

MEGROUP LTD.

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

Full Year Financial Statements and Related Announcement For the Financial Year Ended 31 March 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01, Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

MeGroup Ltd. (the "**Company**") was incorporated in Singapore on 7 February 2018 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries (the "**Group**") was formed through a restructuring exercise (the "**Restructuring Exercise**") which involved a series of acquisitions, rationalisation of the corporate and shareholding structure as well as business and operations of the Group prior to the Company's listing on Catalist. Please refer to the Company's offer document dated 22 October 2018 (the "**Offer Document**") issued in connection with its initial public offering ("**IPO**") for further details on the Restructuring Exercise. The Company was admitted to Catalist on 31 October 2018.

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

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

	Group		Increase/ (Decrease) %
	Financial Year Ended		
	31-Mar-20	31-Mar-19	
	RM	RM	
Revenue	245,811,290	243,458,457	1.0
Cost of sales	<u>(219,315,411)</u>	<u>(218,932,835)</u>	0.2
Gross profit	26,495,879	24,525,622	8.0
Other income	602,332	603,266	(0.2)
Other gains and losses, net	(207,926)	(125,449)	65.7
Expenses			
– Selling and distribution	(4,542,664)	(4,524,087)	0.4
– Administrative	(17,159,263)	(14,699,554)	16.7
– Finance	(2,878,037)	(1,891,828)	52.1
Profit before tax	2,310,321	3,887,970	(40.6)
Income tax expense	<u>(1,113,864)</u>	<u>(1,945,282)</u>	(42.7)
Total profit, representing total comprehensive income for the financial year	<u>1,196,457</u>	<u>1,942,688</u>	(38.4)
Total profit, representing total comprehensive income attributable to:			
Equity holders of the Company	1,249,736	1,393,026	(10.3)
Non-controlling interests	<u>(53,279)</u>	<u>549,662</u>	(109.7)
	<u>1,196,457</u>	<u>1,942,688</u>	(38.4)
Earnings per share for profit attributable to equity holders of the company (Sen)			
Basic and diluted	<u>1.05</u>	<u>1.28</u>	(18.0)

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

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

	Group		Increase/ (Decrease) %
	31-Mar-20	31-Mar-19	
	RM	RM	
Interest income	51,455	123,237	(58.2)
Commission received	191,103	297,319	(35.7)
Dividend received from short-term money market fund	23,675	7,615	210.9
Fees from Yatta Group Sdn. Bhd.	126,500	132,000	(4.2)
Currency exchange (loss)/gain – net	(245,510)	(119,305)	105.8
Gain on disposal of property, plant and equipment	109,288	6,292	1,636.9
Sales commission	(2,769,844)	(2,478,576)	11.8
Rental of premises	(199,250)	(2,500,387)	(92.0)
Salary, wages, allowances & bonus	(8,991,984)	(7,327,462)	22.7
Directors' remuneration	(3,089,532)	(2,231,322)	38.5
Entertainment expenses	(664,773)	(662,075)	0.4
Security charges	(482,001)	(404,557)	19.1
Depreciation expense	(3,440,483)	(2,757,902)	24.8
Depreciation of right-of-use assets	(2,938,677)	-	NM
Amortisation expense	(662,909)	(662,909)	0.0
Interest on borrowings	(1,866,739)	(1,891,828)	(1.3)
Interest on lease liabilities	(1,011,298)	-	NM

NM Denotes not meaningful.

