binti Hussein	92,965
Ahmad Izzuddin Bin Md. Isa	17,748
Wong Sai Hou	177,796
Ng Tin Poh @ Ng Say Heng	184,170
Crimson Cloud Sdn. Bhd. (as nominee of Mr Abdul Razak Bin Montel)	634,911
Lee Khoon Chuan	810,524
Ng Bee Eng	184,170
Wong Cheong Chee	3,179,309
<b>Total</b>	<b>5,281,593</b>

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**1. General information** (continued)

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)** (continued)

**(d) Acquisition of shares in MNASB by MNHSB** (continued)

Upon the completion of the acquisition of shares in MNASB by MNHSB: (i) MNASB became a wholly-owned subsidiary of MNHSB; and (ii) shares in MNHSB were held by the MNSB Shareholders (and their nominees) in proportions equivalent to the MNSB Shareholders’ shareholding in MNSB.

**(e) Incorporation of the Company**

The Company was incorporated on 7 February 2018 in Singapore under the Companies Act as a private company limited by shares. At incorporation, the Company had an issued and paid-up share capital of S\$1 comprising one Share, which was held by the Executive Officer, Mr Wong Sai Hou.

**(f) Incorporation of MeMG**

MeMG was incorporated on 7 February 2018 in Singapore under the Companies Act as a private company limited by shares. At incorporation, MeMG had an issued and paid-up share capital of S\$1 comprising one Share, which was held by the Company.

**(g) Incorporation of MeAG**

MeAG was incorporated on 7 February 2018 in Singapore under the Companies Act as a private company limited by shares. At incorporation, MeAG had an issued and paid-up share capital of S\$1 comprising of one Share, which was held by the Company.

**(h) Acquisition of shares in MNHSB by MeAG and the acquisition of shares in MNSB by MeMG**

On 17 September 2018, MeAG entered into a restructuring agreement with, *inter alia*, the Company, Ms Badariyah Binti Hussein, Mr Ahmad Izzuddin Bin Md. Isa, Mr Wong Sai Hou, Mr Ng Tin Poh @ Ng Say Heng, Crimson Cloud Sdn. Bhd., Mr Lee Khoo Chuan, Ms Ng Bee Eng, Mr Wong Cheong Chee and Mr Ong Hock Seng (the “MeAG Restructuring Agreement”), pursuant to which MeAG acquired the entire issued and paid-up capital of MNHSB for an aggregate consideration of RM7,910,942, which was based on the audited net tangible assets of MNHSB as at 31 March 2018, after adjusting for the acquisition by MNHSB of the 55% stake in MJNMSB and 100% of MNASB (“MNHSB Purchase Consideration”).

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**1. General information** (continued)

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)** (continued)

**(h) Acquisition of shares in MNHSB by MeAG and the acquisition of shares in MNSB by MeMG** (continued)

The MNHSB Purchase Consideration was satisfied by an issue and allotment of 30,923,275 Shares credited as fully paid in the following manner:

Name of allottee	Number of Shares issued to such allottee
Badariyah Binti Hussein	544,304
Ahmad Izzuddin Bin Md. Isa	103,913
Wong Sai Hou	1,040,982
Ng Tin Poh @ Ng Say Heng	1,078,299
Crimson Cloud Sdn. Bhd.	3,717,349
Lee Khoon Chuan	4,745,548
Ng Bee Eng	1,078,299
JCWW Holdings Pte. Ltd. (as nominee for our Executive Chairman and CEO, Mr Wong Cheong Chee) <sup>(1)</sup>	18,614,581
<b>Total</b>	<b>30,923,275</b>

**Note:**

(1) JCWW Holdings Pte. Ltd. is controlled by Mr Wong Cheong Chee and Mr Wong Sai Hou.

On 17 September 2018, MeMG entered into a restructuring agreement with, *inter alia*, the Company, Ms Badariyah Binti Hussein, Mr Ahmad Izzuddin Bin Md. Isa, Mr Wong Sai Hou, Mr Ng Tin Poh @ Ng Say Heng, Crimson Cloud Sdn. Bhd., Mr Lee Khoon Chuan, Ms Ng Bee Eng, Mr Wong Cheong Chee and Mr Ong Hock Seng (the “MeMG Restructuring Agreement”) pursuant to which MeMG acquired the entire issued and paid-up capital of MNSB for an aggregate consideration of RM18,183,192, which was based on the audited NTA of MNSB as at 31 March 2018, after adjusting for the sale by MNSB of its 55% stake in MJNMSB and 100% of MNASB (the “MNSB Purchase Consideration”).

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**1. General information** (continued)

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)** (continued)

**(h) Acquisition of shares in MNHSB by MeAG and the acquisition of shares in MNSB by MeMG** (continued)

The MNSB Purchase Consideration was satisfied by the allotment and issuance of an aggregate of 71,076,724 Shares credited as fully paid in the following manner:

<b>Name of allottee</b>	<b>Number of Shares issued to such allottee</b>
Badariyah Binti Hussein	1,251,075
Ahmad Izzuddin Bin Md. Isa	238,842
Wong Sai Hou	2,392,682
Ng Tin Poh @ Ng Say Heng	2,478,456
Crimson Cloud Sdn. Bhd.	8,544,277
Lee Khoo Chuan	10,907,577
Ng Bee Eng	2,478,456
JCWW Holdings Pte. Ltd. (as nominee for our Executive Chairman and CEO, Mr Wong Cheong Chee) <sup>(1)</sup>	42,785,359
<b>Total</b>	<b>71,076,724</b>

**Note:**

(1) JCWW Holdings Pte. Ltd. is controlled by Mr Wong Cheong Chee and Mr Wong Sai Hou.

In consideration of the allotment and issuance of the Shares to the MNSB Shareholders (or their nominees) by the Company, MeAG issued and allotted 7,962,790 shares, and MeMG issued and allotted 1,499,850 shares, to the Company.

Upon completion of the acquisition of shares in MNHSB by MeAG and upon completion of the acquisition of shares in MNSB by MeMG, MNSB and MNHSB became wholly-owned subsidiaries of MeMG and MeAG, respectively.

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**1. General information** (continued)

**1.2 Acquisition and restructuring of the Group (the “Restructuring Exercise”)** (continued)

**(i) Transfer of Shares to Mr Ong Hock Seng pursuant to the MeAG Restructuring Agreement and the MeMG Restructuring Agreement**

Pursuant to the MeAG Restructuring Agreement and the MeMG Restructuring Agreement, in consideration for the provision of consulting services rendered by Mr Ong Hock Seng to the MNSB Shareholders in relation to their divestment of shares in (i) MNSB to MeMG; and (ii) MNHSB to MeAG and their shareholding in the Company, each of the MNSB Shareholders agreed to apportion 1,200,151 Shares out of the 101,999,999 Shares to be issued to the MNSB Shareholders (or their nominees) under the MeAG Restructuring Agreement and the MeMG Restructuring Agreement and to procure the issue and allotment by the Company of such 1,200,151 Shares to Mr Ong Hock Seng.

Mr Ong Hock Seng has agreed to a lock-up arrangement during the Moratorium Period in respect of his shareholdings in the Company.

The Restructuring Exercise as described in Note 1.2 (h) involved companies which are under common control since all the entities that took part in Restructuring Exercise were controlled by the same parties, Mr Wong Cheong Chee and Mr Wong Sai Hou, before and immediately after the Restructuring Exercise. The combined financial statements for the financial years ended 31 March 2016, 2017 and 2018 have been prepared based on the predecessor accounting method as if the current group structure had been in existence prior to the Restructuring Exercise.

**2. Significant accounting policies**

**2.1 Basis of preparation**

These combined financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of combined financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 3.



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**2. Significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

***Interpretations and amendments to published standards effective in 2016, 2017 and 2018***

On 1 April 2015, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application for the financial years ended 31 March 2016, 2017 and 2018. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the financial years ended 31 March 2016, 2017 and 2018 or prior financial years, except for the following:

**FRS 7 Statement of cash flows**

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Combined Statements of Cash Flows to the financial statements.

**2.2 Revenue recognition**

Sales comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group’s activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group assesses its roles as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met as follows:

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**2. Significant accounting policies (continued)**

**2.2 Revenue recognition (continued)**

*(a) Sale of automobiles*

Revenue is recognised when the significant risks and rewards of ownerships have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

*(b) After-sales automobile services*

Revenue is recognised when the Group has rendered the services to customers and the collectability of the related receivables is reasonably assured.

*(c) Sales of automobile parts and accessories*

Revenue is recognised when the significant risks and rewards of ownerships have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

*(d) Sales of Noise, Vibration and Harshness (“NVH”) components and other non-NVH components*

Revenue is recognised when the significant risks and rewards of ownerships have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

*(e) Incentives received from distributors*

Incentives received from distributors is recognised upon the Group meeting the agreed target by the distributors.

*(f) Handling fees*

Handling fees are recognised upon the completion of the related services provided.

*(g) Interest income*

Interest income is recognised using the effective interest method.

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**2. Significant accounting policies (continued)**

**2.2 Revenue recognition (continued)**

*(h) Dividend income*

Dividend income is recognised when the right to receive payment is established.

**2.3 Group accounting**

*(a) Subsidiary corporations*

*(i) Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary corporations are fully combined from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the combined financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation’s net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the combined statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

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**2. Significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(a) Subsidiary corporations (continued)*

*(ii) Acquisition*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph “Intangible assets – Goodwill” for the subsequent accounting policy on goodwill.

Acquisitions of entities under common control have been accounted for using the predecessor accounting method. Under this method:

- The combined financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the combined financial statements at their existing carrying amounts from the perspective of the controlling party;

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**2. Significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(a) Subsidiary corporations (continued)*

*(ii) Acquisition (continued)*

Acquisitions of entities under common control have been accounted for using the predecessor accounting method. Under this method: (continued)

- The combined statements of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporations are taken to merger reserve.

*(iii) Disposals*

When a change in the Group’s ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

*(b) Transactions with non-controlling interests*

Changes in the Group’s ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity holders of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

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**2. Significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(c) Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the combined financial statements using the equity method of accounting less impairment losses, if any.

*(i) Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group’s share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

*(ii) Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group’s share of its associated companies’ post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee’s other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group’s share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group’s interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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**2. Significant accounting policies (continued)**

**2.3 Group accounting (continued)**

*(c) Associated companies (continued)*

*(iii) Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

**2.4 Property, plant and equipment**

*(a) Measurement*

*(i) Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

*(ii) Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.



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**2. Significant accounting policies (continued)**

**2.4 Property, plant and equipment (continued)**

*(b) Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<b>Useful lives</b>
Computers and office equipment	3 – 10 years
Tools and machinery	5 – 10 years
Furniture, electrical and fittings	5 – 10 years
Renovation and signboard	10 years
Automobiles	5 years
Buildings	50 years
Leasehold land	Over 99 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the combined financial statements.

*(c) Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

*(d) Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “Other gains and losses – net”.

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**2. Significant accounting policies (continued)**

**2.5 Intangible assets**

*(a) Goodwill*

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations and associated companies include the carrying amount of goodwill relating to the entity sold.

*(b) Customer relationship and licence*

Customer relationship and licence are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 6 years, which is the shorter of their estimated useful lives and periods of contractual rights.

**2.6 Borrowings costs**

Borrowing costs are recognised in profit or loss using the effective interest method.

**2.7 Investment in associated companies**

Investment in associated companies is carried at cost less accumulated impairment losses in the Group’s balance sheet. On disposal of such investment, the difference between disposal proceeds and the carrying amounts of the investment are recognised in profit or loss.

**2.8 Impairment of non-financial assets**

*(a) Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group’s cash-generating-units (“CGU”) expected to benefit from synergies arising from the business combination.

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**2. Significant accounting policies (continued)**

**2.8 Impairment of non-financial assets (continued)**

*(a) Goodwill (continued)*

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU’s fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

*(b) Intangible assets  
Property, plant and equipment*

Intangible assets and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior financial years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

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**2. Significant accounting policies (continued)**

**2.9 Financial assets**

*(a) Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those that are expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “Cash and cash equivalents” (Note 12) and “Trade and other receivables” (Note 13) on the combined balance sheets.

*(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

*(c) Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

*(d) Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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**2. Significant accounting policies (continued)**

**2.9 Financial assets (continued)**

*(e) Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

*(i) Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

**2.10 Financial guarantees**

The Group has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transactions costs in the Company’s balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations’ borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Group’s balance sheet.

Intra-group transactions are eliminated on consolidation.

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**2. Significant accounting policies (continued)**

**2.11 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

**2.12 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.13 Fair value estimation of financial assets and liabilities**

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

**2.14 Leases**

*When the Group is the lessee*

The Group leases automobiles under finance leases and office, warehouse spaces and workers’ accommodation under operating leases from non-related parties.

*(i) Lessee – Finance lease*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance lease.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leases assets and the present value of the minimum lease payments.

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**2. Significant accounting policies (continued)**

**2.14 Leases (continued)**

*(i) Lessee – Finance lease (continued)*

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

*(ii) Lessee – Operating lease*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

**2.15 Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

**2.16 Income taxes**

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



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**2. Significant accounting policies (continued)**

**2.16 Income taxes (continued)**

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment property. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

**2.17 Provisions**

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

**2.18 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

*Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Employees’ Provident Fund and Social Security Organisation Contributions (“SOC SO”) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

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**2. Significant accounting policies (continued)**

**2.19 Currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Malaysia Ringgit (“RM”), which is the functional currency of the Company and its subsidiary corporations.

*(b) Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in profit or loss. However, in the combined financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statements within “Other gains and losses – net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

**2.20 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

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**2. Significant accounting policies (continued)**

**2.21 Cash and cash equivalents**

For the purpose of presentation in the combined statement of cash flows, cash and cash equivalents include bank and cash balances, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

**2.22 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

**2.23 Dividends to Company’s shareholders**

Dividends to the Company’s shareholders are recognised when the dividends are approved for payment.

**3. Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

**3.1 Critical accounting estimates, assumptions and judgements**

*(a) Depreciation of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 10 years. The carrying amounts of the Group’s plant and equipment was RM9,205,404, RM10,159,589 and RM10,141,979 as at 31 March 2016, 2017 and 2018 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the plant and equipment differ by 10% from management’s estimate, the carrying amount of the plant and equipment will be approximately higher/lower by RM193,616/RM143,208, RM199,120/RM146,390 and RM144,429/RM116,936 as at 31 March 2016, 2017 and 2018 respectively.

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**3. Critical accounting estimates, assumptions and judgements (continued)**

**3.1 Critical accounting estimates, assumptions and judgements (continued)**

*(b) Impairment of loans and receivables*

Management reviews its loan and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows had been higher/lower by 10% from management’s estimated for all past due loans and receivables, the allowance for impairment of the Group would have been higher/lower by RM116,016, RM176,808 and RM344,281 as at 31 March 2016, 2017 and 2018 respectively.

*(c) Net realisable value of inventories*

A review is made periodically on inventories for excess inventory, obsolescence and declines in net realisable value below cost. These require management to estimate future demand for products and their selling prices. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting financial year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount to write-down including ageing analysis, utilisation of inventories, the purpose of the inventories held, category and conditions of inventories and subsequent events.

In general, such an evaluation process requires significant judgement which may materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the inventories at the balance sheet date is disclosed in Note 15. If the management’s estimate on the realisable value of inventories had been lower by 5%, the Group would have reduced the carrying value of inventories by RM341,870, RM179,852 and RM502,161 as at 31 March 2016, 2017 and 2018 respectively.

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**4. Revenue**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Sales of automobiles	64,816,162	41,420,499	95,404,617
After-sales automobile services	7,917,830	10,929,832	13,714,182
Sales of automobile parts and accessories	81,503	149,373	231,349
Sales of NVH components and other non-NVH components	32,109,743	36,387,153	38,051,179
Incentives received from distributors	1,343,269	779,621	936,762
Handling fees	235,300	145,800	413,964
	<u>106,503,807</u>	<u>89,812,278</u>	<u>148,752,053</u>

**5. Expenses by nature**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Amortisation of intangible assets (Note 17)	–	–	386,697
Changes in inventories	(3,554,879)	3,240,362	(6,446,181)
Contract workers	31,870	791,292	376,298
Depreciation of property, plant and equipment (Note 16)	1,853,646	2,047,134	2,252,891
Employee compensation (Note 6)	7,293,297	7,534,176	9,890,051
Entertainment	342,582	504,308	510,355
Freight charges	908,372	3,531,151	890,250
Insurance	306,956	369,976	305,081
Production expenses	335,607	362,028	294,643
Professional fees	186,022	971,766	467,284
Purchases of			
– automobiles	66,099,501	37,284,595	94,922,359
– automobile parts and accessories	3,834,071	4,098,859	7,724,632
– raw materials	13,338,520	22,036,497	17,907,770
	<u>83,272,092</u>	<u>63,419,951</u>	<u>120,554,761</u>
Balance carried forward	<u>90,975,565</u>	<u>82,772,144</u>	<u>129,482,130</u>

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**5. Expenses by nature (continued)**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Balance brought forward	90,975,565	82,772,144	129,482,130
Rental expenses	1,279,078	2,911,162	2,261,938
Repairs and maintenance	921,332	2,947,471	543,429
Research and development	153,220	242,220	330,151
Road tax and insurance	2,014,850	1,554,015	3,145,886
Security charges	190,598	271,629	314,606
Sub-contractors	1,409,664	1,788,403	1,070,866
Testing expenses	124,900	217,271	72,998
Transportation expenses	537,670	730,510	529,353
Travelling and accommodation	303,380	294,783	290,979
Utilities	711,259	764,077	1,143,331
Write-down of automobile parts and accessories (Note 15)	270,865	–	–
Reversal of automobile parts and accessories written-down (Note 15)	–	(270,865)	–
Others	1,477,272	2,457,408	2,787,055
Total cost of sales, selling and distribution and administrative expenses	<u>100,369,653</u>	<u>96,680,228</u>	<u>141,972,722</u>

**6. Employee compensation**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Wages and salaries	6,754,494	6,955,395	9,202,217
Employer’s contribution to defined contribution plan and SOCSO	<u>538,803</u>	<u>578,781</u>	<u>687,834</u>
	<u>7,293,297</u>	<u>7,534,176</u>	<u>9,890,051</u>

Included in employee compensation were directors’ remunerations of RM2,364,072, RM2,486,406 and RM2,044,855 for the financial years ended 31 March 2016, 2017 and 2018 respectively.

