

Media Release

## **MeGroup expands automotive business with acquisition of stake in online auction platform**

- **Proposed acquisition of a 20% stake in Hanamaru, an online auction platform for the sale of used or salvaged automobiles and other automotive spare parts in Malaysia**
- **Right of first refusal for future expansion of the auction business into ASEAN region and Australia to enhance business resilience**
- **Strategic partnership with potential upside from business synergies; in-place call options for MeGroup to further increase its stake in the longer run**

**Singapore, 19 August 2022** – SGX-Catalist listed **MeGroup Ltd.** (“MeGroup” or the “Company”, together with its subsidiaries, the “Group”) has entered into an investment agreement with Hanamaru Co., Ltd. (the “**Vendor**”) and the Vendor's wholly-owned subsidiary, Hanamaru Auto Trading (Malaysia) Sdn. Bhd. (“**Hanamaru**”), for subscription of new ordinary shares (“HAT Shares”) in Hanamaru and an acquisition from the Vendor of HAT Shares (“Vendor Shares”), for an aggregate consideration of RM919,248. The Vendor's principal business is in the wholesale and distribution of used passenger automobiles, trucks, trailers and other motor vehicles to markets outside of Japan. Hanamaru operates an online auction platform for the sale of used or salvaged automobiles and other automotive spare parts in Malaysia.

The price was negotiated on a willing-buyer and willing-seller basis, taking into account the minority stake in Hanamaru, prevailing market conditions, business prospects of Hanamaru, potential business synergies and the Vendor granting Hanamaru a right of first refusal for any expansion by the Vendor of the Auction Business in the ASEAN region<sup>1</sup> and Australia.

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<sup>1</sup> *Indonesia, Philippines, Vietnam, Thailand, Myanmar, Malaysia, Cambodia, Laos, Singapore and Brunei, and includes East Timor and Papua New Guinea.*

On completion, the Company would own a 20.0% stake in the enlarged issued capital of Hanamaru. The deal will be funded by the Company's internal resources.

The deal comes with two call options to allow the Group to increase its stake in Hanamaru to 34.5% and 49.0%, at pre-agreed valuation multiples, when specific profit milestones are met, thus enabling the Group to increase the earnings contribution from this venture should Hanamaru's business become increasingly profitable.

**Ms Carol Wong, Executive Director of MeGroup Ltd.,** commented, "This is the Group's first entry into the online auction platform. We are excited by this opportunity to expand into an automotive-related business with an experienced partner, given that the Hanamaru Auto Auction platform has been in the automobile industry in Japan for more than 20 years. We see vast opportunities to realise synergies between Hanamaru and the Group through better operational productivity and cost efficiencies.

"This platform has 15,000 members and are transacted in 90 countries. In addition to generating a new income stream, we could potentially extend our geographical reach through this auction business into new markets, namely, the ASEAN region and Australia. With reopening of economies, we see good potential to tap new opportunities from these markets, thus enhancing shareholder value in the long term."

**Mr Cho Takahiro, Chief Executive Officer of Hanamaru Auto Trading (Malaysia) Sdn. Bhd.,** commented, "We are happy to collaborate with MeGroup to bring our business to the next level. With their extensive experience and strong presence in the automotive business in Malaysia, and together with Hanamaru's long track record and established auction platform, we are confident about the business' long-term prospects and outlook.

"It is a big leap for Hanamaru to have the opportunity to partner with MeGroup, a company with over 20 years of deep experiences and which specialises in manufacturing and dealerships in the automotive industry. Hanamaru is looking forward to growing and expanding with MeGroup through our mutual operations and experience, whilst improving and expanding into domestic and overseas markets.

“It is an exciting journey in which we see new possibilities for what we are capable of, to achieve new milestones that are profitable and beneficial to our partnership in the long run.”

Note: This press release is to be read in conjunction with the SGX announcement released on the same date.

**End**

**About Hanamaru Malaysia (<https://www.hanamaruauction.my>)**

Hanamaru Malaysia is a company incorporated in Malaysia, and operates an online auction platform for the sale of used or salvaged automobiles and other automotive spare parts in Malaysia. The Hanamaru Auto Auction platform has been in the automobile industry in Japan for more than 20 years. It specialises in the purchasing of salvage cars, breakdown cars, used and damaged cars from reliable suppliers and re-sold through its online marketplace, reinforcing the idea that as many cars and parts should be re-used for a more effective utilisation of resources. Hanamaru has been constantly expanding its online car auctions in Malaysia and around the world; and are confident with their rich experience, knowledge and skills to develop the auctions market of the automobile industry in Malaysia. The platform has 15,000 members around the world and has transacted in 90 countries.

**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. It had also diversified into supplying NVH components to Johnson Controls Hitachi, a heating, ventilation and air-conditioning ("**HVAC**") manufacturer.

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 Proton, Perodua, Honda, Mazda, another major carmaker, and Johnson Controls Hitachi. The Group also has established relationships with its dealership principals.

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