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

	Group		Company	
	As at		As at	
	31-Mar-20 RM	31-Mar-19 RM	31-Mar-20 RM	31-Mar-19 RM
ASSETS				
Current assets				
Cash and cash equivalents	12,484,291	16,927,691	2,063,970	6,847,246
Trade and other receivables	14,036,565	22,730,399	4,654,346	258,944
Tax recoverable	1,319,724	813,778	-	-
Inventories	15,379,084	15,143,323	-	-
Total current assets	43,219,664	55,615,191	6,718,316	7,106,190
Non-current assets				
Property, plant and equipment	40,671,495	33,556,424	-	-
Right-of-use assets	19,064,321	-	-	-
Investment in subsidiaries	-	-	26,094,134	26,094,134
Intangible assets	2,641,480	3,304,389	-	-
Total non-current assets	62,377,296	36,860,813	26,094,134	26,094,134
Total assets	105,596,960	92,476,004	32,812,450	33,200,324
LIABILITIES				
Current liabilities				
Trade and other payables	11,977,003	13,537,585	133,286	214,580
Current income tax liabilities	109,070	970,267	-	-
Borrowings	7,276,752	12,856,642	-	-
Lease liabilities	3,507,554	-	-	-
Total current liabilities	22,870,379	27,364,494	133,286	214,580
Non-current liabilities				
Borrowings	16,474,640	17,483,469	-	-
Lease liabilities	19,262,323	-	-	-
Deferred income tax liabilities	2,597,664	2,855,472	-	-
Total non-current liabilities	38,334,627	20,338,941	-	-
Total liabilities	61,205,006	47,703,435	133,286	214,580
NET ASSETS	44,391,954	44,772,569	32,679,164	32,985,744
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	37,356,382	36,722,029	37,356,382	36,722,029
Retained profits/(accumulated losses)	30,383,270	30,245,098	(4,677,218)	(3,736,285)
Other reserves	(24,360,992)	(24,594,282)	-	-
Total equity attributable to equity holders of the Company	43,378,660	42,372,845	32,679,164	32,985,744
Non-controlling interests	1,013,294	2,399,724	-	-
Total equity	44,391,954	44,772,569	32,679,164	32,985,744

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

	As at 31-Mar-20		As at 31-Mar-19	
	Secured	Unsecured	Secured	Unsecured
	RM	RM	RM	RM
Amount repayable in one year or less, or on demand	6,767,643	509,109	7,302,530	5,502,499
Amount repayable after one year	15,379,145	1,095,495	15,018,489	2,516,593

Details of Collaterals

As at 31 March 2020, the Group's borrowings are secured by:

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

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

	Group	
	Financial Year Ended	
	31-Mar-20	31-Mar-19
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,310,321	3,887,970
Adjustments for:		
Amortisation of intangible assets	662,909	662,909
Depreciation of property, plant & equipment	3,440,483	2,757,902
Gain on disposal of property, plant and equipment	(109,288)	(6,292)
Depreciation of right-of-use assets	2,938,677	-
Interest income	(51,455)	(123,237)
Interest expense	2,878,037	1,891,828
Operating profit before working capital changes	12,069,684	9,071,080
Changes in working capital:		
Trade and other receivables	8,693,834	(8,091,859)
Inventories	821,839	(5,100,110)
Trade and other payables	(1,867,502)	4,659,225
Cash generated from operations	19,717,855	538,336
Income tax paid	(2,738,815)	(2,306,705)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	16,979,040	(1,769,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	51,455	123,237
Purchase of property, plant and equipment	(10,461,466)	(2,286,949)
Proceeds from disposal of property, plant and equipment	173,200	520,265
Acquisition of additional interest in a subsidiary	(158,588)	-
NET CASH USED IN INVESTING ACTIVITIES	(10,395,399)	(1,643,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Fixed deposits pledged to licensed banks	44,116	(53,163)
Proceeds from bank borrowings	8,755,907	8,058,070
Repayment of bank borrowings	(10,856,713)	(6,800,927)
Repayment to finance lease liabilities	-	(682,905)
Repayment of lease liabilities	(3,004,773)	-
Gross proceeds from initial public offering ("IPO")	-	11,449,135
Listing expenses paid	-	(821,240)
Interest paid	(2,878,037)	(1,891,828)
Dividends paid	(1,111,564)	(149,985)
NET CASH FLOWS (USED IN)/ GENERATED FROM FINANCING ACTIVITIES	(9,051,064)	9,107,967
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(2,467,423)	5,696,151
CASH AND CASH EQUIVALENTS		
Beginning of financial year	13,802,371	8,106,220
End of the financial year	11,334,948	13,802,371

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

Note:

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

	Group	
	Financial Year Ended	
	31-Mar-20	31-Mar-19
	RM	RM
Cash and bank balances	12,484,291	16,927,691
Less: Short-term bank deposits pledged	(842,785)	(886,901)
Less: Bank overdraft	(306,558)	(2,238,419)
	11,334,948	13,802,371