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**7. Other income**

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Business Development Fund	–	–	200,000
Cash rebate	–	–	15,739
Commission received	87	32,106	105,304
Compensation from government (Note 8)	–	–	4,825,734
Dividend received from short-term money market fund	37,972	15,680	31,236
Income from storage service	18,868	45,283	38,736
Insurance claims (Note 8)	–	20,902,385	–
Interest income			
– Bank deposits	17,085	50,719	55,834
– Fixed deposit interest from licensed banks	96,321	101,771	–
	113,406	152,490	55,834
Management fee from a related company	–	–	50,199
Others	25,765	32,000	42,786
	<u>196,098</u>	<u>21,179,944</u>	<u>5,365,568</u>

**8. Other gains and losses – net**

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
Bad debts written-off	179,914	3,338	10,005
Deposits written-off	–	–	53,997
Realised currency exchange (gain)/loss – net	(23,573)	69,647	(926,249)
Unrealised currency exchange (gain)/loss – net	(3,751)	566,719	–
(Gain)/loss on disposal of property, plant and equipment	–	(193,112)	53,956
Gain on disposal of subsidiary corporation	–	–	(418,064)
Property, plant and equipment written-off <sup>(1)(2)</sup>	–	12,470,408	1,063,584
	<u>152,590</u>	<u>12,917,000</u>	<u>(162,771)</u>



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**8. Other gains and losses – net (continued)**

**Notes:**

- (1) On 5 August 2016, one of the Group’s main factory in Balakong, Cheras, Malaysia suffered extensive fire damage and wrote-off its damaged property, plant and equipment amounted to RM12,470,408.

The Group was able to obtain a claim from its insurers amounting to RM20,902,385 (Note 7), which includes among others, for its damaged property, plant and equipment of approximately RM15,667,529 and consequential losses of approximately RM5,234,856.

- (2) On 6 March 2017, one of the Group’s showroom located at Kuala Lumpur, Malaysia wrote-off its plant and equipment amounted to RM1,063,584 due to compulsory acquisition by a Malaysian government body for the Mass Rapid Transit Project.

The Group had received compensation of RM4,825,734 (Note 7) from the Malaysian government.

**9. Finance expenses**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Interest expense			
– Bank borrowings	586,182	679,804	767,622
– Finance lease liabilities	43,506	41,530	45,832
	<u>629,688</u>	<u>721,334</u>	<u>831,454</u>

**10. Income taxes**

(a) Income tax expense

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Tax expense attributable to profit is made up of:			
– Profit for the financial year:			
Current income tax			
– Singapore	–	–	–
– Foreign	894,700	248,000	1,738,140
Deferred income tax (Note 22)	356,000	41,000	543,036
	<u>1,250,700</u>	<u>289,000</u>	<u>2,281,176</u>
– (Over)/under provision in prior financial years:			
Current income tax			
– Singapore	–	–	–
– Foreign	(74,925)	327,088	(61,826)
Deferred income tax (Note 22)	(47,000)	–	(44,126)
	<u>(121,925)</u>	<u>327,088</u>	<u>(105,952)</u>
	<u>1,128,775</u>	<u>616,088</u>	<u>2,175,224</u>

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**10. Income taxes (continued)**

(a) Income tax expense (continued)

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the Malaysia standard rate of income tax is as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Profit before tax from			
– continuing operations	5,547,974	665,817	11,494,216
– discontinued operations (Note 31(a))	–	–	(410,221)
	<u>5,547,974</u>	<u>665,817</u>	<u>11,083,995</u>
Tax calculated at tax rate of 24%	1,331,514	159,796	2,660,159
Effects of:			
– effects of changes in tax rate	42,496	–	–
– expenses not deductible for tax purposes	331,042	3,438,101	901,129
– income not subject to tax	(10,052)	(3,244,897)	(1,164,325)
– tax incentives	(36,000)	(64,000)	(115,787)
– utilisation of reinvestment allowance	(408,300)	–	–
– (over)/under provision in prior financial years:			
– current income tax	(74,925)	327,088	(61,826)
– deferred income tax (Note 22)	(47,000)	–	(44,126)
Tax charge	<u>1,128,775</u>	<u>616,088</u>	<u>2,175,224</u>

(b) Movement in current income tax liabilities and tax recoverable

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Beginning of financial year	(52,563)	(35,363)	(66,826)
Income tax paid	(802,575)	(606,551)	(873,603)
Tax expense	894,700	248,000	1,738,140
(Over)/under provision in prior financial years	(74,925)	327,088	(61,826)
End of financial year	<u>(35,363)</u>	<u>(66,826)</u>	<u>735,885</u>
Presented as:			
Tax recoverable	(95,063)	(209,644)	–
Current income tax liabilities	<u>59,700</u>	<u>142,818</u>	<u>735,885</u>
	<u>(35,363)</u>	<u>(66,826)</u>	<u>735,885</u>

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**11. Earnings per share**

For illustrative purpose, the calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the financial years ended 31 March 2016, 2017 and 2018 and 1,499,852 ordinary shares, representing the amounts of the paid-up share capital of Menang Nusantara Sdn. Bhd. and Menang Nusantara Holdings Sdn. Bhd.

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<b>Continuing operations</b>			
Basic earnings per share	294.64	3.84	623.71
<b>Discontinued operations</b>			
Basic earnings per share	–	(0.52)	(27.35)

There were no diluted earnings per share for the financial years ended 31 March 2016, 2017 and 2018 as there were no dilutive ordinary shares outstanding.

**12. Cash and cash equivalents**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Cash and bank balances	5,193,953	8,719,156	9,383,812
Fixed deposits with licensed banks	3,411,234	1,015,034	1,635,035
Short-term money market fund	1,250,000	450,000	–
	9,855,187	10,184,190	11,018,847

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**12. Cash and cash equivalents (continued)**

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

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Cash and bank balances (as above)	9,855,187	10,184,190	11,018,847
Less: Bank overdrafts (Note 20)	(527,974)	(383,439)	(2,078,889)
Less: Fixed deposits pledged with licensed banks	(495,384)	(518,466)	(833,738)
Cash and cash equivalents per combined statements of cash flows	<u>8,831,829</u>	<u>9,282,285</u>	<u>8,106,220</u>

Fixed deposits with licensed banks are pledged in relation to the security granted for certain borrowings (Note 20).

Disposal of subsidiary corporation

On 30 March 2018, the Group entered into a Share Sale Purchase Agreement with shareholders to dispose of the Yatta Group Sdn. Bhd. (“Yatta Group”) for a consideration of RM500,000. The Group has de-consolidated Yatta Group upon signing of the Share Sale Purchase Agreement as management has assessed that the Group has lost control over Yatta Group.

The effects of the disposal of the subsidiary corporation on the cash flows of the Group were:

Carrying amounts of assets and liabilities disposed off

	<b>FY2018 (RM)</b>
Cash and cash equivalent	164,984
Trade and other receivables	14,029
Inventories	26,384
Property, plant and equipment	<u>971,419</u>
Total assets	<u>1,176,816</u>
Trade and other payables, representing total liabilities	<u>1,094,880</u>
Net assets derecognised, representing net assets disposed of	<u>81,936</u>

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**12. Cash and cash equivalents (continued)**

Carrying amounts of assets and liabilities disposed off (continued)

The aggregate cash inflows arising from the disposal of subsidiary corporation were:

	<b>FY2018 (RM)</b>
Net assets disposed of (as above)	81,936
Gain on disposal of subsidiary corporation	418,064
Proceeds from disposal of subsidiary corporation	500,000
Less: Cash and cash equivalents in subsidiary corporation disposed off	(164,984)
Net cash inflows on disposal of subsidiary corporation	<u>335,016</u>

**13. Trade and other receivables**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Trade receivables	7,532,140	7,114,470	11,097,084
Non-trade receivables			
– Insurance claims	–	2,234,856	–
– Non-related parties	41,593	42,818	274,522
– Related parties	–	5,000	252,826
– GST receivable	220,529	1,268,999	675,936
– Staff loans	283,472	208,769	223,144
– Deferred IPO expenses	–	–	548,811
	545,594	3,760,442	1,975,239
Deposits	643,422	1,721,722	1,207,131
Prepayments	169,958	299,230	359,086
	<u>8,891,114</u>	<u>12,895,864</u>	<u>14,638,540</u>

The amounts due from related parties and staff loans are unsecured, interest free and repayable on demand.

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**14. Tax recoverable**

This is in respect of tax paid in advance to the Inland Revenue Board of Malaysia.

**15. Inventories**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Raw materials	961,157	1,661,482	1,593,425
Work in progress	122,380	137,038	95,968
Finished goods:			
– Automobiles	4,488,385	542,482	6,703,027
– Automobile parts and accessories	1,265,472	1,256,030	1,650,793
	<u>5,753,857</u>	<u>1,798,512</u>	<u>8,353,820</u>
	<u>6,837,394</u>	<u>3,597,032</u>	<u>10,043,213</u>

The cost of inventories recognised as an expense and included in “cost of sales” amounted to RM79,717,213, RM66,660,313 and RM114,108,580 for the financial years ended 31 March 2016, 2017 and 2018 respectively.

During the financial year ended 31 March 2016, the Group recognised a write-down in inventories of RM270,865 which is included within “cost of sales” in the combined statement of comprehensive income.

During the financial year ended 31 March 2017, RM270,865 of a previous inventory write-down in prior financial year were reversed. The Group has sold the goods that were written-down and the amount reversed has been included in “cost of sales”.

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**16. Property, plant and equipment**

	Computers and office equipment (RM)	Tools and machinery (RM)	Furniture, electrical and fittings (RM)	Renovation and signboard (RM)	Automobiles (RM)	Buildings (RM)	Freehold land (RM)	Leasehold land (RM)	Total (RM)
<b>2016</b>									
<i>Cost</i>									
Beginning of financial year	805,723	14,336,259	932,852	1,032,706	1,550,418	3,760,500	2,344,120	1,249,300	26,011,878
Additions	141,792	3,603,489	50,825	1,119,134	441,974	–	–	–	5,357,214
End of financial year	947,515	17,939,748	983,677	2,151,840	1,992,392	3,760,500	2,344,120	1,249,300	31,369,092
<i>Accumulated depreciation</i>									
Beginning of financial year	565,464	7,493,596	337,626	242,139	467,703	518,310	–	101,387	9,726,225
Depreciation charge (Note 5)	99,827	1,240,748	83,826	141,456	197,055	75,210	–	15,524	1,853,646
End of financial year	665,291	8,734,344	421,452	383,595	664,758	593,520	–	116,911	11,579,871
<b>Net book value</b>									
End of financial year	282,224	9,205,404	562,225	1,768,245	1,327,634	3,166,980	2,344,120	1,132,389	19,789,221



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**16. Property, plant and equipment (continued)**

	Computers and office equipment (RM)	Tools and machinery (RM)	Furniture, electrical and fittings (RM)	Renovation and signboard (RM)	Automobiles (RM)	Buildings (RM)	Freehold land (RM)	Leasehold land (RM)	Total (RM)
<b>2017</b>									
<i>Cost</i>									
Beginning of financial year	947,515	17,939,748	983,677	2,151,840	1,992,392	3,760,500	2,344,120	1,249,300	31,369,092
Additions	456,611	11,426,553	1,051,505	350	3,430,323	6,934,849	–	2,200,279	25,500,470
Disposals	–	–	–	–	(2,768,928)	–	–	–	(2,768,928)
Written-off	(645,644)	(18,125,290)	(697,933)	(13,310)	–	(3,658,500)	–	–	(23,140,677)
End of financial year	758,482	11,241,011	1,337,249	2,138,880	2,653,787	7,036,849	2,344,120	3,449,579	30,959,957
<i>Accumulated depreciation</i>									
Beginning of financial year	665,291	8,734,344	421,452	383,595	664,758	593,520	–	116,911	11,579,871
Depreciation charge (Note 5)	139,256	1,246,762	125,613	214,206	230,883	74,890	–	15,524	2,047,134
Written-off	(554,422)	(8,899,684)	(360,431)	(11,500)	–	(609,750)	–	–	(10,435,787)
End of financial year	250,125	1,081,422	186,634	586,301	895,641	58,660	–	132,435	3,191,218
<b>Net book value</b>									
End of financial year	508,357	10,159,589	1,150,615	1,552,579	1,758,146	6,978,189	2,344,120	3,317,144	27,768,739

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**16. Property, plant and equipment (continued)**

	Computers and office equipment (RM)	Tools and machinery (RM)	Furniture, electrical and fittings (RM)	Renovation and signboard (RM)	Automobiles (RM)	Buildings (RM)	Freehold land (RM)	Leasehold land (RM)	Total (RM)
<b>2018</b>									
<i>Cost</i>									
Beginning of financial year	758,482	11,241,011	1,337,249	2,138,880	2,653,787	7,036,849	2,344,120	3,449,579	30,959,957
Additions	552,604	1,752,849	1,250,182	4,585,905	721,426	173,629	–	–	9,036,595
Disposals	–	–	–	–	(526,704)	–	–	–	(526,704)
Written-off	(124,924)	(448,189)	(252,526)	(1,057,035)	–	–	–	–	(1,882,674)
Acquisition of subsidiary corporation (Note 30)	4,167	149,272	14,076	–	–	–	–	–	167,515
Disposal of subsidiary corporation (Note 31)	(121,315)	(238,663)	(347,061)	(288,891)	–	–	–	–	(995,930)
End of financial year	1,069,014	12,456,280	2,001,920	5,378,859	2,848,509	7,210,478	2,344,120	3,449,579	36,758,759

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**16. Property, plant and equipment (continued)**

	Computers and office equipment (RM)	Tools and machinery (RM)	Furniture, electrical and fittings (RM)	Renovation and signboard (RM)	Automobiles (RM)	Buildings (RM)	Freehold land (RM)	Leasehold land (RM)	Total (RM)
<i>Accumulated depreciation</i>									
Beginning of financial year	250,125	1,081,422	186,634	586,301	895,641	58,660	–	132,435	3,191,218
Depreciation charge									
– Continuing operations (Note 5)	61,243	1,259,253	169,971	206,215	416,826	72,926	–	66,457	2,252,891
– Discontinued operations	3,152	12,547	5,703	3,109	–	–	–	–	24,511
Disposals	–	–	–	–	(124,310)	–	–	–	(124,310)
Written-off	(96,536)	(164,762)	(110,616)	(447,176)	–	–	–	–	(819,090)
Disposal of subsidiary corporation (Note 31)	(3,152)	(12,547)	(5,703)	(3,109)	–	–	–	–	(24,511)
End of financial year	214,832	2,175,913	245,989	345,340	1,188,157	131,586	–	198,892	4,500,709
<b>Net book value</b>									
End of financial year	854,182	10,280,367	1,755,931	5,033,519	1,660,352	7,078,892	2,344,120	3,250,687	32,258,050

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**16. Property, plant and equipment (continued)**

- (a) Included within additions in the combined financial statements are automobiles acquired under finance leases amounting to RM320,000, RM285,000 and RM541,000 during the financial years ended 31 March 2016, 2017 and 2018 respectively.

The carrying amounts of automobiles held under finance leases are RM1,327,634, RM1,531,503 and RM1,660,352 as at 31 March 2016, 2017 and 2018 respectively.

- (b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of RM7,971,123, RM14,170,956 and RM14,334,050 as at 31 March 2016, 2017 and 2018 respectively.

**17. Intangible assets**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<u>Composition:</u>			
Goodwill (Note (a))	–	–	376,541
Customer relationship (Note (b))	–	–	89,293
Licence (Note (c))	–	–	3,501,464
	<u>–</u>	<u>–</u>	<u>3,967,298</u>

**(a) Goodwill**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<i>Cost</i>			
Beginning of financial year	–	–	–
Acquisition of subsidiary corporation (Note 30)	–	–	376,541
End of financial year	<u>–</u>	<u>–</u>	<u>376,541</u>
<b>Net book value</b>			
End of financial year	<u>–</u>	<u>–</u>	<u>376,541</u>

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**17. Intangible assets (continued)**

(a) Goodwill (continued)

The goodwill of RM376,541 is allocated to the Dealership Business where the operations are held in Malaysia.

*Impairment test for goodwill*

In assessing whether an impairment is required, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount of the CGU was determined based on value-in-use. The value-in-use is determined based on financial budgets approved by management covering a six-year period using the growth rate stated below.

Key assumptions used for value-in-use calculations:

	<b>Dealership Business %</b>
<hr/>	
<b>2018</b>	
Growth rate <sup>(1)</sup>	34.0
Discount rate <sup>(2)</sup>	<u>17.2</u>

**Notes:**

(1) Revenue growth rate used for extrapolation of future revenue for the six-year period

(2) Pre-tax discount rate applied to pre-tax cash flow projection

These assumptions were used for the analysis of the CGU. The management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on past performance and expectations on market development.

The impairment test carried out as at 31 March 2018 has revealed that the recoverable amount of the CGU is RM29,936,643 or 948% higher than its carrying amount. If the management’s estimated growth rate used in the value-in-use calculation for this CGU had declined by 1.0%, or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 26%, the recoverable amount of the CGU would equal to the carrying amount.

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**17. Intangible assets (continued)**

(b) Customer relationship

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<i>Cost</i>			
Beginning of financial year	–	–	–
Acquisition of subsidiary corporation (Note 30)	–	–	98,909
End of financial year	–	–	98,909
<i>Accumulated amortisation</i>			
Beginning of financial year	–	–	–
Amortisation charge (Note 5)	–	–	9,616
End of financial year	–	–	9,616
<b>Net book value</b>			
End of financial year	–	–	89,293

(c) Licence

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<i>Cost</i>			
Beginning of financial year	–	–	–
Acquisition of subsidiary corporation (Note 30)	–	–	3,878,545
End of financial year	–	–	3,878,545
<i>Accumulated amortisation</i>			
Beginning of financial year	–	–	–
Amortisation charge (Note 5)	–	–	377,081
End of financial year	–	–	377,081
<b>Net book value</b>			
End of financial year	–	–	3,501,464

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**18. Investment in associated company**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Equity investment at cost			
Beginning of financial year	354,202	354,202	354,202
Less: Accumulated impairment loss	(354,202)	(354,202)	–
Less: Struck-off <sup>(1)</sup>	–	–	(354,202)
End of financial year	–	–	–

**Note:**

- (1) During the financial year ended 31 March 2018, the associated company is still in the process of being struck-off.

