



MEGROUP LTD.

(Company Registration No. 201804996H)  
(Incorporated in the Republic of Singapore)

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## RESPONSE TO QUESTIONS RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) IN RESPECT OF THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (“FY2023”)

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The Board of Directors (the “**Board**”) of MEGROUP LTD. (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to respond to the following questions raised by SIAS in respect of its annual report for FY2023 as follows:

No.	SIAS’s Questions	Company’s Responses
1.	<b>Despite the challenges posed by the pandemic, the Group reported a 65% increase in its revenue to a record high of RM421 million in FY2023. The manufacturing segment contributed RM53.8 million while the dealership segment contributed RM367.7 million.</b>	
	The Group currently operates 11 dealership outlets under seven brand principals – Ford, Honda, Hyundai, Mazda, Mitsubishi, Peugeot and Proton.	
	(i) Does management see the demand for cars normalising after the pent-up demand during COVID? In addition, how significant was the surge in customer purchases driven by the deadline for the sales tax exemption incentive that expired on 30 June 2022?	We expect that new demand will normalise as the market re-corrects itself. The Malaysian economy is expected to expand by four to five per cent in calendar year (“CY”) 2023 as domestic demand and recovery in the labour market continues. We also expect new demand as we continue to introduce new car models

No.	SIAS's Questions	Company's Responses
		<p>into our dealership.</p> <p>We saw a surge in customer purchases driven by the sales tax exemption. A record of 720,658 units in Total Industry Volume ("TIV") of sales in CY2022 was registered, attributed to the pent-up demand for new vehicles and the sales tax exemption incentive deadline of 30 June 2022.</p>
	(ii) Is it the Group's strategy to upgrade all 3S (sales, service and spare parts) dealerships into 4S (sales, service, spare parts, and body and paint services) dealerships?	The Group is constantly exploring the potential of upgrading our dealerships. We are focused on expanding our facilities and always seeking new opportunities for growth through new product line-ups by the brand principals in the dealership segment.
	(iii) To what extent does the Group have influence in persuading brands to establish new dealerships and award it the dealership?	All awards of any new dealership are determined through a transparent process by the brands, depending on their requirements and needs. Each brand will have their own criteria in selecting new dealerships.
	The group has established a new Northern Manufacturing Hub in Kulim Hi-tech Park, Kedah for the production of noise, vibration and harshness (NVH) and non-NVH parts for automobile brands.	
	(iv) What are the projected investments required to increase the Group's automation level to the targeted 70% or above, considering the current level stands at 25%? Furthermore, has the Board established a timeline to accomplish this goal?	To achieve over 70% automation in the main manufacturing plant, the estimated investment required is approximately RM10 million. The Board is closely monitoring the feasibility of the automation investment progressively in a sustainable manner in the next three

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		to five years.
	(v) What is the level of utilisation at the new facility in Kedah?	The new facility in Kedah is currently running only one shift of production.
2.	<b>For FY2023, the Group generated cash from operations RM14.1 million in FY2023 mainly due to increases in trade and other payables of RM13.2 million. Net cash provided by operating activities was RM12.8 million.</b>	
	In the past two years, additions to property, plant and equipment amounted to RM10.5 million and RM8.9 million in FY2023 and FY2022 respectively. Net cash used in investing activities for the past two years added up to over RM17.6 million.	
	(i) What were the total amounts invested to set up the new manufacturing facility, the new Mitsubishi outlet and the upgrading of the Proton dealership to 4S status?	The Group had invested approximately RM16.5 million on the new manufacturing facility at Kedah, new 3S Mitsubishi dealership at Bandar Bukit Raja and new Proton 4S dealership at Teluk Panglima Garang.
	(ii) Can management help shareholders better understand if the investment-intensive phase has concluded? What are the other major capital expenditure items in the near term?	The Group will continue its investments for new manufacturing projects to increase its capacity and capability with additional manufacturing facility, machineries, mould and tooling. The Group is also actively looking for opportunities to upgrade its existing 3S dealerships into 4S dealerships, which may require additional investments.