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

	Group						
	Share capital	Merger reserve	Capital reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total equity
					RM	RM	
	RM	RM	RM	RM	RM	RM	RM
As at 1 April 2019	36,722,029	(24,594,282)	-	30,245,098	42,372,845	2,399,724	44,772,569
Total comprehensive income for the financial year	-	-	-	1,249,736	1,249,736	(53,279)	1,196,457
Dividend paid	-	-	-	(1,111,564)	(1,111,564)	-	(1,111,564)
Issuance of new shares	634,353	-	-	-	634,353	-	634,353
Acquisition of additional interest in a subsidiary	-	-	233,290	-	233,290	(1,333,151)	(1,099,861)
As at 31 March 2020	37,356,382	(24,594,282)	233,290	30,383,270	43,378,660	1,013,294	44,391,954
As at 1 April 2018	1,499,852	-	-	29,002,057	30,501,909	1,850,062	32,351,971
Total comprehensive income for the financial year	-	-	-	1,393,026	1,393,026	549,662	1,942,688
Dividends paid	-	-	-	(149,985)	(149,985)	-	(149,985)
Restructuring exercise	(1,499,852)	(24,594,282)	-	-	(26,094,134)	-	(26,094,134)
Issuance of new shares pursuant to Restructuring Exercise	26,094,134	-	-	-	26,094,134	-	26,094,134
Issuance of new shares pursuant to IPO	11,449,135	-	-	-	11,449,135	-	11,449,135
Share issue expenses	(821,240)	-	-	-	(821,240)	-	(821,240)
As at 31 March 2019	36,722,029	(24,594,282)	-	30,245,098	42,372,845	2,399,724	44,772,569

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

	Company		
	Share capital	Accumulated losses	Total equity
	RM	RM	RM
As at 1 April 2019	36,722,029	(3,736,285)	32,985,744
Total comprehensive income for the financial year	-	170,631	170,631
Dividend paid	-	(1,111,564)	(1,111,564)
Issuance of new shares	634,353	-	634,353
As at 31 March 2020	37,356,382	(4,677,218)	32,679,164
As at 1 April 2018	3	-	3
Total comprehensive income for the financial year	-	(3,736,285)	(3,736,285)
Issuance of new shares pursuant to Restructuring Exercise	26,094,131	-	26,094,131
Issuance of new shares pursuant to IPO	11,449,135	-	11,449,135
Capitalisation of listing expenses	(821,240)	-	(821,240)
As at 31 March 2019	36,722,029	(3,736,285)	32,985,744

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

	Number of Ordinary Shares
As at 30 September 2019	118,500,000
Issuance of new shares as consideration for acquisition of additional interest in a subsidiary	<u>1,023,315</u>
As at 31 March 2020	<u>119,523,315</u>

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

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

	Number of Ordinary Shares	
	As at	
	31-Mar-20	31-Mar-19
Total number of issued shares excluding treasury shares	119,523,315	118,500,000

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

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

Not applicable as the Company did not have any treasury shares as at 31 March 2019 and 31 March 2020.

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

Not applicable as the Company did not hold any subsidiary holdings as at 31 March 2019 and 31 March 2020.

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

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

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

Not applicable.

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

Save as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statement for the current financial year as those applied for the audited consolidated financial statements for the financial year ended 31 March 2019 as set out in the Annual Report.

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

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 April 2019, using the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Adoption of SFRS(I)16 Leases

SFRS(I)16 Leases introduces a single, on-balance sheet lease accounting model for lessees where the distinction between operating and finance leases is removed. It requires a lessee to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting for lessors has not changed significantly.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 April 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I)16. Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and any accumulated impairment losses while the carrying amount of lease liabilities will take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The subsequent adoption of SFRS(I)16 have the following impact on the statement of comprehensive income and statement of financial position of the financial year ended 31 March 2020.