The Group had the following associated company as at 31 March 2016, 2017 and 2018:

<b>Name of entity</b>	<b>Place of business/ country of incorporation</b>	<b>Principal activities</b>	<b>% of ownership interest</b>		
			<b>2016</b>	<b>2017</b>	<b>2018</b>
Menang Nusantara Electrical Industries (M) Sdn. Bhd.	Malaysia	Manufacturing direct current (DC) motors and electrical parts and components	39	39	–

**19. Trade and other payables**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Trade payables	7,801,320	11,186,114	7,037,206
Non-trade payables			
– Non-related parties	58,051	59,407	609,585
– Advances from customers	833,224	182,570	324,533
– Amount due to a director	–	500,000	–
	891,275	741,977	934,118
Accruals	468,970	528,772	642,036
Deferred income	200,000	200,000	265,000
	9,361,565	12,656,863	8,878,360



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**19. Trade and other payables (continued)**

Amount due to a director is unsecured, interest free and repayable on demand.

Deferred income refers to a Business Development Fund received from non-related party for the purpose of workshop establishment and to fund marketing and sales effort.

**20. Borrowings**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<i>Current</i>			
Bank overdrafts (Note 12)	527,974	383,439	2,078,889
Bill payables	370,894	270,000	399,000
Finance lease liabilities (Note 21)	294,145	347,033	399,597
Term loans	1,483,347	1,259,325	7,675,941
	<u>2,676,360</u>	<u>2,259,797</u>	<u>10,553,427</u>
<i>Non-current</i>			
Finance lease liabilities (Note 21)	641,408	556,944	555,250
Term loans	7,828,426	14,347,768	16,213,556
	<u>8,469,834</u>	<u>14,904,712</u>	<u>16,768,806</u>
Total borrowings	<u>11,146,194</u>	<u>17,164,509</u>	<u>27,322,233</u>

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Not later than one year	2,676,360	2,259,797	10,553,427
Between one and five years	3,843,104	4,130,579	8,990,796
Over five years	4,626,730	10,774,133	7,778,010
	<u>11,146,194</u>	<u>17,164,509</u>	<u>27,322,233</u>

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**20. Borrowings (continued)**

(a) Security granted

(i) Bank overdrafts and bills payables of the Group are secured by the following:

- Assets Sale Agreement for RM1,156,875, RM1,156,875 and RM1,156,875 over Shariah compliant commodities as at 31 March 2016, 2017 and 2018 respectively;
- fixed and floating charge on all present and future assets of the Group for RM5,869,500, RM Nil and RM Nil as at 31 March 2016, 2017 and 2018 respectively;
- jointly and severally guaranteed by certain Directors of the Group; and
- pledged of the Group’s fixed deposits.

(ii) Term loans of the Group are secured by the following:

- Facility Agreement and Supplement Facility Agreement for RM12,219,860, RM16,643,660 and RM16,268,460 as at 31 March 2016, 2017 and 2018 respectively;
- first party first legal charge over the Group’s leasehold land and buildings;
- first party, first and second legal charge over the Group’s freehold land;
- fixed and floating charge on all present and future assets of the Group for RM5,816,800, RM3,375,200 and RM3,375,200 as at 31 March 2016, 2017 and 2018 respectively;
- jointly and severally guaranteed by certain Directors of the Group;
- pledged of the Group’s fixed deposits; and
- specific debenture on certain assets of the Group.

(b) Fair value of non-current borrowings

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Finance lease liabilities	617,790	522,438	539,521
Term loans	<u>7,515,006</u>	<u>13,833,818</u>	<u>15,351,205</u>

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**20. Borrowings (continued)**

(b) Fair value of non-current borrowings (continued)

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	<b>FY2016</b> %	<b>FY2017</b> %	<b>FY2018</b> %
Finance lease liabilities	2.08 – 4.30	2.08 – 4.95	2.08 – 4.95
Term loans	<u>4.75 – 7.85</u>	<u>4.55 – 7.65</u>	<u>4.65 – 8.65</u>

**21. Finance lease liabilities**

The Group leases automobiles from non-related parties under finance leases. The lease agreements do not have renewal clauses as the Group is intending to use this asset until the end of the useful life.

	<b>FY2016</b> <b>(RM)</b>	<b>FY2017</b> <b>(RM)</b>	<b>FY2018</b> <b>(RM)</b>
Minimum lease payments due			
– Not later than one year	330,108	383,497	436,818
– Between one and five years	<u>674,254</u>	<u>580,748</u>	<u>594,609</u>
	1,004,362	964,245	1,031,427
Less: Future finance charges	<u>(68,809)</u>	<u>(60,268)</u>	<u>(76,580)</u>
Present value of finance lease liabilities	<u>935,553</u>	<u>903,977</u>	<u>954,847</u>

The present values of finance lease liabilities are analysed as follows:

	<b>FY2016</b> <b>(RM)</b>	<b>FY2017</b> <b>(RM)</b>	<b>FY2018</b> <b>(RM)</b>
Not later than one year (Note 20)	294,145	347,033	399,597
Between one and five years (Note 20)	<u>641,408</u>	<u>556,944</u>	<u>555,250</u>
Total	<u>935,553</u>	<u>903,977</u>	<u>954,847</u>

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**22. Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Deferred income tax liabilities			
– To be settled within one year	<u>1,143,000</u>	<u>1,184,000</u>	<u>2,788,926</u>

Movement in deferred income tax accounts is as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Beginning of financial year	834,000	1,143,000	1,184,000
Acquisition of subsidiary corporation (Note 30)	–	–	954,589
Over provisions in prior financial years	(47,000)	–	(44,126)
Tax charged to profit or loss (Note 10(a))	<u>356,000</u>	<u>41,000</u>	<u>543,036</u>
End of financial year	<u>1,143,000</u>	<u>1,184,000</u>	<u>2,637,499</u>

The movement in deferred income tax liabilities is as follows:

	<b>Accelerated tax depreciation (RM)</b>
<b>2016</b>	
Beginning of financial year	834,000
Tax charged to profit or loss (Note 10(a))	<u>309,000</u>
End of financial year	<u>1,143,000</u>

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**22. Deferred income taxes (continued)**

The movement in deferred income tax liabilities is as follows: (continued)

	<b>Accelerated tax depreciation (RM)</b>
<b>2017</b>	
Beginning of financial year	1,143,000
Tax charged to profit or loss (Note 10(a))	41,000
End of financial year	<u>1,184,000</u>
<b>2018</b>	
Beginning of financial year	1,184,000
Acquisition of subsidiary corporation (Note 30)	954,589
Tax charged to profit or loss (Note 10(a))	498,910
End of financial year	<u>2,637,499</u>

**23. Share capital**

Since the Restructuring Exercise was not completed as at 31 March 2018, the issued share capital on the combined financial statements represents the paid-up capital of Menang Nusantara Sdn. Bhd. and Menang Nusantara Holdings Sdn. Bhd.

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<i>No. of ordinary shares</i>			
Beginning and end of financial year	<u>1,499,852</u>	<u>1,499,852</u>	<u>1,499,852</u>
<i>Amount</i>			
Beginning and end of financial year	<u>1,499,852</u>	<u>1,499,852</u>	<u>1,499,852</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

The newly issued shares rank *pari passu* in all respected with the previously issued shares.

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**24. Retained profits**

- (a) Retained profits of the Group are distributable.
- (b) Movement in retained profits for the Group is as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Beginning of financial year	18,138,439	22,257,668	22,007,427
Net profit for the financial year	4,419,199	49,729	8,944,435
Dividend paid (Note 25)	(299,970)	(299,970)	(1,949,805)
End of financial year	<u>22,257,668</u>	<u>22,007,427</u>	<u>29,002,057</u>

**25. Dividends**

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
<i>Ordinary dividends declared and paid</i>			
First interim single tier dividend of RM0.10 per share for the financial year ended 31 March 2016, 2017 and 2018	149,985	149,985	149,985
Second interim single tier dividend of RM0.10 per share for the financial year ended 31 March 2016 and 2017	149,985	149,985	–
Second interim single tier dividend of RM0.20 per share for the financial year ended 31 March 2018	–	–	299,970
Third interim single tier dividend of RM1.00 per share for the financial year ended 31 March 2018	–	–	1,499,850
	<u>299,970</u>	<u>299,970</u>	<u>1,949,805</u>

Dividends were declared and paid by one of the subsidiary corporations to the previous shareholders of the MNSB. For the financial years ended 31 March 2016, 2017 and 2018, the Group is under single-tier tax system, tax on the Group’s chargeable income is a final tax and any dividend distributed will be exempted from tax in the hands of shareholders.

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**26. Commitments**

*(a) Capital commitments*

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Property, plant and equipment	—	—	2,141,773

*(b) Operating lease commitments – where the Group is a lessee*

The Group leases office, warehouse spaces and workers’ accommodation from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Not later than one year	1,063,700	1,158,800	2,108,080
Between one and five years	519,800	1,383,000	2,162,625
	<u>1,583,500</u>	<u>2,541,800</u>	<u>4,270,705</u>

**27. Financial risk management**

*Financial risk factors*

The Group’s activities expose it to market risk (including currency risk and interest risk), credit risk, liquidity risk and capital risk. The Group’s overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group’s financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.



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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group’s operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Directors. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies (“foreign currencies”).

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as United States Dollar (“USD”), Japanese Yen (“JPY”) and Thailand Baht (“THB”).

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group’s currency exposure based on information provided to key management is as follows:

	<b>MYR (RM)</b>	<b>USD (RM)</b>	<b>JPY (RM)</b>	<b>THB (RM)</b>	<b>Total (RM)</b>
<b>At 31 March 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	9,798,680	56,507	–	–	9,855,187
Trade and other receivables	8,721,156	–	–	–	8,721,156
Receivables from subsidiary corporations	4,295,526	–	–	–	4,295,526
	<u>22,815,362</u>	<u>56,507</u>	<u>–</u>	<u>–</u>	<u>22,871,869</u>
<b>Financial liabilities</b>					
Trade and other payables	(6,685,466)	(74,600)	(702,132)	(866,143)	(8,328,341)
Borrowings	(11,146,194)	–	–	–	(11,146,194)
Payables to subsidiary corporations	(4,295,526)	–	–	–	(4,295,526)
	<u>(22,127,186)</u>	<u>(74,600)</u>	<u>(702,132)</u>	<u>(866,143)</u>	<u>(23,770,061)</u>
<b>Net financial assets/(liabilities)</b>	688,176	(18,093)	(702,132)	(866,143)	(898,192)
Less: Net financial assets denominated on functional currencies	(688,176)	–	–	–	(688,176)
<b>Currency exposure of financial liabilities net of those denominated in the respective entities functional currencies</b>	<u>–</u>	<u>(18,093)</u>	<u>(702,132)</u>	<u>(866,143)</u>	<u>(1,586,368)</u>

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group’s currency exposure based on information provided to key management is as follows: (continued)

	MYR (RM)	USD (RM)	JPY (RM)	THB (RM)	Total (RM)
<b>At 31 March 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	10,169,880	14,310	–	–	10,184,190
Trade and other receivables	12,596,634	–	–	–	12,596,634
Receivables from subsidiary corporations	3,080,398	–	–	–	3,080,398
	<u>25,846,912</u>	<u>14,310</u>	<u>–</u>	<u>–</u>	<u>25,861,222</u>
<b>Financial liabilities</b>					
Trade and other payables	(5,713,116)	(460,307)	(5,657,968)	(442,902)	(12,274,293)
Borrowings	(17,164,509)	–	–	–	(17,164,509)
Payables to subsidiary corporations	(3,080,398)	–	–	–	(3,080,398)
	<u>(25,958,023)</u>	<u>(460,307)</u>	<u>(5,657,968)</u>	<u>(442,902)</u>	<u>(32,519,200)</u>
<b>Net financial liabilities</b>	<b>(111,111)</b>	<b>(445,997)</b>	<b>(5,657,968)</b>	<b>(442,902)</b>	<b>(6,657,978)</b>
Add: Net financial liabilities denominated on functional currencies	111,111	–	–	–	111,111
<b>Currency exposure of financial liabilities net of those denominated in the respective entities functional currencies</b>	<u>–</u>	<u>(445,997)</u>	<u>(5,657,968)</u>	<u>(442,902)</u>	<u>(6,546,867)</u>

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group’s currency exposure based on information provided to key management is as follows: (continued)

	<b>MYR (RM)</b>	<b>USD (RM)</b>	<b>JPY (RM)</b>	<b>THB (RM)</b>	<b>Total (RM)</b>
<b>At 31 March 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	11,004,622	14,225	–	–	11,018,847
Trade and other receivables	13,730,643	–	–	–	13,730,643
Receivables from subsidiary corporations	4,940,315	–	–	–	4,940,315
	<u>29,675,580</u>	<u>14,225</u>	<u>–</u>	<u>–</u>	<u>29,689,805</u>
<b>Financial liabilities</b>					
Trade and other payables	(6,254,828)	(9,612)	(1,552,345)	(472,042)	(8,288,827)
Borrowings	(27,322,233)	–	–	–	(27,322,233)
Payables to subsidiary corporations	(4,940,315)	–	–	–	(4,940,315)
	<u>(38,517,376)</u>	<u>(9,612)</u>	<u>(1,552,345)</u>	<u>(472,042)</u>	<u>(40,551,375)</u>
<b>Net financial (liabilities)/assets</b>	<b>(8,841,796)</b>	<b>4,613</b>	<b>(1,552,345)</b>	<b>(472,042)</b>	<b>(10,861,570)</b>
Add: Net financial liabilities denominated on functional currencies	8,841,796	–	–	–	8,841,796
<b>Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities functional currencies</b>	<u><b>–</b></u>	<u><b>4,613</b></u>	<u><b>(1,552,345)</b></u>	<u><b>(472,042)</b></u>	<u><b>(2,019,774)</b></u>

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(a) Market risk (continued)

(i) *Currency risk (continued)*

If the USD, JPY and THB change against the RM by 6%, 13% and 3% as at 31 March 2016 respectively, while 13%, 13% and 15% as at 31 March 2017 respectively, while 13%, 8% and 4% as at 31 March 2018 respectively, with all other variables including tax rate being held constant, the effects arising from the net financial liabilities that are exposed to currency risk will be as follows:

	← Increase/(Decrease) →		
	FY2016 (RM)	FY2017 (RM)	FY2018 (RM)
USD against MYR			
– Strengthened	(825)	(44,064)	456
– Weakened	825	44,064	(456)
JPY against MYR			
– Strengthened	(69,371)	(559,007)	(94,382)
– Weakened	69,371	559,007	94,382
THB against MYR			
– Strengthened	(19,748)	(50,491)	(14,350)
– Weakened	19,748	50,491	14,350

(ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group’s income is substantially independent of changes in market interest rate. The Group’s interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risks (continued)*

The Group’s borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in MYR. If the MYR interest rate had been higher/lower by 0.50% with all other variables including tax rate being held constant, the profit after tax would been lower/higher by RM38,800, RM61,790 and RM100,196 as a result of higher/lower interest expense on these borrowings for the financial years ended 31 March 2016, 2017 and 2018 respectively.

(b) Credit risk

Credit risk refers to the risk that counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalent, fixed deposits with licensed bank and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history and obtaining sufficient collateral. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to individual counterparty is restricted by credit limits that are approved by Directors based on ongoing credit evaluation. The counterparty’s payment pattern and credit exposure are continuously monitored at the Group level by the Board of Directors.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the combined balance sheets, except as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Corporate guarantee by MNSB for banking facilities granted to:			
– fellow subsidiary corporations	<u>5,350,000</u>	<u>6,350,000</u>	<u>16,820,000</u>

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(b) Credit risk (continued)

MNSB has evaluated the fair values of the corporate guarantees and the consequential liabilities arrived from its guarantees to the bank with regards to the related parties are minimal. The related parties for which the guarantees were provided is in favourable equity position and is profitable, with no default in the payment of borrowings and credit facilities.

The trade receivables of the Group comprise 4 debtors as at 31 March 2016, 2017 and 2018 respectively that individually represented 3% – 46% of trade receivables.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially within credit terms and individuals or companies with a good collection track record with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Past due < 3 months	1,020,772	1,583,296	2,982,744
Past due > 3 months	139,391	184,782	460,069
	<u>1,160,163</u>	<u>1,768,078</u>	<u>3,442,813</u>

At the respective balance sheet dates, management has assessed that no allowance for impairment is required for the trade receivables. However, management has written off certain trade receivables of approximately RM145,483, RM Nil and RM Nil in the respective financial years ended 31 March 2016, 2017 and 2018 as recoverability of these trade receivables was determined to be doubtful due to the significant delay in settlements by the customers.



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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the respective balance sheet dates, assets held by the Group for managing liquidity risk included cash and cash equivalents as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents of the Group) on the basis of expected cash flows. This is generally carried out in accordance with the practice and limits set by the Board of Directors. These limits vary by location to take into account the liquidity of the market in which the entity operates.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	<b>Less than 1 year (RM)</b>	<b>Between 1 and 5 years (RM)</b>	<b>Over 5 years (RM)</b>
<b>At 31 March 2016</b>			
Trade and other payables	8,328,341	–	–
Borrowings	<u>2,455,524</u>	<u>5,734,081</u>	<u>5,309,359</u>
<b>At 31 March 2017</b>			
Trade and other payables	12,274,293	–	–
Borrowings	<u>2,598,255</u>	<u>7,308,750</u>	<u>13,782,927</u>
<b>At 31 March 2018</b>			
Trade and other payables	8,288,827	–	–
Borrowings	<u>8,550,382</u>	<u>10,864,524</u>	<u>11,101,320</u>

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**27. Financial risk management (continued)**

*Financial risk factors (continued)*

(d) Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio which the Group’s strategies were unchanged from 2016 and the Board of Directors monitors the Group’s equity ratio on periodic basis. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus and trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Net debt	10,652,572	19,637,182	25,181,746
Total equity	23,757,520	23,507,279	32,351,971
Total capital	<u>34,410,092</u>	<u>43,144,461</u>	<u>57,533,717</u>
Gearing ratio	31%	46%	44%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2016, 2017 and 2018.

