

Media Release

## **MeGroup posts 44.6% increase in 2H2022 revenue on the back of economic recovery**

- **Both Manufacturing and Dealership businesses see recovery in 2H2022**
  - **Revenue from Manufacturing business increased 9.3% while Dealership business increased 51.0%**
- **Profit attributable to equity holders of the Company stood at RM1.8 million for 2H2022**
- **Malaysia transitioned to endemic phase from April 2022 with the removal of restrictions on business operating hours**

**Singapore, 27 May 2022** – SGX-Catalist listed **MeGroup Ltd.** (“**MeGroup**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) today announced its financial results for the half-year (“**2H2022**”) and full-year (“**FY2022**”) period ended 31 March 2022.

The Group reported an increase in revenue for 2H2022 by RM54.0 million or 44.6% from RM121.1 million in the six-month period ended 31 March 2021 (“**2H2021**”) to RM175.1 million for 2H2022. The increase was mainly driven by MeGroup’s dealership business, where the sale of automobiles contributed to a larger share of the Group’s overall revenue.

Gross profit for 2H2022 was RM15.4 million, which corresponds to a gross profit margin of 8.8%, a slight decrease from 9.5% in 2H2021. The reduction was largely due to a significant increase in revenue from the sale of automobiles which generally command a lower gross profit margin as compared to after-sales automobile services. This was mitigated by a slightly higher gross profit margin from the manufacturing business.

For the FY2022 period, the Group reported RM255.4 million in revenue, an increase of RM46.4 million or 22.2% compared to the preceding financial year (“FY2021”). Gross profit for the full-year period was RM21.2 million, a slight decrease of RM0.9 million or 3.9% from FY2021. This was largely attributed to a decrease in gross profit from the manufacturing business where there was a temporary production halt for two and a half months under Malaysia’s Movement Control Order (“MCO”) 3.0.

Other gains increased by approximately RM0.2 million or 79.1% from RM0.4 million in FY2021 to RM0.6 million in FY2022 and this was mainly due to an increase in realised forex gain from payment to suppliers and a gain on disposal of right-of-use assets.

On a segmental level, revenue from the Group’s manufacturing business increased by RM1.7 million or 9.3% in 2H2022 on the back of an increase in demand for components following the easing of MCO 3.0. However, overall revenue for the year decreased by RM0.5 million or 1.6% from RM30.4 million in FY2021 to RM29.9 million in FY2022 as the manufacturing business had to halt operations during the MCO 3.0 period.

The dealership business experienced an increase in sales by RM52.3 million or 51.0% from RM102.4 million in 2H2021 to RM 154.7 million in 2H2022, and by RM46.9 million or 26.3% from RM178.6 million in FY2021 to RM225.5 million in FY2022. The positive performance in the dealership business was attributed to the contributions from the new Honda Kuala Selangor outlet where the bigger facility has added capacity to take on more customers; the second Mitsubishi outlet in Bandar Bukit Raja; and the Proton outlet located at Telok Panglima Garang which commenced operations in January 2022.

Overall, the Group reported a net profit attributable to equity holders of the Company at RM1.8 million for 2H2022, as compared to a net loss of RM0.2 million for 2H2021. For FY2022, the Group recorded a net loss attributable to equity holders of the Company at RM3.1 million as compared to a net profit of RM0.6 million in FY2021.

Commenting on the latest earnings, **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.** said: “MeGroup has remained resilient throughout the MCO. In the past year, we made good strides in our dealership segment and were awarded our first Proton outlet alongside setting up an additional new Mitsubishi Motors outlet at Bandar Bukit Raja. Our manufacturing business also saw progress as we began construction of our new manufacturing and assembly facility in Kulim Hi-tech Park.

We have experienced an uplift in dealership sales and manufacturing demands from our customers as the Malaysian economy begins to recover. It had been difficult and challenging throughout the pandemic but we believe that once we move into the endemic phase, we will slowly regain our footing in the automotive industry. MeGroup will continue to look for suitable opportunities and streamline its operations and processes where necessary to improve returns to our shareholders.”

The Group recorded net cash provided from operating activities of approximately RM1.1 million mainly due to the operating profit before changes in working capital of RM9.2 million. However, the gain was offset by higher trade and other receivables of approximately RM5.8 million, higher inventories of approximately RM1.7 million and income tax paid amounting to RM0.9 million.

Investing activities saw approximately RM8.6 million used towards upgrading the Group’s property, plant and equipment totalling RM9.4 million which was partially offset by the proceeds from the disposal of right-of-use assets amounting to RM1.2 million.

Under financing activities, the Group recorded a net gain in cash of approximately RM5.1 million due to a drawdown of bank borrowings amounting to RM16.2 million. This was offset by (i) fixed deposit pledged amounting to RM0.6 million, (ii) repayment of bank borrowings of approximately RM1.9 million, (iii) repayment of lease liabilities including finance lease of approximately RM4.1 million, (iv) dividend paid amounting to RM2.4 million and (v) interest paid of approximately RM2.2 million during the financial period.

## **Business Outlook**

The global economy is expected to rebound post-pandemic particularly in Malaysia where the country has entered the “Transition to Endemic” phase from 1 April 2022 with all restrictions on business operating hours removed and an easing of its COVID-19 safety measures from 1 May 2022.

The Malaysian Automotive Association (“**MAA**”) reported in its press release on 20 January 2022 that the Total Industry Volume (“**TIV**”) in the 12 months to December 2021 calendar year in Malaysia was 508,911 units as compared to the 12 months to December 2020 calendar year of TIV totalling 529,514 units. MAA had forecasted that the total TIV for the 12 months to December 2022 will be 600,000 units, comprising 540,000 units of passenger vehicles and 60,000 units of commercial vehicles.

The automotive industry may continue to face COVID-19 related disruption challenges and supply chain issues such as unpredictable COVID-19 variant outbreaks, shortage of semiconductors chips and rising freight costs which may affect the economic growth momentum and in turn the sale of new vehicles. However, continuation of the sales tax exemption incentives for passenger vehicles until 30 June 2022 allows automotive companies to ramp up production and deliveries of vehicles to fulfil any existing backlog while new orders will remain being the main contributors in improving sales of new automobiles.

The Group is cautiously optimistic about its business performance with the ongoing projects in the manufacturing segment coupled with new automobile models and existing model facelifts that will be launched by the brand principals in the dealership segment. MeGroup continuously seeks out opportunities to expand its product offerings in the automotive sector.

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

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

MeGroup Ltd. is a trusted component manufacturer and dealer in the automotive industry.

Under its Manufacturing business, MeGroup specialises in manufacturing 'noise, vibration and harshness' ("NVH") and non-NVH components primarily for the automotive industry in Malaysia.

Under the Group's Dealership business, MeGroup owns and operates i) three Peugeot dealerships; ii) two Honda dealerships; iii) one Mazda dealership; iv) one Hyundai dealership; v) one Ford dealership; vi) two Mitsubishi Motors dealerships; and vii) one Proton dealership in Malaysia.

MeGroup maintains long-standing partnerships with its manufacturing customers and is an Approved Supplier to Honda, Johnson Controls Hitachi, Kia, Mazda, Mitsubishi, Perodua, Peugeot, Proton and Toyota. The Group also has established relationships with its dealership principals.

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*This press release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, UOB Kay Hian Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.*

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

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