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

	With the effect of SFRS(I)16 RM	Net effect from SFRS(I)16 RM	Without the effect of SFRS(I)16 RM
Group			
31 March 2020			
<u>Statement of comprehensive income</u>			
Revenue	245,811,290	-	245,811,290
Cost of sales	(219,315,411)	(1,317,100)	(220,632,511)
Gross profit	26,495,879	(1,317,100)	25,178,779
Other income	602,332	-	602,332
Other (losses)/gains - net	(207,926)	-	(207,926)
Selling and distribution expenses	(4,542,664)	(1,385,300)	(5,927,964)
Administrative expenses	(17,159,263)	2,471,776	(14,687,487)
Finance expenses	(2,878,037)	903,870	(1,974,167)
Profit before income tax	2,310,321	673,246	2,983,567
Income tax expense	(1,113,864)	-	(1,113,864)
Net profit for the financial year	1,196,457	673,246	1,869,703
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")	12,178,972	(3,169,301)	9,009,671
<u>Statement of financial position</u>			
Non-current assets			
Right-of-use assets	19,064,321	(19,064,321)	-
Current liabilities			
Borrowings	7,276,752	901,915	8,178,667
Lease liabilities	3,507,554	(3,507,554)	-
Non-current liabilities			
Borrowings	16,474,640	2,130,395	18,605,035
Lease liabilities	19,262,323	(19,262,323)	-

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

	Group	
	Financial year ended 31-Mar-20	31-Mar-19
Total comprehensive income, representing net profit attributable to equity holders of the Company (RM)	1,249,736	1,393,026
Weighted average number of Shares	118,886,897	108,826,027
Earnings per Share - basic and diluted (Sen)	1.05	1.28

Note:

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

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

	Group		Company	
	As at		As at	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
NAV per Share (Sen)	36.29	35.76	27.34	27.84
Equity Attributable to Owners of the Company (RM)	43,378,660	42,372,845	32,679,164	32,985,744
Number of Shares used in computation of NAV per Share	119,523,315	118,500,000	119,523,315	118,500,000

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

(a) Review of Group's Performance

Revenue

Revenue increased by approximately RM2.35 million or 0.97% from RM243.46 million in FY2019 to RM245.81 million in FY2020.

Manufacturing Business

Revenue from manufacturing business increased by RM3.36 million or 9.28% from RM36.16 million in FY2019 to RM39.52 million in FY2020. The increase was due increase of demand in the volume of NVH components supplied.

Dealership Business

Revenue from dealership business decreased by RM1.00 million or 0.48%, from RM207.30 million in FY2019 to RM206.30 million in FY2020. The average monthly revenue from April 2019 to February 2020 (11 months) was RM17.70 million as compared to average monthly revenue of RM17.27 million in FY2019. The improvement is due to full year operations of Honda Kuala Selangor in FY2020 as compared to a period of 4 months operations in FY2019 and the new body and paint division in Honda Cheras which started operation in October 2019. However, only RM11.54 million of revenue were recorded in March 2020 as sales have been affected during March 2020 due to Movement Control Order imposed by the government of Malaysia to curb the spread of COVID-19 in Malaysia. All showroom and service centres were closed down from 18 March 2020 to 01 May 2020 and had resulted in the overall decrease of revenue in FY2020.

Cost of sales

Cost of sales increased by approximately RM0.38 million or 0.17% from RM218.93 million in FY2019 to RM219.32 million in FY2020.

Manufacturing Business

Cost of sales from manufacturing business increased by RM2.24 million from RM26.17 million in FY2019 to RM28.41 million in FY2020. This is in line with the increase in revenue.

Dealership Business

Cost of sales from dealership business decreased by RM1.86 million from RM192.77 million in FY2019 to RM190.91 million in FY2020. The decrease is in line with the revenue trend mentioned above.

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

(a) Review of Group's Performance (Continued)

Gross profit and Gross Profit Margin

For the reasons discussed above, gross profit increased by approximately RM1.97 million or 8.03% from RM24.53 million in FY2019 to RM26.50 million in FY2020. The increase was due to an increase in gross profit from dealership business of approximately RM0.85 million from RM14.53 million in FY2019 to RM15.39 million in FY2020 and increase in gross profit from manufacturing business of approximately RM1.12 million from RM9.99 million in FY2019 to RM11.11 million in FY2020.