(e) Fair value measurements

The carrying amount of financial assets and financial liabilities of the Group approximate their fair values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the combined balance sheets, except for the following:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Loans and receivables	18,576,343	22,780,824	24,749,490
Financial liabilities at amortised cost	<u>19,474,535</u>	<u>29,438,802</u>	<u>35,611,060</u>

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**28. Related party transactions**

Outstanding balances as at 31 March 2016, 2017 and 2018, arising from sales and purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13 and 19 respectively.

*Key management personnel compensation*

Key management personnel compensation is as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Wages and salaries	2,248,272	2,359,372	1,942,555
Employer’s contribution to defined contribution plans, including Employee Provident Fund and SOCSO	115,800	127,034	102,300
	<u>2,364,072</u>	<u>2,486,406</u>	<u>2,044,855</u>

**29. Segment information**

The Group’s chief operating decision-maker (“CODM”) comprises of the directors and the heads of each business within the operating segment. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources and assess performance.

As at 31 March 2016, 2017 and 2018, the Group only has two business segments, which is Manufacturing Business and Dealership Business. This is based on the Group’s internal organisation, management structure and the primary way in which the Board of Directors is provided with the financial information.

The three segments are:

(a) Manufacturing Business

Manufacturing Business refers to the Group’s manufacturing and sales of NVH components and other non-NVH components.

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**29. Segment information** (continued)

(b) Dealership Business

(i) Automobile dealership

The Group holds the automobile dealership for Honda, Mazda and Peugeot. The revenue the Group earns from this business are mainly from its sales of these automobiles, incentive granted and handling fees.

(ii) Repairs and service

The Group provides after-sales automobile services for Honda, Mazda and Peugeot automobiles. The revenue the Group earns from this business are mainly from the fees or charges for after-sales automobile services and sales of automobile parts and accessories.

(c) Other

Other included investment holding.

The segment information provided to the Board of Directors for the reportable segments are as follows:

	<b>Manufacturing Business (RM)</b>	<b>Dealership Business (RM)</b>	<b>Other (RM)</b>	<b>Total for continuing operations (RM)</b>
<b>2016</b>				
<b>Sales</b>				
Total segment sales, representing sales to external parties	32,109,743	74,394,064	–	106,503,807
<b>Adjusted EBITDA</b>	6,839,192	1,083,812	(5,102)	7,917,902
Depreciation	1,557,283	296,363	–	1,853,646
<b>Segment assets</b>	31,649,200	13,723,714	2	45,372,916
Segment assets includes:				
Additions to property, plant and equipment	3,427,333	1,929,881	–	5,357,214
<b>Segment liabilities</b>	(3,979,463)	(5,380,102)	(2,000)	(9,361,565)

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**29. Segment information** (continued)

The segment information provided to the Board of Directors for the reportable segments are as follows: (continued)

	<b>Manufacturing Business (RM)</b>	<b>Dealership Business (RM)</b>	<b>Other (RM)</b>	<b>Total for continuing operations (RM)</b>
<b>2017</b>				
<b>Sales</b>				
Total segment sales, representing sales to external parties	36,387,153	53,425,125	–	89,812,278
<b>Adjusted EBITDA</b>	1,752,892	1,541,752	(5,006)	3,289,638
Depreciation	1,590,671	456,463	–	2,047,134
<b>Segment assets</b>	43,933,158	10,012,665	500,002	54,445,825
Segment assets includes:				
Additions to property, plant and equipment	22,066,367	3,434,103	–	25,500,470
<b>Segment liabilities</b>	(10,213,904)	(2,440,959)	(2,000)	(12,656,863)
<b>2018</b>				
<b>Sales</b>				
Total segment sales, representing sales to external parties	38,051,179	110,700,874	–	148,752,053
<b>Adjusted EBITDA</b>	8,399,891	6,527,742	(36,209)	14,891,424
Depreciation	1,765,518	487,373	–	2,252,891
Amortisation	–	386,697	–	386,697
<b>Segment assets</b>	41,119,322	30,257,813	548,813	71,925,948
Segment assets includes:				
Additions to:				
– property, plant and equipment	1,418,410	6,622,255	–	8,040,665
– intangible assets	–	4,353,995	–	4,353,995
<b>Segment liabilities</b>	(4,024,215)	(4,821,145)	(33,000)	(8,878,360)

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**29. Segment information** (continued)

Sales between segments are carried out at market terms. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the combined statements of comprehensive income.

The Board of Directors assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (“Adjusted EBITDA”).

(a) Reconciliation

(i) *Segment profits*

A reconciliation of adjusted EBITDA to profit before income tax is as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Adjusted EBITDA for reportable segments	7,923,004	3,294,644	14,927,633
Adjusted EBITDA for other segments	(5,102)	(5,006)	(36,209)
Amortisation	–	–	(386,697)
Depreciation	(1,853,646)	(2,047,134)	(2,252,891)
Finance expenses	(629,688)	(721,334)	(813,454)
Interest income	113,406	152,490	55,834
<b>Profit before income tax</b>	<b>5,547,974</b>	<b>673,660</b>	<b>11,494,216</b>

(ii) *Segment assets*

The amounts reported to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than tax recoverable.

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**29. Segment information** (continued)

(a) Reconciliation (continued)

(ii) *Segment assets* (continued)

Segment assets are reconciled to total assets as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Segment assets for reportable segments	45,372,914	53,945,823	71,377,135
Other segments assets	2	500,002	548,813
Unallocated:			
– Tax recoverable	95,063	209,644	–
	<u>45,467,979</u>	<u>54,655,469</u>	<u>71,925,948</u>

(iii) *Segment liabilities*

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax liabilities, deferred tax liabilities and borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Segment liabilities for reportable segments	9,359,565	12,654,863	8,845,360
Other segment liabilities	2,000	2,000	33,000
Unallocated:			
– Current income tax liabilities	59,700	142,818	735,885
– Borrowings	11,146,194	17,164,509	27,322,233
– Deferred tax liabilities	1,143,000	1,184,000	2,637,499
	<u>21,710,459</u>	<u>31,148,190</u>	<u>39,573,977</u>

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**29. Segment information** (continued)

(b) Revenue from major products and services

Revenue from external customers are derived mainly from the Manufacturing Business and Dealership Business. The breakdown of revenue from the respective segments is as follows:

	<b>FY2016 (RM)</b>	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Sales of automobiles	64,816,162	41,420,499	95,404,617
After-sales automobile services	7,917,830	10,929,832	13,714,182
Sales of automobile parts and accessories	81,503	149,373	231,349
Sales of NVH components and other non-NVH components	32,109,743	36,387,153	38,051,179
Incentives received from distributors	1,343,269	779,621	936,762
Handling fees	235,300	145,800	413,964
	<u>106,503,807</u>	<u>89,812,278</u>	<u>148,752,053</u>

(c) Geographical information

No geographical information had been prepared as the Group’s businesses are in Malaysia.

Revenue of RM17,433,745 RM12,925,516 and RM15,075,538 are derived from a single external customer for the financial years ended 31 March 2016, 2017 and 2018 respectively. These revenue are attributable to the Manufacturing Business.

**30. Business combination**

MNASB entered into a Sales of Shares Agreement on 18 August 2017 and a Supplemental Agreement on 29 September 2017 to acquire an aggregate of 55 ordinary shares, representing 55% of the issued and fully-paid ordinary share of MJN Motors Sdn. Bhd. (“MJNMSB”) for a consideration of RM2,131,250.



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**30. Business combination (continued)**

Details of the consideration paid and the assets acquired, and the non-controlling interests recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(i) Purchase consideration

	<b>FY2018 (RM)</b>
Cash paid by MNASB, representing total purchase consideration by MNASB	2,131,250

(ii) Effect on cash flows

	<b>FY2018 (RM)</b>
Cash paid by MNASB, representing total cash outflows on acquisition	(2,131,250)

(iii) Identifiable assets acquired and liabilities assumed

	<b>At fair value (RM)</b>
Property, plant and equipment (Note 16)	167,515
Intangible assets (Note 17)	3,977,454
Total assets	4,144,969
Deferred income tax liabilities (Note 22)	(954,589)
Total liabilities	(954,589)
<b>Total identifiable net assets</b>	<b>3,190,380</b>
Less: Non-controlling interests	(1,435,671)
Add: Goodwill (Note 17)	376,541
<b>Total purchase consideration</b>	<b>2,131,250</b>

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**31. Discontinued operations**

Following the disposal of Yatta Group on 30 March 2018, the entire results of the Yatta Group are presented separately on the combined statements of comprehensive income as “Discontinued operations”.

(a) The results of the discontinued operations are as follows:

	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Revenue	–	501,822
Expenses	(7,843)	(912,043)
Loss before tax from discontinued operations	(7,843)	(410,221)
Income tax expense	–	–
Loss after tax from discontinued operations	(7,843)	(410,221)

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	<b>FY2017 (RM)</b>	<b>FY2018 (RM)</b>
Operating cash inflows	–	660,914
Investing cash outflows	–	(995,930)
Financing cash inflows	500,000	–
Total cash inflows/(outflows)	500,000	(335,016)

**32. Events occurring after balance sheet date**

On 15 August 2018, the Group’s subsidiary corporation, MJNMSB had incorporated a wholly-owned subsidiary corporation, MJN Auto Sdn Bhd. (“MJNASB”) in Malaysia which is principally engaged in wholesale and retail of new motor vehicles and maintenance and repair of motor vehicles.

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**33. New or revised accounting standards and interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group’s accounting periods beginning on or after 1 April 2018 and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 40 Transfer of Investment Property
- Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions
- Amendment to FRS 115 Clarification to FRS 115 Revenue from Contracts with Customers
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvement to FRSs (December 2016)
  - Amendments to FRS 28 Investments in Associates and Joint Ventures
  - Amendments to FRS 101 First-Time Adoption of Financial Reporting Standards

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 Leases
- Amendments to FRS 28: Long-term interest in Associates and Joint Ventures
- Amendments to FRS 109: Prepayment Features with Negative compensation
- INT FRS 123: Uncertainty Over Income Tax Treatments
- Amendments to FRS 103: Business Combinations
- Amendments to FRS 111: Joint Arrangements
- Amendments to FRS 12: Income Taxes
- Amendments to FRS 23: Borrowing Costs

Effective date of the following standard had been revised from 1 January 2016 to a date to be determined by Accounting Standards Council

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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**33. New or revised accounting standards and interpretations (continued)**

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (“OCI”) and fair value through Profit or Loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

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**33. New or revised accounting standards and interpretations (continued)**

FRS 115 Revenue from Contracts and Customers

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a goods or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

FRS 116 Leases Illustrative Examples and Amendments to Guidance on Other Standards

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group’s operating leases. As at 31 March 2016, 2017 and 2018, the Group has non-cancellable operating lease commitments of RM1,583,500, RM2,541,800 and RM4,270,705 respectively (Note 26). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

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**33. New or revised accounting standards and interpretations (continued)**

FRS 116 Leases Illustrative Examples and Amendments to Guidance on Other Standards (continued)

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

**34. Adoption of SFRS(I)**

Singapore incorporated companies listed on the Singapore Exchange are required to apply Singapore Financial Reporting Standards (International) (“SFRS(I)”) issued by the Accounting Standards Council. SFRS(I) is a new reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 April 2018.

The Group has performed an assessment on the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 33.

Reconciliation between FRS and SFRS(I)

In line with the requirements of the Amendment of Part IX of Fifth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) (Amendments) Regulations 2017, the Group is required to present a reconciliation of its net assets and net profit after tax for the financial year ended 31 March 2018 prepared in accordance with FRS to SFRS(I).

Other than the effects of the adoption of new standards that are effective for financial year beginning 1 April 2018, the Group has assessed that there are no material reconciliation required to its net assets and net profit after tax for the financial year ended 31 March 2018 and accordingly, no such reconciliation has been presented.

**35. Authorisation of combined financial statements**

These combined financial statements for the financial years ended 31 March 2016, 2017 and 2018 have been prepared for inclusion in the Offer Document of the Company and were authorised for issue by the Board of Directors on 22 October 2018.

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## APPENDIX B – EXTRACTS OF OUR COMPANY’S CONSTITUTION

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The discussion below provides information about certain regulations of our Constitution and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Constitution.

The instrument that constitutes and defines our Company is the Constitution of our Company.

The following summarises certain regulations of our Constitution relating to:

**(a) power of a Director to vote on a proposal, arrangement or contract in which he is interested:**

*Regulation 105*

*A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.*

**(b) the remuneration of our Directors:**

*Regulation 82*

*The ordinary remuneration of the Directors shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.*

*Regulation 83*

- (A) *Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.*
- (B) *The remuneration (including any remuneration under Regulation 83(A) above) in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or a percentage of turnover.*



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### *Regulation 85*

*The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.*

### *Regulation 86*

*A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.*

### *Regulation 91*

*The remuneration of a Chief Executive Officer (or person holding an equivalent position) shall from time to time be fixed by the Directors and may subject to this Constitution be by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.*

### *Regulation 101(D)*

*An Alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as Alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct.*

## **(c) the borrowing powers exercisable by our Directors:**

### *Regulation 112*

*Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.*

## **(d) the retirement or non-retirement of a Director under an age limit requirement:**

*There are no specific provisions in our Constitution relating to the retirement or non-retirement of a Director under an age limit requirement.*

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**(e) the shareholding qualification of a Director:**

*Regulation 81*

*A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.*

**(f) the rights, preferences and restrictions attaching to each class of shares:**

*Regulation 54*

*Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by 21 days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all members other than such as are not under the provisions of this Constitution and the Act entitled to receive such notices from the Company; Provided always that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:*

- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and*
- (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having a right to vote at that meeting,*

*Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. So long as the shares in the Company are listed on any Stock Exchange, at least 14 days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange.*

*Regulation 68*

*Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 13(C), each member entitled to vote may vote in person or by proxy. Every member who is present in person or by proxy shall:*

- (a) on a poll, have one vote for every share which he holds or represents; and*

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## APPENDIX B – EXTRACTS OF OUR COMPANY’S CONSTITUTION

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(b) *on a show of hands, have one vote, Provided always that:*

- (i) *in the case of a member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and*
- (ii) *in the case of a member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*

*For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.*

### *Regulation 13(C)*

*The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.*

### *Regulation 126*

*Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:*

- (a) *all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*
- (b) *all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.*

*For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.*

### *Regulation 150*

*If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.*

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**(g) any change in capital:**

*Regulation 7*

*Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Regulation 11, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:*

- (a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Regulation 11(A) with such adaptations as are necessary shall apply; and*
- (b) any other issue of shares, the aggregate of which would exceed the limits referred to in Regulation 11(B), shall be subject to the approval of the Company in General Meeting.*

*Regulation 11*

- (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Stock Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation 11(A).*
- (B) Notwithstanding Regulation 11(A), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:*
  - (a) (i) issue shares of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or*

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## APPENDIX B – EXTRACTS OF OUR COMPANY’S CONSTITUTION

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- (ii) *make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and*
- (b) *(notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

*Provided always that:*

- (1) *the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;*
  - (2) *in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the listing rules of the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange) and this Constitution; and*
  - (3) *(unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).*
- (C) *Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Statutes and of this Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*

### *Regulation 12*

(A) *The Company may by Ordinary Resolution:*

- (a) *consolidate and divide all or any of its shares;*
  - (b) *subdivide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes and this Constitution), and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and*
  - (c) *subject to the provisions of the Statutes, convert its share capital or any class of shares from one currency to another currency.*

(B) *The Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.*

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### *Regulations 13(A) and (B)*

- (A) *The Company may reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.*
  - (B) *The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*
- (h) any change in the respective rights of the various classes of shares including the action necessary to change the rights, indicating where the conditions are different from those required by the applicable law:**

### *Regulation 9*

*Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.*



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## APPENDIX B – EXTRACTS OF OUR COMPANY’S CONSTITUTION

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### *Regulation 10*

*The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.*

- (i) any dividend restriction, the date on which the entitlement to dividends arises, any procedure for our Shareholders to claim dividends, any time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement then operates:**

### *Regulation 124*

*The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.*

### *Regulation 125*

*If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.*

### *Regulation 126*

*Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:*

- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.*

*For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.*

### *Regulation 127*

*No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.*

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## APPENDIX B – EXTRACTS OF OUR COMPANY’S CONSTITUTION

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### *Regulation 131*

*The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable shall be forfeited and shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date such dividend or other moneys are first payable.*

### *Regulation 134*

*Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.*

### *Regulation 137*

*Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*



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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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You are invited to apply and subscribe for the Invitation Shares at the Invitation Price for each Invitation Share subject to the following terms and conditions set out below and in the relevant printed application forms to be used for the purpose of this Invitation and which forms part of the Offer Document (the “**Application Forms**” or, as the case may be the Electronic Applications (as defined herein)):

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of printed **WHITE** Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks (“**ATM Electronic Applications**”) or through Internet Banking (“**IB**”) websites of the relevant Participating Banks (“**Internet Electronic Applications**”, which together with ATM Electronic Applications, shall be referred to as “**Electronic Applications**”).

Your application for the Placement Shares may only be made by way of printed **BLUE** Placement Shares Application Forms.

**YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**

3. You (not being an approved nominee company) are allowed to submit only one application in your own name for the Offer Shares. If you submit an application for Offer Shares by way of an Offer Shares Application Form, you **MAY NOT** submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

If you submit an application for Offer Shares by way of an ATM Electronic Application, you **MAY NOT** submit another application for Offer Shares by way of an Internet Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

If you, being other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Offer Shares Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

If you have made an application for Placement Shares, you should not make any application for Offer Shares either by way of an Offer Shares Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Offer Shares Application Form, you may not make any application for Placement Shares. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

Joint and multiple applications for the Invitation Shares may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent. If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the case of an Electronic Application, contained in records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

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## **APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company, in consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent, reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance.**

**Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

**Without prejudice to the rights of our Company, the Sponsor and Issuer Manager and the Underwriter and Placement Agent, as agents of our Company, have been authorised to accept, for and on behalf of our Company such other forms of application as the Sponsor and Issue Manager and Underwriter and Placement Agent deem appropriate.**

10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision with regards hereto will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, which shall be at our discretion, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, and subject to the submission of valid applications and payment for the Invitation Shares, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf, as transferee or renounee, any instrument of transfer and/or other documents required for the issue and/or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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12. In the event that our Company lodges a supplementary or replacement offer document (“**Relevant Document**”) pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or transferred, we will (as required by law and subject to the SFA), at our sole and absolute discretion, either:
- (a) within two days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;
  - (b) within seven days of the lodgement of the Relevant Document, give you a copy of the Relevant Document and provide you with an option to withdraw your application; or
  - (c) deem your application as withdrawn and cancelled and shall, within seven days from the date of lodgement of the Relevant Document, return all monies paid in respect of any application, without interest or any share of revenue or benefit arising therefrom.

Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under Paragraph 12(a) and (b) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within seven days from the receipt of such notification.

In the event that at the time of the lodgement of the Relevant Document, the Invitation Shares have already been issued but trading has not commenced, we will (as required by law and subject to the SFA), at our sole and absolute discretion, either:

- (i) within two days (excluding Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to return to our Company the Invitation Shares which you do not wish to retain title in and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;
- (ii) within seven days from the lodgement of the Relevant Document, give you a copy of the Relevant Document and provide you with an option to return the Invitation Shares which you do not wish to retain title in; or
- (iii) deem the issue as void and refund your payments for the Invitation Shares (without interest or any share of revenue or other benefits arising therefrom and at your own risk) within seven days from the date of lodgement of the supplementary or replacement offer document;

and you shall not have any claim against our Company, the Sponsor and Issue Manager and/or the Underwriter and Placement Agent.

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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Any applicant who wishes to exercise his option under paragraph 12(i) and (ii) above to return the Invitation Shares issued to him shall, within 14 days from the date of lodgement of the Relevant Document, notify us of this and return all documents, if any, purporting to be evidence of title of those Invitation Shares, whereupon we shall, subject to compliance with applicable laws and the Constitution of our Company, within seven days from the receipt of such notification and documents, pay to him all monies paid by him for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the Invitation Shares issued to him shall be void.

Additional terms and instructions applicable upon the lodgement of the Relevant Document, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted and/or allocated to you, may be found in such Relevant Document.

13. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent and approved by the SGX-ST.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Company in ensuring a reasonable spread of shareholders of our Company, shall be made public as soon as practicable via an announcement through the SGX-ST and through an advertisement in a local English newspaper.

14. You (i) consent to the collection, use and disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable), share application amount, share application details and other personal data ("**Personal Data**") by the Share Registrar and Share Transfer Agent, Securities Clearing & Computer Services (Pte) Ltd ("**SCCS**"), SGX-ST, CDP, the Participating Banks, our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent and/or other authorised operators (the "**Relevant Persons**") for the purpose of facilitating your application for the Invitation Shares; (ii) consent that the Relevant Persons may disclose or share Personal Data with third parties who provide necessary services to the Relevant Persons, such as service providers working for them and providing services such as hosting and maintenance services, delivery services, handling of payment transactions, and consultants and professional advisers; (iii) consent that the Relevant Persons may transfer your personal data to any location outside of Singapore in order for them to provide the requisite support and services in connection with the Invitation Shares; and (iv) warrant that where you, as an approved nominee company, disclose the Personal

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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Data of the beneficial owner(s) to the Relevant Persons, you have obtained the consent of the beneficial owners to paragraphs (i), (ii) and (iii) and that any disclosure of Personal Data to our Company is in compliance with applicable law (collectively, the “**Personal Data Privacy Terms**”). Where any Personal Data is transferred to a country or territory outside of Singapore, the Relevant Persons will ensure that the recipient of the Personal Data provides a standard of protection that is comparable to the protection which Personal Data enjoys under the laws of Singapore, and where these countries or territories do not have personal data protection laws which are comparable to that in Singapore, the Relevant Persons will enter into legally enforceable agreements with the recipients to ensure that they protect the Personal Data to the same standard as required under the laws of Singapore. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to us, the Sponsor and Issue Manager and the Underwriter and Placement Agent and any other parties so authorised by the foregoing persons. None of our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent, the Participating Banks or CDP shall be liable for any delays, failures, or inaccuracies in the recording, storage, transmission or delivery of data relating to Electronic Applications.

15. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Placement Agent by way of a Placement Shares Application Form.
16. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen of the relevant Participating Banks (as the case may be) in accordance with the provisions of this Offer Document, you:
  - (a) irrevocably offer, agree and undertake to subscribe for the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price for each Invitation Share and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Constitution of our Company;
  - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Offer Document and those set out in the IB websites or ATMs of the relevant Participating Banks, the terms and conditions set out in this Offer Document shall prevail;
  - (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company upon application;



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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you; and
  - (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Sponsor and Issue Manager and the Underwriter and Placement Agent will infringe any such laws as a result of the acceptance of your application.
17. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Invitation Shares on Catalist;
  - (b) the Management and Sponsorship Agreement and the Underwriting and Placement Agreement referred to in the section entitled “Management and Sponsorship Agreement and Underwriting and Placement Agreement” of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
  - (c) the SGX-ST, acting as agent on behalf of the Authority, has not served a stop order (“**Stop Order**”) which directs that no or no further shares to which this Offer Document relates be allotted and/or allocated or issued and/or transferred.
18. In the event that a Stop Order in respect of the Invitation Shares is served by the SGX-ST, acting as agent on behalf of the Authority or other competent authority, and
- (a) in the case where the Invitation Shares have not been issued and/or transferred, all applications shall be deemed to have been withdrawn and cancelled and our Company shall refund all monies paid on account of your application of the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom and at your own risk) to you within 14 days of the date of the Stop Order; or
  - (b) in the case where the Invitation Shares have already been issued and/or transferred but trading has not commenced, the issue and/or transfer of the Invitation Shares shall be deemed to be void and our Company shall, within 14 days from the date of the Stop Order, refund all monies paid on account of your application for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom and at your own risk).
- This shall not apply where only an interim Stop Order has been served.
19. In the event that an interim Stop Order in respect of the Invitation Shares is served by the SGX-ST, acting as agent on behalf of the Authority, or other competent authority, no Invitation Shares shall be issued and/or transferred to you during the time when the interim Stop Order is in force.



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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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20. The SGX-ST, acting as agent on behalf of the Authority or other competent authority, is not able to serve a Stop Order in respect of the Invitation Shares if the Invitation Shares have been issued, listed on a securities exchange and trading in the Invitation Shares has commenced. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a SGXNET announcement to be posted on the internet at the SGX-ST website, <http://www.sgx.com> and through a paid advertisement in a local English newspaper.
21. Our Company will not hold any application in reserve.
22. Our Company will not allot and/or allocate Shares on the basis of this Offer Document later than six months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.
23. Additional terms and conditions for applications by way of Application Forms are set out on pages C-8 to C-12 of this Offer Document.
24. Additional terms and conditions for applications by way of Electronic Applications are set out on pages C-13 to C-24 of this Offer Document.

### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out under the section entitled “*Terms, Conditions and Procedures for Application and Acceptance*” as set out in Appendix C to this Offer Document, as well as the Constitution of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Application Forms and **WHITE** envelopes “A” and “B” for Offer Shares, or the **BLUE** Application Forms for Placement Shares, accompanying and forming part of this Offer Document.

We draw your attention to the detailed instructions contained in the respective Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company, in consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent, reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as it appears in your identity cards (if you have such an identification document) or in your passports and, in the case of a corporation, in your full name as registered with a competent authority. If you are a non-individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Constitution or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Constitution or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Office. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign on page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50.0 per cent. (50.0%) of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0 per cent. (50.0%) of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**MEGROUP SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", and with your name and address written clearly on the reverse side. **Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted.** We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company, the Sponsor and Issue Manager or the Underwriter and Placement Agent for applications and application monies received.

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Invitation does not proceed for any reason, the full amount of the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a Stop Order by the SGX-ST, acting as agent on behalf of the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the Stop Order.
9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of the Participating Banks, our Company, our Directors, the Sponsor and Issue Manager, the Underwriter and Placement Agent and/or any other party involved in the Invitation, and if, in any such event, our Company, the Sponsor and Issue, the Underwriter and Placement Agent and/or the relevant Participating Bank do not receive your Application Form, you shall have no claim whatsoever against our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent, the relevant Participating Bank and/or any other party involved in the Invitation for the Invitation Shares applied for or for any compensation, loss or damage.
11. By completing and delivering the Application Form, you agree that:
  - (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12:00 noon on 29 October 2018** or such other time or date as our Company may, in consultation with the Sponsor and Issue Manager, and the Underwriter and Placement Agent, decide and by completing and delivering the Application Form:
    - (i) your application is irrevocable; and
    - (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (b) neither our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent nor any other party involved in the Invitation shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- (c) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (d) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
- (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (f) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained;
- (g) you accept and agree to the Personal Data Privacy Terms set out in this Offer Document; and
- (h) you irrevocably agree and undertake to subscribe for the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company decides to allot and/or allocate a smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

### Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes “A” and “B”. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
  - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Offer Document in the **WHITE** official envelope “A” provided;
  - (b) in the appropriate spaces on **WHITE** official envelope “A”:
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for;
    - (iii) tick the relevant box to indicate the form of payment; and
    - (iv) affix adequate Singapore postage;

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- (c) Seal the **WHITE** official envelope “A”;
  - (d) write, in the special box provided on the larger **WHITE** envelope “B” addressed to **MEGROUP LTD. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623**, the number of Offer Shares for which the application is made; and
  - (e) insert **WHITE** envelope “A” into **WHITE** envelope “B”, seal **WHITE** envelope “B”, affix adequate Singapore postage on **WHITE** envelope “B” (if despatched by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND**, the documents at your own risk to **MEGROUP LTD. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623**, to arrive by **12.00 noon on 29 October 2018 or such other time as our Company may, in consultation with the Sponsor and Issue Manager and the Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

### Applications for Placement Shares

- 1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
- 2. The completed and signed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **MEGROUP LTD. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623**, to arrive by **12.00 noon on 29 October 2018 or such other time as our Company may, in consultation with the Sponsor and Issue Manager, and the Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
- 3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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### ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB are set out respectively in the “Steps for an ATM Electronic Application through ATMs of UOB” and the “Steps for an Internet Electronic Application through the IB website of UOB” (collectively, the “**Steps**”) appearing below.

The Steps set out the actions that you must take at an ATM or the IB website of UOB to complete an Electronic Application. Please read carefully the terms of this Offer Document, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in this section “Additional Terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

Applicants applying for the Offer Shares by way of Electronic Applications may incur an administrative fee and/or such related charges as stipulated by the respective Participating Banks from time to time.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with an IB User Identification (“**User ID**”) and a Personal Identification Number/Password (“**PIN**”) given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“**Transaction Record**”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application, there will be an on-screen confirmation (“**Confirmation Screen**”) of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

**You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.**

You must ensure, when making an Internet Electronic Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected. In connection with this, you will be asked to declare that you are in Singapore at the time when you make the application.



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## **APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below and those set out under the section entitled “Terms, Conditions and Procedures for Application and Acceptance” of this Offer Document as well as the Constitution of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:
  - (a) **that you have received a copy of this Offer Document (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Offer Document prior to effecting the Electronic Application and agree to be bound by the same;**
  - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residence status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application details (the “Relevant Particulars”) with the relevant Participating Bank to the CDP, CPF, SCCS, SGX-ST, Share Registrar, our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent or other authorised operators (the “Relevant Parties”); and**
  - (c) **that this is your only application for Offer Shares and it is made in your own Name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES, WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.**

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## APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application at the ATM or the IB website of the relevant Participating Bank, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Offer Document or on the screens of the ATM or the IB website of the relevant Participating Bank through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application.

In the event that our Company decides to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Constitution of our Company. You also irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the transfer of the Offer Shares that may be allotted and/or allocated to you.

5. **Our Company will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of the applications provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account.

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account.



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Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you before trading the Offer Shares on Catalist. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment and/or allocation through a SGXNET announcement to be posted on the Internet at the SGX-ST's website at <http://www.sgx.com> and by advertisement in a local English newspaper). To sign up for the service, you may contact CDP's customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Sponsor and Issue Manager nor the Underwriter and Placement Agent assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Banks.

If you make Electronic Applications through the ATMs or the IB websites of the following Participating Banks, you may check the provisional results of your Electronic Applications as follows:

Bank	Telephone	Other Channels	Operating Hours	Service expected from
UOB	1 800 222 2121	ATM (Other Transactions – “IPO Results Enquiry”)/ Phone Banking/ Internet Banking <a href="http://www.uobgroup.com">http://www.uobgroup.com</a> <sup>(1)</sup>	24 hours a day	Evening of the balloting day
DBS Bank	1 800 339 6666 (for POSB account holders)  1 800 111 1111 (for DBS account holders)	Internet Banking <a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(2)</sup>	24 hours a day	Evening of the balloting day
OCBC	1 800 363 3333	ATM/Phone Banking/ Internet Banking <a href="http://www.ocbc.com">http://www.ocbc.com</a> <sup>(3)</sup>	24 hours a day	Evening of the balloting day

**Notes:**

- (1) If you have made your Electronic Application through the ATMs or IB website of UOB, you may check the results of your application through UOB Personal Internet Banking, ATMs of UOB or UOB Phone Banking Services.
- (2) If you have made your Electronic Application through the IB website or mBanking interface of DBS Bank, you may check the results of your application through the channel listed above.
- (3) If you have made your Electronic Application through the ATMs or the IB website of OCBC, you may check the results of your application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking Services.

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7. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Sponsor and Issue Manager or the Underwriter and Placement Agent, and if, in any such event, our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, our Directors, the Sponsor and Issue Manager, the Underwriter and Placement Agent and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
8. **Electronic Applications shall close at 12.00 noon on 29 October 2018 or such other time as our Company may, in consultation with the Sponsor and Issue Manager, and the Underwriter and Placement Agent decide.** Subject to the paragraph above, an Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank, that is, when there is an on-screen confirmation of the application.
9. You are deemed to have irrevocably requested and authorised our Company to:
  - (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
  - (b) send the relevant Share certificate(s) to CDP;
  - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) at your own risk the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of the balloting of applications; and
  - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) at your own risk the balance of the application, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee except those made by approved nominee companies only.
11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.

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12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:
- (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks as the agents of our Company, at the ATMs and IB websites (if any):
    - (i) your Electronic Application is irrevocable; and
    - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (b) neither our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent, the Participating Banks nor CDP shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond our respective controls;
  - (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
  - (e) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Sponsor and Issue Manager, the Underwriter and Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained;
  - (f) you accept and agree to the Personal Data Privacy Terms set out in this Offer Document; and
  - (g) you irrevocably agree and undertake to subscribe for the number of Invitation Shares applied for as stated in your Electronic Application or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company decides to allot and/or allocate a smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

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### Steps for Electronic Applications through the ATMs and the IB website of UOB

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through ATMs or through the IB website of UOB are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens of the relevant Participating Banks (other than UOB) may differ from that represented below.

### Steps for an ATM Electronic Application through ATMs of UOB

Owing to space constraints on UOB's ATM screens, the following terms will appear in abbreviated form:

"&"	:	and
"A/C" and "A/CS"	:	ACCOUNT AND ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	THE CENTRAL PROVIDENT FUND
"CPFINVT A/C"	:	CPF INVESTMENT ACCOUNT
"ESA"	:	ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	:	NRIC or PASSPORT NUMBER
"NO"	:	NUMBER
"REGISTRARS"	:	SHARE REGISTRARS
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"YR"	:	YOUR

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Step 1: Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number.

2: Select “CASHCARD/OTHER TRANSACTIONS”.

3: Select “SECURITIES APPLICATION”.

4: Select “ESA-Fixed”.

5: Select the share counter which you wish to apply for.

6: Read and understand the following statements which will appear on the screen:

- **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT.**

**YOU AGREE THAT THIS TRANSACTION IS ENTERED INTO TOTALLY ON YOUR OWN ACCORD AND THE AVAILABILITY OF THIS APPLICATION SERVICE SHALL NOT BE CONSTRUED AS A RECOMMENDATION OR ADVICE FROM UOB TO ENTER INTO THIS TRANSACTION. YOU MAY WISH TO SEEK PRIOR ADVICE FROM A QUALIFIED ADVISER AS TO THE TRANSACTION SUITABILITY.**

(Press “ENTER” to continue)

- **PLEASE CALL 1800 222 2121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT. WHERE APPLICABLE, A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT/HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT HAS BEEN LODGED WITH AND/OR REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE AND/OR SGX WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT.**

(Press “ENTER” to continue)

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7: Read and understand the following statements which will appear on the screen:

- **YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/PRODUCT HIGHLIGHTS SHEET/SIMPLIFIED DISCLOSURE DOCUMENT/PROFILE STATEMENT/RELEVANT DOCUMENT AND THIS ELECTRONIC APPLICATION.**

(Press “ENTER” to continue)

- **YOU CONSENT TO DISCLOSE YOUR NAME, IC/PASSPORT, NATIONALITY, ADDRESS, APPLICATION AMOUNT, CPF INVESTMENT ACCOUNT NUMBER AND CDP ACCOUNT NUMBER FROM YOUR ACCOUNTS TO CDP, CPF, SCCS, SHARE REGISTRARS, SGX-ST AND ISSUER.**

**THIS IS YOUR ONLY FIXED PRICE APPLICATION AND IS IN YOUR NAME AND AT YOUR RISK.**

(Press “ENTER” to confirm)

8: Screen will display:

**NRIC/Passport No. XXXXXXXXXXXXX**

**IF YOUR NRIC NO./PASSPORT NO. IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**

(Press “CANCEL” or “CONFIRM”)

- 9: Select mode of payment i.e. “CASH ONLY”. You will be prompted to select Cash Account type to debit (i.e., “CURRENT ACCOUNT/I-ACCOUNT/CAMPUS” OR “SAVINGS ACCOUNT/TX ACCOUNT”). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.
- 10: After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB’s ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number.