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	<p>Net debt has increased from RM74.4 million to RM94.2 million as at 31 March 2023. The gearing ratio, calculated as net debt divided by total capital, is at 68% (2022: 65%). The interest expense for 2023 was RM3.5 million (2022: RM2.7 million).</p>	
	<p>(iii) Has the Board reviewed the capital structure and established a limit on the Group's gearing, particularly in light of the current high interest rate environment?</p>	<p>Yes. The Board has reviewed the capital structure of the Group to ensure its ability to meet and satisfy all financial covenants imposed by the banks for debt financing.</p>
	<p>In addition, no dividends were declared for FY2023 as the group intends to conserve cash for expansion and other business opportunities. The company had paid dividends in FY2019, FY2021 and FY2022.</p>	
	<p>(iv) What guidance has the Board given to management regarding striking a balance between investing in the growth of the Group and providing returns to shareholders through dividend distributions?</p>	<p>The Company declared and paid an interim one-tier tax-exempt dividend of RM0.012 per share for the financial year ended 31 March 2023 (FY2023). The emphasis was placed on prudent financial management, cost control, and risk assessment to ensure that investments are made wisely and that dividends remain sustainable.</p>
<p><b>3.</b></p>	<p><b>The attendance of Directors at Board and Board committee meetings is shown on page 19 of the annual report and reproduced below.</b></p>	

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	<p data-bbox="271 619 1223 938">Mr Wong Cheong Chee is the executive chairman and chief executive officer while Ms Wong Keat Yee is the executive director and head of operations of the group. It is noted that Mr Wong Cheong Chee is the parent of Ms Wong Keat Yee, Mr Wong Sai Hou, and Mr Wong Sai Keat. Both Mr Wong Sai Hou and Mr Wong Sai Keat are employees of the group who received remuneration ranging from \$100,001 to \$200,000 in the financial year.</p>																																																													
	<p data-bbox="271 954 1223 1070">(i) Can the Board help shareholders understand if it is the usual practice for non-Board committee members (i.e. the executive directors) to attend Board committee meetings?</p>	<p data-bbox="1249 954 2029 1150">The Board Committees have the flexibility to invite any executive director or non-board member to attend their meetings as and when the Committee deems it necessary to understand certain proposals tabled for their review.</p> <p data-bbox="1249 1206 2029 1366">Executive Directors were invited by the respective Board Committees to participate in the meetings to facilitate efficiency and provide valuable insights, especially in matters pertaining to operational aspects</p>																																																												

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		<p>or in the context of Nominating Committee, provide insight on the qualifications or experience of potential candidates, if needed for the Group's business. In the case of the Remuneration Committee ("RC"), there were deliberations on key management personnel's remuneration matters; hence, having executive directors attending the meeting would allow the RC members to understand the rationale and purpose of the remuneration of these employees before deciding.</p>
	<p>(ii) Such Board committee meetings would have included agenda items on interested party transactions, performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group. What is the dynamic of the Board committee meetings when the Board committee members may be reviewing and discussing matters that are related to or affect the executive directors and/or their close relatives who work in the Group?</p>	<p>The executive directors, if they attended the meeting, would recuse themselves from matters which they and/or close relatives could have potential conflicts of interest. The executive directors would also recuse themselves from any discussions related to the assessment of their performances and/or their close relatives who work in the Group. The Board Committees are mindful of their terms of references and restrict the invitees participation in matters which they or their close relatives are interested.</p>
	<p>(iii) Specifically, would the Board committee meetings be turned into "standard" board meetings and thus negating the purpose of having independent board committees?</p>	<p>The agenda tabled at the Board and its Committees is different. Board meetings are also held to include strategy sessions besides approving the report from the respective committees. The Board Committees may hold a private session without the presence of management as and when necessary.</p>

No.	SIAS's Questions	Company's Responses
	(iv) Are the committees able to make decisions objectively and independently?	Yes, the Board Committees are able to make decisions objectively and independently.

Save for the questions raised by SIAS, the Company did not receive any questions in advance from shareholders by the stipulated deadline as stated in the Notice of AGM.

## BY ORDER OF THE BOARD

Wong Cheong Chee  
Executive Chairman and Chief Executive Officer  
26 July 2023

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*This announcement 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 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. Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, Telephone (65) 6590 6881.*

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