Overall gross profit margin increased by approximately 0.71 percentage points from 10.07% in FY2019 to 10.78% in FY2020. The gross profit margin of manufacturing business increased by 0.48 percentage points from 27.63% in FY2019 to 28.11% in FY2020, which was due to cost saving activity implemented in FY2020. The gross profit margin of dealership business increased by 0.45 percentage points from 7.01% in FY2019 to 7.46% in FY2020, the increase is largely due to the increase in revenue from after-sales automobile services being greater than the increase in revenue contributed from the sales of automobiles, where the sales of automobiles generally have a lower gross profit margin compared to after-sales automobile services.

Other income

Other income decreased slightly from approximately RM603,000 in FY2019 to RM602,000 in FY2020. The decrease in other income is mainly due to the lower interest income generated during the financial year.

Other gains and losses, net

Other gains and losses were increased from a net loss of RM0.13 million in FY2019 to a net loss of RM0.21 million in FY2020 due to realised foreign exchange loss for payment made to suppliers in the manufacturing business.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RM0.02 million or 0.41% from RM4.52 million in FY2019 to RM4.54 million in FY2020. The slight increase in selling and distribution expenses were mainly due to the increase in staff remunerations, advertising and promotional expenses and commission & incentive expenses amounting to RM0.27 million, RM0.10 million and RM0.29 million respectively, partially offset by the decrease in rental expenses amounting to RM0.66 million as a result for the adoption of SFRS(I)16 Leases.

Administrative expenses

Administrative expenses increased by approximately RM2.46 million or 16.73% from RM14.70 million in FY2019 to RM17.16 million in FY2020. This is mainly due to the increase in (i) directors remuneration amounting to RM0.86 million, (ii) insurance expense amounting to RM0.34 million, (iii) depreciation expense amounting to RM3.38 million (inclusive of RM2.94 million of depreciation of ROU assets), (iv) royalty fees expenses of RM0.37 million; offset with the decrease in professional fees amounting to RM2.43 million (non-recurrent IPO fees and expenses of approximately RM3.00 million in FY2019).

Finance expenses

Finance expenses increased by approximately RM0.99 million or 52.13% from RM1.89 million in FY2019 to RM2.88 million in FY2020. This was largely due to (i) recognition of RM0.90 million of interest expenses on lease liabilities following the adoption of SFRS(I) 16 Leases in FY2020 (ii) bank interest from the facility granted to Honda Cheras for its Body and Paint facilities.

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

(a) Review of Group's Performance (Continued)

Profit before tax

As results of the aforementioned, the Group recorded a lower profit before tax of approximately RM2.31 million in FY2020, compared to RM3.89 million in FY2019, a decrease of RM1.58 million or 40.58% as compared to FY2019.

(b) Review of Group's Financial Position

Current assets

Current assets decreased by approximately RM12.40 million or 22.29% from RM55.62 million as at 31 March 2019 to RM43.22 million as at 31 March 2020. This was mainly due to: (i) a decrease in cash and cash equivalents from RM16.93 million as at 31 March 2019 to RM12.48 million as at 31 March 2020 for the purchase of machines and tooling using internal generated funds (ii) a decrease in trade and other receivables from RM22.73 million as at 31 March 2019 to RM14.04 million as at 31 March 2020 due to repayment by the customers in the dealership business.

Non-current assets

Non-current assets increased by approximately RM25.52 million or 69.22% from RM36.86 million as at 31 March 2019 to RM62.38 million as at 31 March 2020. This was mainly due to the recognition right-of-use assets amounting to RM19.06 million and purchase of property, plant and equipment by approximately RM10.62 million required for Honda Cheras Body and paint, Honda Kuala Selangor 3S, Hyundai Bukit Raja and Ford Shah Alam and acquisition of new machines for setting up R&D lab in manufacturing business offset with depreciation charges during the year amounting to RM3.44 million.

Current liabilities

Current liabilities decreased by approximately RM4.49 million or 16.42% from RM27.36 million as at 31 March 2019 to RM22.87 million as at 31 March 2020. This was largely due to: (i) a decrease in trade and other payables from RM13.54 million as at 31 March 2019 to RM11.98 million as at 31 March 2020 mainly due to repayment to the automobile principals in the dealership business and raw material supplier in manufacturing business; (ii) a decrease in current borrowings from RM12.86 million as at 31 March 2019 to RM7.28 million as at 31 March 2020 due to repayment of borrowings and reclassification of finance lease from borrowings to lease liabilities. The decrease in current liabilities were offset by the recognition of lease liabilities of approximately RM3.51 million following the adoption of SFRS(I) 16 Leases during the financial year.