11: Read and understand the following terms which will appear on the screen:

1. **YOU ARE REQUIRED TO ENTER YOUR CDP ACCOUNT NUMBER FOR YOUR FIRST IPO/SECURITIES APPLICATION.**

**THIS ACCOUNT NUMBER WOULD BE DISPLAYED FOR FUTURE APPLICATIONS.**

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### 2. DO NOT APPLY FOR JOINT ACCOUNT HOLDER OR THIRD PARTIES.

### 3. PLEASE ENTER YOUR OWN CDP ACCOUNT NUMBER (12 DIGITS) AND PRESS ENTER.

If you wish to terminate the transaction, please press “CANCEL”.

- 12: Key in your CDP Securities Account number (12 digits) and press the “ENTER” key.
- 13: Select your nationality status.
- 14: Key in the number of Shares you wish to apply for and press the “ENTER” key.
- 15: Check the details of your Electronic Application on the screen and press “ENTER” key to confirm your Electronic Application.
- 16: Select “NO” if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

### Steps for an Internet Electronic Application through the IB website of the UOB

Owing to space constraints on the UOB’s IB website screens, the following terms will appear in abbreviated form:

“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“NRIC” or “I/C”	:	National Registration Identity Card
“PR”	:	Permanent Resident
“SGD” or “S\$”	:	Singapore Dollars
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

Step 1: Connect to the UOB website at <http://www.uobgroup.com>.

- 2: Locate the UOB Online Services Login icon on the top right hand side next to “Internet Banking”.
- 3: Click on UOB Online Services Login and at drop list select “UOB Personal Internet Banking”.
- 4: Enter your Username and Password and click “Submit”.

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- 5: Click on “Proceed” under the Full Access Mode.
- 6: You will receive a SMS One-Time Password. Enter the SMS One-Time Password and click “Proceed”.
- 7: Click on “Investment”, followed by “Securities”, followed by “Add”.
- 8: Read the IMPORTANT notice and complete the declarations found on the Bottom of the page by answering Yes/No to the questions.
- 9: Click “Proceed”.
- 10: Select your country of residence (you must be residing in Singapore to apply), and click “Continue”.
- 11: Select the “Securities Counter” from the drop list (if there are concurrent IPOs) and click “Submit”.
- 12: Check the “Securities Counter”, select the mode of payment and account number to debit and click on “Submit”.
- 13: Read the important instructions and click on “Continue” to confirm that:
  1. **You have read, understood and agreed to all the terms of this application and Prospectus/Offer Document or Supplementary Document.**
  2. **For the purposes of facilitating your application, you consent to disclose your name, NRIC/passport number, CDP Securities Account Number, CPF investment account number, application details and other personal data and disclosing the same from our records to CDP, CPF, SCCS, share registrars, SGX-ST & Issuer, the Sponsor, Issue Manager, Underwriter and Placement Agent.**
  3. **This application is made in your own name, for your own account and at your own risk.**
  4. **For FIXED/MAX price securities application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.**
  5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in S\$, based on the Bank’s exchange rate, or application monies may be debited and refunds credited in S\$ at the same exchange rate.**
  6. **For 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**



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## **APPENDIX C – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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- 14: Check your personal details, details of the share counter you wish to apply for and account to debit.
- Select     (a)   Nationality;
- Enter       (b)   your CDP securities account number; and
- (c)   the number of shares applied for.
- 15: Check the details of your application, your NRIC/Passport number, CDP Securities Account Number and the number of shares applied for, share counter, payment mode and account to debit.
- 16: Click “Submit”, “Clear” or “Home” as applicable.
- 17: Print the Confirmation Screen (optional) for your own reference and retention only.

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## APPENDIX D – SUMMARY OF RELEVANT LAWS AND REGULATIONS

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Save as disclosed below, as at the Latest Practicable Date, our business and operations are not subject to any specific legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Singapore and Malaysia.

As at the Latest Practicable Date, to the best of our Directors' knowledge, our Group is in compliance with all applicable laws and regulations that are material to our business operations.

The following is a summary of the main laws and regulations of Malaysia that are material to our business as at the Latest Practicable Date.

### 1. Manufacturing Activity

As a manufacturer in Malaysia, our Group is subject to local by-laws which are mandated and governed by the local authority flowing from the Local Government Act 1976. Any company conducting business activities is required to obtain business and advertising licences from the local authority where the business premise is situated. The business premise shall be inspected or supervised by the local authority, which is empowered to grant, grant-with-condition(s), not grant and revoke licences which have been granted.

Further, as the Group has more than 75 full-time paid employees, the Industrial Co-ordination Act 1975 and the relevant policies and/or guidelines issued by the Malaysian Investment Development Authority ("**MIDA**") and Ministry of Trade and Industry of Malaysia ("**MITI**") requires any company of that size or larger, which is engaged in manufacturing activities to be granted a manufacturing licence issued by MITI.

We will notify MITI and MIDA of the change in shareholding of MNSB after the Restructuring Exercise is completed. The Legal Adviser to our Company on Malaysia law has confirmed that the conditions of licences issued by MITI to MNSB do not require notification to be made to MITI and MIDA prior to any changes in shareholdings in MNSB.

### 2. Factories and Machinery

Section 19 of the Factories and Machinery Act 1967 ("**FMA**"), which is administered by the Department of Occupational Safety and Health of Malaysia, provides that no person shall operate or permit to operate any machinery in respect of which a certificate of fitness is prescribed under the FMA, unless there is in force in relation to the operation of such machinery a valid certificate of fitness issued under the FMA.

Operating any machinery without a valid certificate will result to an inspector appointed under the FMA to serve upon the person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. In addition, failure to obtain a valid certificate of fitness is considered an offence under the FMA and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three years or to both.

Section 34(2) of the FMA further provides that no person shall except with the written permission of the inspector begin to use any premises as a factory until one month after he has served on the inspector a written notice in the prescribed form. This is not applicable to any person who takes over a factory from another person if there is no change in the nature of the work carried on in the factory provided that the first person shall within one month of such taking over have served on the inspector written notice in the prescribed form.

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## APPENDIX D – SUMMARY OF RELEVANT LAWS AND REGULATIONS

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### 3. Workplace Safety and Health

Pursuant to the Occupational Safety and Health Act 1994, every employer has an obligation to secure the safety, health and welfare of its employees and to protect other persons at its place of work against risks to safety or health arising out of the activities of its employees at work.

The measures required to be undertaken include:

- (a) providing and maintaining plant and systems of work that are, so far as is practicable, safe and without risks to health;
- (b) making arrangements to ensure, so far as is practicable, the safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- (c) providing information, instruction training and supervision as is necessary to ensure, so far as is practicable, the safety and health of its employees;
- (d) so far as is practicable, as regard any place of work under its control, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and
- (e) providing and maintaining a working environment for its employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work.

The regulatory body in charge of enforcing these laws is the Department of Occupational Safety and Health, Malaysia.

### 4. Employment Laws

The relevant legal framework and procedures relating to employees and/or former employees who have been unfairly dismissed and/or constructively dismissed by employers is set out in the Industrial Relations Act 1967 (“IRA”). The IRA provides an avenue for employees to seek redress by bringing matters to the Industrial Court of Malaysia, which has jurisdiction over matters relating to industrial relation matters. In general, former employees who claim to have been unfairly and/or unlawfully dismissed by an employer may seek reinstatement to their position or compensation in lieu of reinstatement and backwages for a maximum of up to 24 months of their last-drawn salary.

The Employment Act 1955 (“EA”) provides for the minimum benefits and standards in respect of employees earning a monthly salary of RM2,000 and below and employees involved in manual labour, supervisors of such manual labourers, drivers and domestic servants regardless of their monthly salary. The EA provides for the statutory requirements and standards in relation to, *inter alia*, employees’ working hours, overtime payment, leave, public holidays, termination and benefits for layoffs. Where there is any inconsistency between the terms of an employment contract and the provisions of the legislation, the employee would be entitled to the more favourable treatment.

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## APPENDIX D – SUMMARY OF RELEVANT LAWS AND REGULATIONS

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Under the Immigration Act 1959, the employment of foreigners is prohibited unless the employment permits and visas specifying the duration of employment are granted. Such permits and visas are subject to renewal upon their expiry. The payment of compensation to foreign employees for injury suffered in the course of their employment is regulated by the Workmen's Compensation Act 1952 ("**WCA**"). Employers are required to compensate and pay for expenses incurred in the foreign employees' rehabilitation. As for the employees of our Group who are not covered by the WCA, they are covered by the Employees' Social Security Act 1969 ("**SOCSSO**") whereby employers have the statutory duty to insure its employees in the manner provided under the SOCSSO, in respect of injuries occurring in the course of the employment.

Employers are mandated under the Employees Provident Fund Act 1991 to make contributions of 13% of employees' salaries (for employees earning less than RM5,000 a month) or 12% of employees' salaries (for employees earning more than RM5,000 a month). The regulatory body in charge of enforcing these laws and regulations is the Labour Department of the Ministry of Human Resources.

### 5. Environmental Laws

The Environmental Quality Act 1974 ("**EQA**") and the regulations and orders made thereunder are laws related to the prevention, abatement, control of pollution and enhancement of the environment in Malaysia. The EQA states, among others, that the acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or waste, or the emission of noise into any area, segment or element of the environment may be specified by regulations. The Director General of Environment has been appointed to administer the EQA and any regulations and orders made thereunder through the Department of Environment of Malaysia.

The Group is subject to the Environmental Quality (Clean Air) Regulations 2014 ("**CAR 2014**") (which had replaced the Environmental Quality (Clean Air) Regulations 1978 ("**CAR 1978**") that is now revoked). CAR 2014 aims to regulate emissions of air pollutants from industrial activities including power plants, waste fuel plants and asphalt mixing plants. Pursuant to both CAR 1978 and CAR 2014, LYFSB had obtained the written approvals from the Department of Environment of Malaysia to install manufacturing equipment that may emit pollutant gas and other infrastructure controlled by the air pollution scrubber system. The minister charged with the responsibility of environmental protection may also issue a prohibition order to the owner or occupier of any industrial plant or process to prevent its continued operation and the release of environmentally hazardous substances, pollutants or wastes either absolutely or conditionally or for such period as he may direct or until requirements to make remedy as directed by him have been complied with.

### 6. Certificate of Completion and Compliance ("**CCC**")

Pursuant to the SDB 2007, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

As at the Latest Practicable Date, we are in the process of obtaining CCCs for our Mazda automobile dealership at Jalan SB and our Peugeot automobile dealership at Jalan WS.

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## APPENDIX D – SUMMARY OF RELEVANT LAWS AND REGULATIONS

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Our Legal Advisers to our Company as to Malaysia law, Naqiz & Partners, have issued a legal opinion (the “**Legal Opinion**”) stating that having made enquiries with the Kuala Lumpur City Hall and the Kajang Municipal Council, the municipal branches having jurisdiction for the issuance of the CCCs for our Mazda automobile dealership at Jalan SB and our Peugeot automobile dealership at Jalan WS respectively, both the Kuala Lumpur City Hall and the Kajang Municipal Council have confirmed that the day-to-day operations of the dealership businesses located at these premises will not be affected pending the issuance of the Certificates of Completion and Compliance. As at the Latest Practicable Date, no such penalties have been imposed on our Group.

### **Factories erected without building plans**

SDB 2007 provides that no person shall commence the erection of a building unless such work is commenced within 12 months from the date on which the plans and specifications of such building were approved by the local authority. Any person who commences erection of a building in contravention of this requirement shall be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both and shall also be liable to a further fine of RM1,000 for every day during which the offence is continued after conviction.

### **Factories erected without planning permission**

The Town and Country Act 1976 provides that a person who, whether at his own instance or at the instance of another person commences, undertakes, or carries out, or permits to be commenced, undertaken, or carried out, any development without a valid planning permission commits an offence and is liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding two years or to both and, in the case of a continuing offence, to a further fine which may extend to RM5,000 for each day during which the offence continues after the first conviction for the offence.

## **7. Guidelines issued and enforced by the Malaysian Ministry of Domestic Trade, Cooperatives and Consumerism (“MDTCC”)**

Participation in distributive trade in Malaysia is regulated by the Guidelines issued and enforced by the MDTCC. The Guidelines are administrative and do not have the force of law and there are no legal sanctions for non-compliance with the Guidelines. However, companies which do not adhere to the Guidelines may face administrative difficulties in dealing with the MDTCC and in conducting business in Malaysia generally. For example, non-compliance may result in us not being to obtain certain operating licences including business premises licences.

The Guidelines only apply to foreign involvement in companies engaged in distributive trade in Malaysia.

The Guidelines regulate the distributive sector based on certain distribution forms. Differing levels of regulation apply to each format.

Because (i) MNHSB is wholly-owned by MeAG, a Singapore incorporated company; and (ii) we will have foreign shareholders as a result of the listing of our Company on Catalist, should the practice and interpretation of the Guidelines by MDTCC change in the future, the Guidelines may impact the conduct of our business in Malaysia.

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## **APPENDIX D – SUMMARY OF RELEVANT LAWS AND REGULATIONS**

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For example, the Guidelines require prior approval of the MDTCC to be obtained for the following proposals, if there is foreign involvement in such proposals:

- (a) acquisition of interests in companies and businesses;
- (b) mergers and take-overs by foreign interests;
- (c) opening of new branches/outlets/chain stores;
- (d) relocation of branches/outlets/chain stores;
- (e) expansion of existing branches/outlets/chain stores;
- (f) taking over outlets of other operators; and
- (g) purchase of properties to operate distributive trade activities.

The Guidelines also set out certain rules and conditions for distributive trade companies with foreign equity, including requiring departmental store businesses with foreign equity to be incorporated under the Companies Act 2016 and to meet minimum paid-up capital requirements, appointment of Bumiputera director/directors, hiring personnel at all levels including management to reflect the racial composition of the Malaysian population and formulating clear policies and plans to assist Bumiputera participation in the distributive trade sector.

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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### RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

#### 1. NAME OF THE PLAN

- 1.1 The Plan shall be called the “MeGroup Performance Share Plan”.

#### 2. DEFINITIONS

- 2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

<i>“Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
<i>“Adoption Date”</i>	:	The date on which the Plan is adopted by the Company in general meeting
<i>“Associate”</i>	:	Shall have the meaning assigned to it in the Catalist Rules
<i>“Associated Company”</i>	:	A company in which at least 20% but not more than 50% of its issued shares are held by the Company or the Group and over which the Company has Control
<i>“Auditors”</i>	:	The auditors of the Company for the time being
<i>“Award”</i>	:	A contingent award of Shares under Rule 5
<i>“Award Date”</i>	:	In relation to an Award, the date on which the Award is granted pursuant to Rule 5
<i>“Award Letter”</i>	:	A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee.
<i>“Catalist Rules”</i>	:	The rules constituted in Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as may be amended or modified from time to time
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Committee”</i>	:	The Remuneration Committee of the Company
<i>“Company”</i>	:	MeGroup Ltd.
<i>“Control”</i>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company



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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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<i>“Controlling Shareholder”</i>	:	A shareholder who: <ul style="list-style-type: none"><li>(a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company. The SGX-ST may determine that a person who satisfies this subparagraph is not a controlling shareholder; or</li><li>(b) in fact exercises Control over the Company</li></ul>
<i>“Group Executive Director”</i>	:	A director of the Company and/or any of its Subsidiaries and/or any of its Associated Companies, as the case may be, who performs an executive function
<i>“Group”</i>	:	The Company, its Subsidiaries and Associated Companies (as they may exist from time to time)
<i>“Group Executive”</i>	:	Any employee of the Group (including any Group Executive Director who meet the relevant criteria and who shall be regarded as a Group Executive for the purposes of the Plan) selected by the Committee to participate in the Plan in accordance with Rule 4
<i>“Non-executive Director”</i>	:	A director of the Group, other than one who performs an executive function
<i>“Participant”</i>	:	A Group Executive or a Non-executive Director who has been granted an Award
<i>“Performance Condition”</i>	:	In relation to an Award, the condition specified on the Award Date in relation to that Award
<i>“Performance Period”</i>	:	The period, as may be determined by the Committee at its discretion, during which the Performance Condition is to be satisfied
<i>“Plan”</i>	:	The MeGroup Performance Share Plan, as the same may be modified from time to time
<i>“Release”</i>	:	In relation to an Award, the release at the end of the Performance Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7 and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and <i>“Released”</i> shall be construed accordingly

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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<i>“Release Schedule”</i>	:	In relation to an Award, a schedule in such form as the Committee shall approve, setting out the extent to which Shares which are the subject of that Award shall be Released on the Performance Condition being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the Performance Period
<i>“Released Award”</i>	:	An Award which has been released in accordance with Rule 7
<i>“Retention Period”</i>	:	Such retention period as may be determined by the Committee and notified to the Participant at the grant of the relevant Award to that Participant
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company
<i>“SGX-ST”</i>	:	The Singapore Exchange Securities Trading Limited
<i>“Subsidiary”</i>	:	A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Act
<i>“Trading Day”</i>	:	A day on which the Shares are traded on the SGX-ST
<i>“Vesting”</i>	:	In relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and “Vest” and “Vested” shall be construed accordingly
<i>“Vesting Date”</i>	:	In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have Vested pursuant to Rule 7

2.2 Words importing the singular number shall, where applicable, include the plural number and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

2.3 Any reference to a time of a day in the Plan is a reference to Singapore time.

2.4 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in the Plan and used in the Plan shall have the meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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### 3. OBJECTIVES OF THE PLAN

The Plan has been proposed in order to:

- (a) foster an ownership culture within the Group which aligns the interests of Group Executives and Non-executive Directors with the interests of shareholders;
- (b) motivate Participants to achieve key financial and operational goals of the Company and/or their respective business units; and
- (c) make total employee remuneration sufficiently competitive to recruit and retain staff having skills that are commensurate with the Company's ambition to become a world class company.

