Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: MeGroup Ltd.

Stock code: SJY

Meeting details:
Date: 28 July 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Since the company was listed on the Singapore Exchange on 31 October 2018, it has achieved several corporate milestones, which includes:

- Securing dealerships with Peugeot, Hyundai, Ford, Mitsubishi and Proton
- Secured new manufacturing projects with several carmakers including Mitsubishi, Peugeot and Toyota
- Completed construction of sound test lab

Details of the group's manufacturing operations, dealership business and corporate milestones can be seen on pages 4-5, pages 6-7 and page 9 of the annual report respectively. The group now operates 11 dealerships under seven brands – Ford, Honda, Hyundai, Mazda, Mitsubishi, Peugeot, and Proton.

For FY2021, total revenue decreased by 15 % to RM208.9 million as compared to the preceding year, mainly due to the implementation of the Movement Control Orders in Malaysia during which manufacturing processes were halted and dealership showrooms and service centres were closed.

(i) **Can management clarify if the service centres have been allowed to remain open for repair services during the MCOs?**

(ii) **Has the group explored alternate means, such as online car showrooms, social media marketing, to market the cars during the MCOs?**

(iii) **How does the group juggle the (conflicting) demands and needs of the different brand owners (seven at the moment) given that they are close competitors in the automotive sector?**

(iv) **Does management expect any structural changes (such as the level of demand, brand preference, purchasing habits etc) to the automotive industry in Malaysia? How has the group adjusted its hurdle rate/investment criteria and the pace of its expansion?**

(v) The company has also stated that the gestation period of a new dealership is around 2 years. **Given the uncertainties in the economy, does management expect the gestation period to increase significantly? If so, have the long-term prospects of the dealership business been impaired?**

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It is also noted that the group ventured into the production and supply of mattress protection to a major mattress maker, which showcases the group's technical capabilities and expansion of product offerings and customer base beyond the automotive sector.

(vi) **How did management acquire this new customer (which is from a non-automotive industry)?**

(vii) **What are the technical capabilities that allowed the group to meet the requirements of the major mattress maker? What are the other potential applications of the group's technologies/capabilities in other industries?**

Q2. As shown in the consolidated statement of cash flows (page 54), there was a substantial increase in the group's trade and other receivables – for FY2021, a cash outflow of RM(4.81) million was recognised while a cash inflow of RM8.69 million was recognised in FY2020. Cash and cash equivalents amount RM6.55 million as at 31 March 2021, down from RM11.33 million a year ago.

Trade and other receivables amounted to RM17.94 million at the end of the financial year, up from RM14.04 million at the end of the previous financial year. The increase is due to a significant jump in the outstanding trade receivables as at 31 March 2021 (Note 13 – Trade and other receivables; shown below).

13. Trade and other receivables

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables – non-related parties	13,480,037	7,358,986	–	–
Other receivables				
- Non-related parties	984,723	2,175,588	–	–
- Related party	574,638	450,886	–	–
- Holding corporation	15,020	–	15,020	–
- Subsidiary corporations	–	–	5,399,838	4,352,732
- GST receivable	48,379	952,842	17,069	208,656
- Staff loans	245,623	84,804	–	–
	1,868,383	3,664,120	5,431,927	4,561,388
Advance payments to suppliers	470,290	769,339	–	–
Deposits	1,699,822	1,506,512	–	45,058
Prepayments	424,346	737,608	46,584	47,900
	17,942,878	14,036,565	5,478,511	4,654,346

(Source: company annual report)

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(i) **Can management help shareholders understand the reasons for the significant increase in trade receivables to RM13.5 million as at 31 March 2021?**

The trade receivables of the group include 3 debtors that individually represented 8% to 11% of trade receivables. On page 104, it was disclosed that RM11.52 million of the RM13.48 million in trade receivables are current.

(ii) **What is the profile of the debtors with more significant outstanding trade receivables? Are these outstanding receivables due from customers in the manufacturing business?**

(iii) **As the group diversifies its customer base in the manufacturing business, is the group's credit framework robust enough to factor in the distress in the economy and the uncertainties caused by COVID-19?**

Q3. From the corporate governance report, it can be seen that the company has outsourced its internal audit function to an external professional firm, Wensen Consulting (M) Sdn Bhd, a suitably qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

As disclosed on page 35, the audit committee (AC) is of the view that the internal audit function has adequate resources to perform its functions, is independent from the activities that it audits and has appropriate standing within the group, and has been effective.

(i) **Can the AC elaborate further on the scope of the internal audit plans carried out in FY2021?**

(ii) **What were the key findings and recommendations by the internal auditor?**

(iii) **Given that Wensen has been engaged to implement an enterprise risk management ("ERM") framework as well, did the AC consider if there would be any threat of self-review by Wensen who is engaged as the internal auditor?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)