Non-current liabilities

Non-current liabilities increased by approximately RM18.00 million or 88.48% from RM20.34 million as at 31 March 2019 to RM38.33 million as at 31 March 2020. This was mainly due to the recognition of lease liabilities of approximately RM19.26 million in FY2020 following the adoption of SFRS(I) 16 Leases during the financial year.

Equity

The slight decrease in equity by approximately RM0.38 million from RM44.77 million as at 31 March 2019 to RM44.39 million as at 31 March 2020 was mainly due to (i) dividend paid amounting to RM1.11 million, (ii) acquisition of additional interest in a subsidiary amounting to RM1.10 million offset by net profit for the financial year amounting to RM1.20 million and issuance of new shares of RM0.63 million.

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

(c) Review of Group's Cash Flows

The Group recorded net cash generated from operating activities of approximately of RM16.98 million mainly due decrease in trade and other receivables of RM8.69 million arising from the collection received from customers in the dealership business partially offset with the payment made to trade and other payables amounting to RM1.87 million. Operating profit before changes in working capital during the financial year amounting to RM12.07 million had contributed 71.09% to the net cash generated from operating activities.

The Group recorded net cash used in investing activities of approximately of RM10.40 million mainly due to the purchase of new tools and machinery for the manufacturing business as well as building and renovation cost for Honda Cheras body and paint, Hyundai Bukit Raja 3S and Ford Shah Alam 3S.

The Group recorded net cash used in financing activities due to the repayment of term loan of approximately RM10.86 million, payment of lease liabilities totalling RM3.00 million, payment of interest and dividends amounting to RM2.88 million and RM1.11 million respectively during the financial year partially offset by the drawdown of bank borrowings amounting to RM8.76 million.

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

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

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

The outbreak of Covid-19 pandemic has adversely affected many businesses where the government of Malaysia had imposed the movement control order since 18 March 2020. Our businesses were also affected where we were unable to operate due to the mandated business closure. However, we were granted the approval from the Ministry of International Trade and Industry to commence our operation during the conditional movement control order period where our dealership business had started on the 2 May 2020 and the manufacturing business had started on the 4 May 2020 with the compliance of the applicable standard operating procedures imposed. The impact of the Covid-19 has been partially mitigated with the initiative and support by the government of Malaysia including but not limited to the moratorium on repayment of bank borrowings for 6 months ending 30 September 2020, sales tax exemption of up to 100% for completely-knocked down passenger vehicles and 50% on completely build up cars from 15 June 2020 to 31 December 2020. The Group has also prepared plans and strategies to minimise the impact should it be adversely affected.

Manufacturing

The Group has started utilising its newly built research and development laboratory which will primarily be used for internal research and validation purposes. In addition, the Group is on track to get this internal laboratory accredited under the ISO17025 standard by 2020 which will complement the existing production facilities for better quality control on our product offerings to our customers.

At the same time, the Group continues to be invited to bid for new NVH projects for new car models from different automobile brands. We have secured a number of new projects from various well-known automobile brands as well as increased our customer base of similar products to other industries requiring our products and services.

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

Dealership

MN Wheels Sdn Bhd, the Group's newly setup subsidiary is awarded with the Mitsubishi 3S dealership and is expected to commence its sales operations in the second quarter of FY2021.

The construction of the new 3S facilities for MJN Auto Sdn Bhd, the Group's Honda Kuala Selangor subsidiary has been delayed due to the movement control order in Malaysia.

The Dealership business has rolled out its digital sales and appointment services through various online platforms to facilitate customers to visit the showrooms and service centres in order to maintain and comply with proper safe distancing measures among customers in our premises.

11. If a decision regarding dividend has been made: (a) Whether an interim (final) ordinary dividend has been declared (recommended); (b) (i) Amount per share, cents (ii) Previous corresponding period, cents; (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

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

No

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

None.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared (recommended), a statement to that effect.

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

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

The Company has not obtained an IPT mandate.