### 4. ELIGIBILITY OF PARTICIPANTS

- 4.1
  - (a) Group Executives who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who have, as of the Award Date, been in full time employment of the Group for a period of at least 12 months (or in the case of any Group Executive Director, such shorter period as the Committee may determine); and
  - (b) Non-executive Directors,  
  
shall be eligible to participate in the Plan at the absolute discretion of the Committee.
  - (c) Directors and employees of the Company's parent company and its Subsidiaries (other than the Company and the Company's Subsidiaries) who are not Group Executives are not entitled to participate in the Plan.
- 4.2 Controlling Shareholders and their Associates who satisfy the criteria set out in Rule 4.1 above shall be eligible to participate in the Plan provided that:
  - (a) their participation; and
  - (b) the actual or maximum number of Shares and terms of any Awards to be granted to them,

have been approved by independent shareholders of the Company at a general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual or maximum number of Shares and terms of any Awards to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholders of the Company for the participation in the Plan of a Controlling Shareholder or his Associate who is, at the relevant time, already a Participant. Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Plan and the grant of Awards to them.

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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### 5. GRANT OF AWARDS

- 5.1 Subject as provided in Rule 8, the Committee may grant Awards to Group Executives and Non-executive Directors as the Committee may select, in its absolute discretion, at any time during the period when the Plan is in force.
- 5.2 The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance and potential for future development, his contribution to the success and development of the Group and the extent of effort with which the Performance Condition may be achieved within the Performance Period.
- 5.3 The Committee shall decide in relation to an Award:
- (a) the Participant;
  - (b) the Award Date;
  - (c) the Performance Period;
  - (d) the number of Shares which are the subject of the Award;
  - (e) the Performance Condition;
  - (f) the Release Schedule; and
  - (g) any other condition which the Committee may determine in relation to that Award.
- 5.4 The Committee may amend or waive the Performance Period, the Performance Condition and/or the Release Schedule in respect of any Award:
- (a) in the event of a take-over offer being made for the Shares or if under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies or in the event of a proposal to liquidate or sell all or substantially all of the assets of the Company; or
  - (b) if anything happens which causes the Committee to conclude that:
    - (i) a changed Performance Condition and/or Release Schedule would be a fairer measure of performance, and would be no less difficult to satisfy; or
    - (ii) the Performance Condition and/or Release Schedule should be waived,and shall notify the Participants of such change or waiver.

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## **APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN**

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- 5.5 As soon as reasonably practicable after making an Award, the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:
- (a) the Award Date;
  - (b) the Performance Period;
  - (c) the number of Shares which are the subject of the Award;
  - (d) the Performance Condition;
  - (e) the Release Schedule; and
  - (f) any other condition which the Committee may determine in relation to that Award.
- 5.6 Participants are not required to pay for the grant of Awards.
- 5.7 An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award without the prior approval of the Committee, that Award or Released Award shall immediately lapse.
- 5.8 The maximum number of Shares issuable or to be transferred by the Company pursuant to the Awards granted under the Plan, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, will be 15.0% of the Company's total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day preceding that date.

### **6. EVENTS PRIOR TO THE VESTING DATE**

- 6.1 An Award shall, to the extent not yet Released, immediately lapse without any claim whatsoever against the Company:
- (a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;
  - (b) subject to Rule 6.2(b), upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or
  - (c) in the event of an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency.

For the purpose of Rule 6.1(b), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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6.2 In any of the following events, namely:

- (a) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Award;
- (b) where the Participant ceases to be in the employment of the Group by reason of:
  - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee;
  - (ii) redundancy;
  - (iii) retirement at or after the legal retirement age;
  - (iv) retirement before the legal retirement age with the consent of the Committee;
  - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group, as the case may be;
  - (vi) (where applicable) his transfer of employment between companies within the Group;
  - (vii) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within the Group; or
  - (viii) any other event approved by the Committee;
- (c) the death of a Participant;
- (d) any other event approved by the Committee,

the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to Vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the Performance Period and subject to the provisions of the Plan. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the Performance Condition has been satisfied.

6.3 Without prejudice to the provisions of Rule 5.4, if before the Vesting Date, any of the following occurs:

- (a) a take-over offer for the Shares becomes or is declared unconditional;
- (b) a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies being approved by shareholders of the Company and/or sanctioned by the court under the Act; or
- (c) an order being made or a resolution being passed for the winding-up of the Company (other than as provided in Rule 6.1(c) or for amalgamation or reconstruction),

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## **APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN**

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the Committee will consider, at its discretion, whether or not to Release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to Release any Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Performance Period which has elapsed and the extent to which the Performance Condition has been satisfied. Where Awards are Released, the Committee will, as soon as practicable after the Awards have been Released, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7.

### **7. RELEASE OF AWARDS**

#### **7.1 Review of Performance Condition**

7.1.1 As soon as reasonably practicable after the end of each Performance Period, the Committee shall review the Performance Condition specified in respect of each Award and determine at its discretion whether it has been satisfied and, if so, the extent to which it has been satisfied, and provided that the relevant Participant has continued to be a Group Executive or a Non-executive Director from the Award Date up to the end of the Performance Period, shall Release to that Participant all or part (as determined by the Committee at its discretion in the case where the Committee has determined that there has been partial satisfaction of the Performance Condition) of the Shares to which his Award relates in accordance with the Release Schedule specified in respect of his Award on the Vesting Date. If not, the Awards shall lapse and be of no value.

If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or (subject to Rule 6) if the relevant Participant has not continued to be a Group Executive or a Non-executive Director from the Award Date up to the end of the relevant Performance Period, that Award shall lapse and be of no value and the provisions of Rules 7.2 to 7.4 shall be of no effect.

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of the Company or the Group, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events, and further the right to amend the Performance Condition if the Committee decides that a changed performance target would be a fairer measure of performance.

7.1.2 Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Trading Day falling as soon as practicable after the review by the Committee referred to in Rule 7.1.1 and, on the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares so determined.

7.1.3 Where new Shares are allotted upon the Vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of such Shares.

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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### 7.2 Release of Award

Shares which are allotted or transferred on the Release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent, in each case, as designated by that Participant.

### 7.3 Ranking of Shares

New Shares allotted and issued, and existing Shares procured by the Company for transfer, on the Release of an Award shall:

- (a) be subject to all the provisions of the Constitution of the Company; and
- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant Vesting Date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

For the purposes of this Rule 7.3, “**Record Date**” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

### 7.4 Moratorium

Shares which are allotted and issued or transferred to a Participant pursuant to the Release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during the Retention Period, except to the extent set out in the Award Letter or with the prior approval of the Committee. The Company may take steps that it considers necessary or appropriate to enforce or give effect to this disposal restriction including specifying in the Award Letter the conditions which are to be attached to an Award for the purpose of enforcing this disposal restriction.

## 8. LIMITATION ON THE SIZE OF THE PLAN

- 8.1 The aggregate number of Shares which may be issued or transferred pursuant to Awards granted under the Plan on any date, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day preceding that date.
- 8.2 The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan to Participants who are Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Plan.
- 8.3 The number of Shares which may be issued or transferred pursuant to Awards under the Plan to each Participant who is a Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Plan.
- 8.4 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Plan.



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## **APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN**

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### **9. ADJUSTMENT EVENTS**

9.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet Vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the Plan,

shall be adjusted in such manner as the Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the Participant receives a benefit that a shareholder of the Company does not receive.

9.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

9.3 Notwithstanding the provisions of Rule 9.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

9.4 Upon any adjustment required to be made pursuant to this Rule 9, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the Vesting of an Award. Any adjustment shall take effect upon such written notification being given.

### **10. ADMINISTRATION OF THE PLAN**

10.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the board of directors of the Company, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards to be granted to him or held by him.

10.2 The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as it may, in its absolute discretion, think fit. Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the Committee.

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## **APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN**

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- 10.3 Neither the Plan nor the grant of Awards under the Plan shall impose on the Company or the Committee or any of its members any liability whatsoever in connection with: (a) the lapsing of any Awards pursuant to any provision of the Plan; (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Plan; and/or (c) any decision or determination of the Committee made pursuant to any provision of the Plan.
- 10.4 Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including for the avoidance of doubt, any decisions pertaining to disputes as to the interpretation of the Plan or any rule, regulation or procedure hereunder or as to any rights under the Plan). The Committee shall not be required to furnish any reasons for any decision or determination made by it.
- 10.5 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Awards to be granted to him.

### **11. NOTICES AND COMMUNICATIONS**

- 11.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 11.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.
- 11.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 11.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of dispatch.

### **12. MODIFICATIONS TO THE PLAN**

- 12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by a resolution of the Committee, except that:
- (a) no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were Released to them upon the Performance Conditions for their Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be Vested upon Release of all outstanding Awards upon the Performance Conditions for all outstanding Awards being satisfied in full;

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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- (b) the definitions of “**Associated Company**”, “**Group Executive**”, “**Group Executive Director**”, “**Non-executive Director**”, “**Participant**”, “**Performance Period**” and “**Release Schedule**” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10 and this Rule 12 shall not be altered to the advantage of Participants except with the prior approval of the Company’s shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

For the purposes of Rule 12.1(a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Award shall be final, binding and conclusive.

For the avoidance of doubt, nothing in this Rule 12.1 shall affect the right of the Committee under any other provision of the Plan to amend or adjust any Award.

- 12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Plan to comply with, or take into account, any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 12.3 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants.

### 13. TAKE-OVER AND WINDING UP OF THE COMPANY

- 13.1 Subject to Rule 13.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to the Shares under the Awards if he has met the Performance Condition for the corresponding Performance Period. For the avoidance of doubt, the vesting of such Awards shall not be affected by the take-over offer.
- 13.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Condition shall be entitled, notwithstanding the provisions under this Rule 13 but subject to Rule 13.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.
- 13.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that Shares may not have been released to the Participants, shall be deemed null and void.
- 13.4 In the event of a members’ voluntary winding-up (other than for amalgamation or reconstruction), the Shares under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Condition prior to the date on which the members’ voluntary winding-up is deemed to have commenced or is effective in law.

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## **APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN**

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- 13.5 If in connection with the making of a general offer referred to in Rule 13.1 or the scheme referred to in Rule 13.2 or the winding-up referred to in Rule 13.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of the Participants, whether by the payment of cash or by any other form of benefit, no Release of Shares under the Award shall be made in such circumstances.

### **14. TERMS OF EMPLOYMENT UNAFFECTED**

The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

### **15. DURATION OF THE PLAN**

- 15.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 15.2 The Plan may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Committee hereunder.
- 15.3 The expiry or termination of the Plan shall not affect Awards which have been granted prior to such expiry or termination, whether such Awards have been Released (whether fully or partially) or not.

### **16. TAXES**

All taxes (including income tax) arising from the grant or Release of any Award granted to any Participant under the Plan shall be borne by that Participant.

### **17. COSTS AND EXPENSES OF THE PLAN**

- 17.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent.
- 17.2 Save for the taxes referred to in Rule 15 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment and issue, or transfer, of Shares pursuant to the Release of any Award shall be borne by the Company.

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## APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN

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### 18. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing, or procuring the transfer of, the Shares or applying for or procuring the listing of new Shares on the SGX-ST in accordance with Rule 7.1.3.

### 19. REPORTING REQUIREMENTS

19.1 Under the Catalist Rules, an immediate announcement must be made on the Award Date and the announcement must provide details of the grant, including the following:

- (a) date of grant;
- (b) market price of the Shares on the Award Date;
- (c) number of Shares granted under the Award;
- (d) number of Shares granted to each Director and Controlling Shareholder (and each of their Associates) under the Award, if any; and
- (e) the vesting period in relation to the Award.

19.2 The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Plan continues in operation:

- (a) the names of the members of the Committee administering the Plan;
- (b) in respect of the following Participants of the Plan:
  - (i) directors of the Company;
  - (ii) Controlling Shareholders and their Associates; and
  - (iii) Participants (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the Release of Awards granted under the Plan which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the Plan, the following information:

Name of participant	Aggregate number of Shares comprised in Awards under the MeGroup PSP during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards vested to such participant since commencement of the MeGroup PSP to end of financial year under review	Aggregate number of Shares comprised in Awards issued since commencement of the MeGroup PSP to end of financial year under review	Aggregate number of Shares comprised in Awards which have not been released as at the end of financial year under review
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## **APPENDIX E – RULES OF THE MEGROUP PERFORMANCE SHARE PLAN**

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such other information as may be required by the Catalist Rules or the Act, provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in the annual report.

### **20. DISPUTES**

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

### **21. ABSTENTION FROM VOTING**

Shareholders who are eligible to participate in the Plan are to abstain from voting on any Shareholders' resolution relating to the Plan and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the Plan shall abstain from voting on the following resolutions, where applicable (a) implementation of the Plan, and (b) participation by and grant of Awards to Controlling Shareholders and their Associates.

### **22. GOVERNING LAW**

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting grants of Awards in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

### **23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT, CHAPTER 53B**

No person other than the Company or a Participant shall have any right to enforce any provision of the Plan or any Award by the virtue of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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### RULES OF THE MEGROUP SHARE OPTION SCHEME

#### 1. DEFINITIONS

In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

<i>“Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
<i>“Associate”</i>	:	Shall have the meaning assigned to it in the Catalist Rules
<i>“Associated Company”</i>	:	A company in which at least 20% but not more than 50% of its issued shares are held by the Company or the Group and over which the Company has Control
<i>“Associated Company Employee”</i>	:	Any confirmed employee (including directors) of an Associated Company selected by the Committee to participate in the Scheme
<i>“Auditors”</i>	:	The auditors of the Company for the time being
<i>“Board”</i>	:	The board of Directors of the Company for the time being
<i>“Catalist Rules”</i>	:	The rules constituted in Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as may be amended or modified from time to time
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Committee”</i>	:	The Remuneration Committee of the Company
<i>“Company”</i>	:	MeGroup Ltd.
<i>“Control”</i>	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
<i>“Controlling Shareholder”</i>	:	A shareholder who:  (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company. The SGX-ST may determine that a person who satisfies this subparagraph is not a controlling shareholder; or  (b) in fact exercises Control over the Company



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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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<i>“Date of Grant”</i>	:	The date on which an Option is granted to a Participant pursuant to Rule 7
<i>“Director”</i>	:	A person holding office as a director for the time being of the Company
<i>“EGM”</i>	:	Extraordinary General Meeting
<i>“Executive Director”</i>	:	A director who is an employee of our Group and who performs an executive function
<i>“Exercise Price”</i>	:	The price at which a Participant shall acquire each Share upon the exercise of an Option, as determined in accordance with Rule 9, or such adjusted price as may be applicable pursuant to Rule 10
<i>“Financial Year”</i>	:	Each period of 12 months or more or less than 12 months, at the end of which the balance of accounts of the Company are prepared and audited, for the purpose of laying the same before an annual general meeting of the Company
<i>“Grantee”</i>	:	The person to whom an offer of an Option is made
<i>“Group”</i>	:	The Company, its Subsidiaries and Associated Companies (as they may exist from time to time)
<i>“Group Employee”</i>	:	Any confirmed employee of our Group (including an Executive Director) selected by the Committee to participate in the Scheme in accordance with Rule 4
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading of securities
<i>“Market Price”</i>	:	The average of the last dealt prices for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five consecutive Market Days immediately prior to the relevant Offer Date Provided always that in the case of a Market Day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices
<i>“Non-executive Director”</i>	:	A director of our Group other than one who performs an executive function

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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<i>“Offer Date”</i>	:	The date on which an offer to grant an Option is made pursuant to the Scheme
<i>“Option”</i>	:	The right to acquire Shares granted or to be granted to a Group Employee or a Non-executive Director pursuant to the Scheme and for the time being subsisting
<i>“Option Period”</i>	:	<p>Subject as provided in Rules 11 and 15, the period for the exercise of an Option being:</p> <p>(a) in the case of an Option granted with the Exercise Price set at Market Price, a period beginning one year from the Offer Date of that Option and expiring on the tenth year from the relevant Offer Date or such earlier date as may be determined by the Committee, subject as provided in Rules 11 and 15, and any other conditions as may be determined by the Committee from time to time; and</p> <p>(b) in the case of an Option granted with the Exercise Price set at a discount to the Market Price, a period beginning two years from the Offer Date of that Option and expiring on the tenth year from the relevant Offer Date or such earlier date as may be determined by the Committee, subject as provided in Rules 11 and 15, and any other conditions as may be determined by the Committee from time to time</p>
<i>“Participant”</i>	:	The holder of an Option
<i>“Record Date”</i>	:	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions
<i>“Scheme”</i>	:	The MeGroup Share Option Scheme
<i>“S\$”</i>	:	Singapore dollars
<i>“SGX-ST”</i>	:	The Singapore Exchange Securities Trading Limited
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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<i>“Shareholders”</i>	:	The registered holders for the time being of the Shares (other than CDP) or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
<i>“Subsidiary”</i>	:	A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Act

The terms “Depositor”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to them respectively in the Securities and Futures Act (Chapter 289) of Singapore.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter gender. References to persons shall include corporations.

Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Scheme shall, where applicable, have the same meaning assigned to it under the Act. Any reference in this Scheme to a time of day shall be a reference to Singapore time unless otherwise stated.

### 2. NAME OF THE SCHEME

The Scheme shall be called the “MeGroup Share Option Scheme”.

### 3. OBJECTIVES OF THE SCHEME

The Scheme will provide an opportunity for Group Employees who have contributed significantly to the growth and performance of the Group and Non-executive Directors and who satisfy the eligibility criteria as set out in Rule 4 of the Scheme, to participate in the equity of the Company.

The Scheme is primarily a share incentive scheme. It recognises the fact that the services of Group Employees and Non-executive Directors are important to the success and continued well-being of the Group. Implementation of the Scheme will enable the Company to give recognition to the contributions made by such Group Employees and Non-executive Directors. At the same time, it will give such Group Employees and Non-executive Directors an opportunity to have a direct interest in the Company at no direct cost to its profitability and will also help to achieve the following positive objectives:

- (a) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key employees and directors whose contributions are essential to the long-term growth and prosperity of the Group;
- (c) to instil loyalty to, and a stronger identification by Participants with the long-term prosperity of, the Group;

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (e) to align the interests of Participants with the interests of the Shareholders.