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

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

15. Update on use of IPO proceeds

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

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

Notes:

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

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

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

By business segment:

	Manufacturing Business (RM)	Dealership Business (RM)	Other (RM)	Total (RM)
For the financial year ended 31 March 2020:				
Total segment sales, representing sales to external parties	<u>39,515,966</u>	<u>206,295,324</u>	<u>-</u>	<u>245,811,290</u>
Adjusted EBITDA	5,457,412	7,866,980	(1,145,420)	12,178,972
Depreciation expense	(2,637,877)	(3,741,283)	-	(6,379,160)
Amortisation expense	-	(662,909)	-	(662,909)
Interest expense	(829,467)	(2,048,570)	-	(2,878,037)
Interest income	49,941	1,514	-	51,455
Profit before tax	<u>2,040,009</u>	<u>1,415,732</u>	<u>(1,145,420)</u>	<u>2,310,321</u>
Segment assets	<u>43,469,553</u>	<u>58,249,721</u>	<u>2,557,962</u>	<u>104,277,236</u>
Segment liabilities	<u>(5,158,716)</u>	<u>(6,316,005)</u>	<u>(502,282)</u>	<u>(11,977,003)</u>
For the financial year ended 31 March 2019:				
Total segment sales, representing sales to external parties	<u>36,160,091</u>	<u>207,298,366</u>	<u>-</u>	<u>243,458,457</u>
Adjusted EBITDA	5,333,834	7,519,210	(3,775,672)	9,077,372
Depreciation expense	(1,885,475)	(902,427)	-	(2,757,902)
Amortisation expense	-	(662,909)	-	(662,909)
Interest expense	(1,140,155)	(751,673)	-	(1,891,828)
Interest income	122,564	673	-	123,237
Profit before tax	<u>2,430,768</u>	<u>5,202,874</u>	<u>(3,775,672)</u>	<u>3,887,970</u>
Segment assets	<u>42,768,360</u>	<u>41,795,240</u>	<u>7,098,626</u>	<u>91,662,226</u>
Segment liabilities	<u>(4,297,789)</u>	<u>(9,013,010)</u>	<u>(226,786)</u>	<u>(13,537,585)</u>

By geographical segment:

No geographical information has been prepared as the Group's businesses are in Malaysia.

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to section 8 of this announcement for the review of the performance of the Group.

18. A breakdown of sales as follows:

	Group		Increase/ (Decrease) %
	Financial year ended		
	31-Mar-20 RM	31- Mar-19 RM	
Revenue reported for first half year	144,483,489	113,080,956	27.8
Profit after tax before deducting non-controlling interests reported for first half year	2,099,344	3,098,880	(32.3)
Revenue reported for second half year	101,327,801	130,377,501	(22.3)
Profit after tax before deducting non-controlling interests reported for second half year	(902,887)	(1,156,192)	(21.9)

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	Financial year ended	
	31-Mar-20 RM	31-Mar-19 RM
Interim dividend	203,189	-
Special dividend	908,375	-
Total	1,111,564	-

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relation with any director and / or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any during the year
Wong Sai Hou	43	Mr Wong Sai Hou is the son of our Executive Chairman and CEO, Mr Wong Cheong Chee, and the brother of our Executive Director, Ms Wong Keat Yee.	Head, Group Expansion & Strategy and Head, Dealership since 2018. As Head, Group Expansion & Strategy, Mr Wong Sai Hou is currently responsible for overseeing and settling the growth and expansion strategy of our Group's Manufacturing Business and Dealership Business. As Head, Dealership, Mr Wong Sai Hou also oversees the operation and management of our Group's dealerships.	There is no change during the year.

Name	Age	Family relation with any director and / or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any during the year
Wong Sai Keat	36	Mr Wong Sai Keat is the son of our Executive Chairman and CEO, Mr Wong Cheong Chee, and the brother of our Executive Director, Ms Wong Keat Yee.	<p>Head of Engineering and R&D, Manufacturing since 2018.</p> <p>As Head of Engineering and R&D, Manufacturing, Mr Wong Sai Keat 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 Sai Keat also works closely with our Head of Sales, Manufacturing, Mr Abdul Razak Bin Montel, to maintain and grow the Group's strategic relationship with our customers, principals and suppliers, primarily with a focus on customer, principals and suppliers who are located outside of Malaysia.</p>	There is no change during the year.

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer

Date: 17 July 2020