### 4. ELIGIBILITY

4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

- (a) Group Employees (including Executive Directors) who have attained the age of 21 years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, and who have, as of the Date of Grant, been in the employment of the Group for a period of at least 12 months, or such shorter period as the Committee may determine; and
- (b) Non-executive Directors who have attained the age of 21 years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors.

Directors and employees of the Company's parent company and its Subsidiaries (other than the Company and the Company's Subsidiaries) who are not Group Employees are not entitled to participate in the Scheme.

There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other company within the Group.

4.2 Controlling Shareholders and their Associates who satisfy the criteria set out in Rule 4.1 above shall be eligible to participate in the Scheme provided that:

- (a) their participation; and
- (b) the actual or maximum number of Shares and terms of any Options to be granted to them,

have been approved by independent shareholders of the Company at a general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual or maximum number of Shares and terms of any Options to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholders of the Company for the participation in the Scheme of a Controlling Shareholder or his Associate who is, at the relevant time, already a Participant. Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Scheme and the grant of Options to them.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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### **5. MAXIMUM ENTITLEMENT**

Subject to Rule 4 and Rule 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for acquisition in accordance with the Scheme shall be determined at the discretion of the Committee who shall take into account criteria such as rank, past performance, years of service and potential development of the Grantee.

### **6. LIMITATION ON THE SIZE OF THE SCHEME**

- 6.1 The aggregate number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable or transferred and to be transferred in respect of all Options granted under the Scheme and the number of Shares issued and issuable or transferred and to be transferred in respect of all options or awards granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day immediately preceding the Offer Date of the Option.
- 6.2 The aggregate number of Shares which may be issued or transferred pursuant to Options under the Scheme to Participants who are Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Scheme.
- 6.3 The number of Shares which may be issued or transferred pursuant to Options under the Scheme to each Participant who is a Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Scheme.

### **7. OFFER DATE**

- 7.1 The Committee may, save as provided in Rule 4, Rule 5 and Rule 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the Scheme is in force, except that no Options shall be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers to grant Options may only be made on or after the third Market Day on which such announcement is released.
- 7.2 An offer to grant the Option to a Grantee shall be made by way of a letter (the "Letter of Offer") in the form or substantially in the form set out in Annex 1, subject to such amendments as the Committee may determine from time to time.

### **8. ACCEPTANCE OF OFFER**

- 8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within 30 days after the relevant Offer Date and not later than 5.00 p.m. on the 30th day from such Offer Date (a) by completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Annex 2, subject to such modification as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration or such other amount and such other documentation as the Committee may require and (b) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the Scheme in accordance with these Rules.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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- 8.2 If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8, such offer shall, upon the expiry of the 30 day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.
- 8.3 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or Exercise Notice (as defined in Rule 12) given pursuant to Rule 12 which does not strictly comply with the terms of the Scheme.
- 8.4 Options are personal to the Grantees to whom they are granted and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval, but may be exercised by the Grantee's duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.
- 8.5 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 100 Shares. The Committee shall, within 15 Market Days of receipt of the Acceptance Form and consideration, acknowledge receipt of the same.
- 8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (a) it is not accepted in the manner as provided in Rule 8.1 within the 30 day period; or
  - (b) the Participant dies prior to his acceptance of the Option; or
  - (c) the Participant is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
  - (d) the Grantee, being a Group Employee, ceases to be in the employment of the Group or (being an Executive Director) ceases to be a director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
  - (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

### **9. EXERCISE PRICE**

- 9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee at its absolute discretion, and shall be fixed by the Committee at:
- (a) the Market Price; or

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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- (b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price in respect of that Option.

9.2 In making any determination under Rule 9.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:

- (a) the performance of the Company, its Subsidiaries and Associated Companies, as the case may be, taking into account financial parameters such as net profit after tax, return on equity and earnings growth;
- (b) the years of service and individual performance of the eligible Group Employee;
- (c) the contribution of the eligible Group Employee to the success and development of the Company and/or the Group; and
- (d) the prevailing market conditions.

### 10. ALTERATION OF CAPITAL

10.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:

- (a) the Exercise Price in respect of the Shares comprised in the Option to the extent unexercised; and/or
- (b) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or
- (c) the maximum entitlement in any one Financial Year; and/or
- (d) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate, including retrospective adjustments, where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

10.2 Notwithstanding the provisions of Rule 10.1 above, no such adjustment shall be made

- (a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and
- (b) unless the Committee after considering all relevant circumstances considers it equitable to do so.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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- 10.3 The issue of securities as consideration for an acquisition of any assets by the Company or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares, in accordance with the Catalist Rules, undertaken by the Company on the SGX-ST during the period when a share repurchase mandate granted by the Shareholders (including any renewal of such mandate) is in force, will not be regarded as a circumstance requiring adjustment under the provisions of this Rule 10.
- 10.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued or transferred by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 10.
- 10.5 Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised and the maximum entitlement in any one Financial Year.

### **11. OPTION PERIOD**

- 11.1 Options granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the Offer Date of that Option, provided always that the Options shall be exercised before the tenth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.2 Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the Offer Date of that Option, provided always that the Options granted to Group Employees shall be exercised before the tenth anniversary of the relevant Offer Date, and Options granted to Non-executive Directors shall be exercised before the fifth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:
- (a) subject to Rules 11.4, 11.5 and 11.6, upon the Participant ceasing to be in the employment of the Company or any of the companies within the Group for any reason whatsoever; or
  - (b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or



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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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- (c) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.3(a), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

11.4 If a Participant ceases to be employed by the Group by reason of his:

- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
- (b) redundancy;
- (c) retirement at or after a normal retirement age; or
- (d) retirement before that age with the consent of the Committee,

or for any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.5 If a Participant ceases to be employed by a Subsidiary:

- (a) by reason of the Subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such Subsidiary, being transferred otherwise than to another company within the Group; or
- (b) for any other reason, provided the Committee gives its consent in writing, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.6 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Participant within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.7 If a Participant, who is also an Executive Director or a Non-executive Director (as the case may be), ceases to be a director for any reason whatsoever, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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### 12. EXERCISE OF OPTIONS, ALLOTMENT OR TRANSFER AND LISTING OF SHARES

12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Annex 3 (the “Exercise Notice”), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All payments shall be made by cheque, cashier’s order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.

12.2 Subject to:

(a) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and

(b) compliance with the Rules of the Scheme and the Constitution of the Company,

the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within 10 Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot the Shares or, as the case may be, procure the transfer of existing Shares (which may include, where desired, any Shares held by the Company as treasury shares), in respect of which such Option has been exercised by the Participant and where required, or as the case may be, within five Market Days from the date of such allotment, despatch the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

12.3 The Company shall as soon as practicable after the exercise of an Option, apply to the SGX-ST or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.

12.4 Shares which are all allotted or transferred on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of, or transferred to, CDP to the credit of the securities account of the Participant maintained with CDP or the Participant’s securities sub-account with a Depository Agent.

12.5 Shares allotted and issued, and existing Shares procured by the Company for transfer, upon the exercise of an Option shall be subject to all provisions of the Constitution of the Company and shall rank *pari passu* in all respects with the then existing issued Shares except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.

12.6 Except as set out in Rule 12 and subject to Rule 10, an Option does not confer on a Participant any right to participate in any new issue of Shares.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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### **13. ALTERATIONS AND AMENDMENTS TO THE SCHEME**

13.1 Any or all of the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee except that:

- (a) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration, may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) in number of all the Shares which would be issued and allotted or transferred upon exercise in full of all outstanding Options;
- (b) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of Shareholders at a general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST or (if required) any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without any other formality save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provisions or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

13.3 Written notice of any modification or alteration made in accordance with this Rule shall be given to all Participants.

### **14. DURATION OF THE SCHEME**

14.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years, commencing from the date of the Company's listing on the SGX-ST. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

14.2 The Scheme may be terminated at any time by the Committee or by resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.

14.3 The termination, discontinuance or expiry of the Scheme shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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### 15. TAKE-OVER AND WINDING-UP OF THE COMPANY

15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) holding Options as yet unexercised shall, notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of six months thereafter, unless prior to the expiry of such six month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
- (b) the date of the expiry of the Option Period relating thereto;

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11, remain exercisable until the expiry of the Option Period.

15.2 If, under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and Rule 11.2) shall notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, Provided always that the date of exercise of any Option shall be before the tenth anniversary of the Offer Date.

15.3 If an order or an effective resolution is passed for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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- 15.4 In the event of a members' solvent voluntary winding-up (other than for amalgamation or reconstruction), Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and Rule 11.2) shall, subject to Rule 15.5, be entitled within 30 days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto) to exercise in full any unexercised Option, after which such unexercised Option shall lapse and become null and void.
- 15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding-up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.
- 15.6 To the extent that an Option is not exercised within the periods referred to in this Rule 15, it shall lapse and become null and void.

### **16. ADMINISTRATION OF THE SCHEME**

- 16.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board.
- 16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it thinks fit.
- 16.3 Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Scheme).
- 16.4 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Options to be granted to him.

### **17. NOTICES**

- 17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.
- 17.2 Any notice or documents given by the Company to a Participant shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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### **18. TERMS OF EMPLOYMENT UNAFFECTED**

- 18.1 The Scheme or any Option shall not form part of any contract of employment between the Company, any Subsidiary or Associated Company (as the case may be) and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the Scheme or any right which he may have to participate in it or any Option which he may hold and the Scheme or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
- 18.2 The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company, any Subsidiary and/or Associated Company directly or indirectly or give rise to any cause of action at law or in equity against the Company, any Subsidiary or Associated Company.

### **19. TAXES**

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by the Participant.

### **20. COSTS AND EXPENSES OF THE SCHEME**

- 20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's security account with CDP or the Participant's securities sub-account with his Depository Agent and all taxes referred to in Rule 19 which shall be payable by the relevant Participant.
- 20.2 Save for such costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs, and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment or transfer of the Shares pursuant to the exercise of any Option shall be borne by the Company.

### **21. DISCLAIMER OF LIABILITY**

Notwithstanding any provisions herein contained and subject to the Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the Scheme including but not limited to the Company's delay or failure in issuing and allotting, or procuring the transfer of, the Shares or in applying for or procuring the listing of and quotation for the Shares on the SGX-ST or any other stock exchanges on which the Shares are quoted or listed.

### **22. DISPUTES**

Any disputes or differences of any nature in connection with the Scheme shall be referred to the Committee and its decision shall be final and binding in all respects.

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## **APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME**

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### **23. CONDITION OF OPTION**

Every Option shall be subject to the condition that no Shares shall be issued or transferred pursuant to the exercise of an Option if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country.

### **24. GOVERNING LAW**

The Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Company and the Participants, by accepting the offer of the grant of Options in accordance with the Scheme, shall submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

### **25. REPORTING REQUIREMENTS**

Under the Catalist Rules, an immediate announcement must be made on the Offer Date and the announcement must provide details of the grant, including the following:

- (a) date of grant;
- (b) exercise price of the Options granted;
- (c) number of Options granted;
- (d) market price of the Shares on the date of grant;
- (e) number of Options granted to each Director and Controlling Shareholder (and each of their Associates), if any; and
- (f) the validity period of the Options.

The Company shall make the following disclosure in its annual report for so long as the Scheme continues in operation:

- (a) the names of the members of the Committee;
- (b) the information required in the table below for the following Participants (which for the avoidance of doubt, shall include Participants who have exercised all their Options in any particular Financial Year):
  - (i) participants who are Directors of the Company;
  - (ii) participants who are Controlling Shareholders and their Associates; and

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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- (iii) participants, other than those in (i) and (ii) above, who receive Shares pursuant to the exercise of Options under the Scheme which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the Scheme; and

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the Scheme to end of financial year under review	Aggregate Options exercised since commencement of the Scheme to end of financial year under review	Aggregate Options outstanding as at end of financial year under review
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- (c) the number and proportion of Options granted at a discount during the financial year under review in respect of every 10.0% discount range, up to the maximum quantum of discount granted; and

- (d) such other information as may be required by the Catalist Rules or the Act,

provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in our annual report.

### 26. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Scheme are to abstain from voting on any Shareholders' resolution relating to the Scheme and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular Shareholders who are eligible to participate in the Scheme shall abstain from voting on the following resolutions, where applicable: (a) implementation of the Scheme; (b) the maximum discount which may be given in respect of any Option; and (c) participation by and grant of Options to Controlling Shareholders and their Associates.



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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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ANNEX 1

### MEGROUP SHARE OPTION SCHEME

#### LETTER OF OFFER

Serial No.: \_\_\_\_\_

#### PRIVATE AND CONFIDENTIAL

Date:

To: [Name]  
[Designation]  
[Address]

Dear Sir/Madam

We are pleased to inform you that you have been nominated by the Remuneration Committee of the Board of Directors of MeGroup Ltd. (the “**Company**”) to participate in the MeGroup Share Option Scheme (the “**Scheme**”). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, an offer is hereby made to grant you an Option, in consideration of the payment of a sum of S\$1.00, to acquire \_\_\_\_\_ ordinary shares in the capital of the Company at the price of S\$\_\_\_\_\_ per ordinary share. The Option shall be subject to the terms of this Letter of Offer and the Scheme (as the same may be amended from time to time pursuant to the terms and conditions of the Scheme), a copy of which is enclosed herewith.

The Option is personal to you and may not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than \_\_\_\_\_ a.m./p.m. on the \_\_\_\_\_ day of \_\_\_\_\_ failing which this offer will forthwith lapse.

Yours faithfully  
For and on behalf of  
MeGroup Ltd.

\_\_\_\_\_  
Name:  
Designation:

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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ANNEX 2

### MEGROUP SHARE OPTION SCHEME

#### ACCEPTANCE FORM

Serial No.: \_\_\_\_\_

To: The Remuneration Committee  
MeGroup Share Option Scheme  
c/o The Company Secretary  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

Closing Time and Date for Acceptance of Option : \_\_\_\_\_

No. of Shares in respect of which Option is offered : \_\_\_\_\_

Exercise Price per Share : S\$ \_\_\_\_\_

Total Amount Payable on Acceptance of Option :  
(exclusive of the relevant CDP charges) S\$ \_\_\_\_\_

I have read your Letter of Offer dated \_\_\_\_\_ (the “**Offer Date**”) and agree to be bound by the terms thereof and of the MeGroup Share Option Scheme stated therein. I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to acquire such shares.

I hereby accept the Option to acquire \_\_\_\_\_ ordinary shares in the capital of MeGroup Ltd. (the “**Shares**”) at S\$ \_\_\_\_\_ per Share and enclose cash/banker’s draft/cashier’s order/postal order no. \_\_\_\_\_ for S\$1.00 being payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares in CDP’s name, the deposit of share certificates with CDP, my securities account with CDP or my securities sub-account with a Depository Agent (as the case may be) (collectively, the “**CDP charges**”).

I confirm that as at the date hereof:

- (a) I am not less than 21 years old, nor an undischarged bankrupt, nor have I entered into a composition with any of my creditors;
- (b) I satisfy the eligibility requirements to participate in the Scheme as defined in Rule 4 of the Scheme; and
- (c) I satisfy the other requirements to participate in the Scheme as set out in the Rules of the Scheme.

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

I agree to keep all information pertaining to the grant of the Option to me confidential.

### PLEASE PRINT IN BLOCK LETTERS

Name in full	:	_____
Designation	:	_____
Address	:	_____
Nationality	:	_____
*NRIC/Passport No.	:	_____
Signature	:	_____
Date	:	_____

\* Delete as appropriate

### Notes:

- (1) Option must be accepted in full or in multiples of 100 Shares.
- (2) The Acceptance Form must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".
- (3) The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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ANNEX 3

### MEGROUP SHARE OPTION SCHEME

#### EXERCISE NOTICE

To: The Remuneration Committee  
MeGroup Share Option Scheme  
c/o The Company Secretary  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

Total Number of ordinary shares (the “**Shares**”) at :  
S\$\_\_\_\_\_ per Share under an option granted  
on \_\_\_\_\_ (the “**Offer Date**”) \_\_\_\_\_

Number of Shares previously allotted and issued :  
or transferred thereunder \_\_\_\_\_

Outstanding balance of Shares which may be :  
allotted and issued or transferred thereunder \_\_\_\_\_

Number of Shares now to be acquired (in multiples :  
of 100) \_\_\_\_\_

1. Pursuant to your Letter of Offer dated (the “**Offer Date**”) and my acceptance thereof, I hereby exercise the Option to acquire Shares in MeGroup Ltd. (the “**Company**”) at S\$\_\_\_\_\_ per Share.

2. I hereby request the Company to allot and issue or transfer to me the number of Shares specified in paragraph 1 in the name of The Central Depository (Pte) Limited (“**CDP**”) to the credit of my Securities Account with the CDP/Securities Sub-Account with a Depository Agent specified below and to deliver the share certificates relating thereto to CDP at my own risk. I further agree to bear such fees or other charges as may be imposed by CDP (the “**CDP charges**”) and any stamp duties in respect thereof:

\*(a) Direct Securities Account Number : \_\_\_\_\_

\*(b) Securities Sub-Account Number : \_\_\_\_\_

Name of Depository Agent : \_\_\_\_\_

3. I enclose a cheque/cashier’s order/bank draft/postal order no. \_\_\_\_\_ for S\$\_\_\_\_\_ in payment for the Exercise Price of S\$\_\_\_\_\_ for the total number of the said Shares and the CDP charges of S\$\_\_\_\_\_.

4. I agree to acquire the Shares subject to the terms of the Letter of Offer, the MeGroup Share Option Scheme (as the same may be amended pursuant to the terms thereof from time to time) and the Constitution of the Company.

5. I declare that I am acquiring the Shares for myself and not as a nominee for any other person.

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## APPENDIX F – RULES OF THE MEGROUP SHARE OPTION SCHEME

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### PLEASE PRINT IN BLOCK LETTERS

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

\* Delete as appropriate

#### Notes:

- (1) An Option may be exercised in whole or in part provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof.
- (2) The form entitled "Exercise Notice" must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".







## **MeGroup Ltd.**

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