

Media Release

MeGroup reports revenue of RM245.8 million and net profit of RM1.2 million

- Achieves higher revenue from the manufacturing business
- Group fulfils IPO promise of setting up research lab for manufacturing business
- Dealership business rolled out digital sales and appointment services; postpones launch of Mitsubishi dealership outlet due to Movement Control Order in Malaysia

Singapore, 17 July 2020 – SGX-Catalist listed **MeGroup Ltd.** (“MeGroup” or the “Company”, and together with its subsidiaries, the “Group”) today announced its financial results for the full year ended 31 March 2020 (“FY2020”).

FINANCIAL HIGHLIGHTS			
In RM million except otherwise stated	FY2020	FY2019	% Change
Revenue	245.8	243.5	1.0
Gross Profit	26.5	24.5	8.0
EBITDA	12.2	9.1	34.0
Net Profit attributable to equity holders	1.2	1.4	(10.3)

The Group’s revenue increased by approximately RM2.3 million or 1.0%, from RM243.5 million in the 12 months that ended 31 March 2019 (“FY2019”) to RM245.8 million in FY2020. The increase was mainly attributable to the Group’s manufacturing business, where there was an increase in demand of NVH components supplied.

On a segmental level, revenue from the Group's manufacturing business increased by RM3.3 million or 9.3% from RM36.2 million in FY2019, to RM39.5 million in FY2020. This increase was largely due to the rise in demand of NVH components supplied. The Group's dealership business decreased slightly by RM1.0 million or 0.5% from RM207.3 million in FY2019, to RM206.3 million in FY2020. The average monthly revenue generated for the first 11 months of FY2020 was RM17.7 million as compared to RM17.3 million in FY2019. The improvement was due to a full year of operations from the Honda Kuala Selangor outlet, and the new body and paint centre in the Honda Cheras outlet. However, a drop in revenue was noted in March 2020 due to the Movement Control Order ("MCO") imposed by the Malaysian government, in its bid to curb the spread of Covid-19.

Gross profit for the period under review increased approximately RM2.0 million or 8.0%, from RM24.5 million in FY2019 to RM26.5 million in FY2020. This increase is in tandem with the higher revenue from the manufacturing business over the same period. The Group's gross profit margin for FY2020 remained at a healthy level of 10.8%, as compared to 10.1% in FY2019. The increase in gross profit margin was due to cost-saving activities implemented in FY2020, as well as an increase in the dealership business' after-sales services which commands a higher margin compared to the sale of automobiles.

Finance expenses increased approximately RM1.0 million or 52.1% largely due to the recognition of RM0.9 million of interest expenses on lease liabilities following the adoption of SFRS(I) 16 Leases in FY2020, and bank interest from the facility granted to Honda Cheras for its Body and Paint centre.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was RM12.2 million. Profit before income tax was RM2.3 million in FY2020 compared to RM3.9 million in FY2019. The 40.6% decrease was mainly due to the higher selling and distribution expenses as a result of investment in the new Hyundai and Ford dealerships during the financial year and the impact from the adoption of SFRS(I) 16 Leases in FY2020.

As a result, the net profit attributable to equity holders of the Company for FY2020 stood at RM1.2 million, a 10.3% dip from RM1.4 million in FY2019.

Business Update

The Group during its IPO mentioned that it will set up an R&D facility for its manufacturing business, and it is pleased to announce that it has started utilising the newly built R&D lab which will primarily be used for internal research and validation purposes. The lab is expected to complement the Group's existing manufacturing capabilities for better quality control on product offerings. The manufacturing business also secured several new projects from various well-known automobile brands, and have expanded its customer base to other industries through the supply of similar products.

On the dealership front, the Group's response to the MCO brought about by Covid-19 was to leverage on its existing digital presence. The Group improved its online footprint through the use of social media platforms and other online marketing strategies. The use of technology will continue to be adopted to streamline operational efficiencies. It has also implemented an online appointment booking system for customers to make forward appointments to visit the showrooms in order to maintain and comply with proper safe distancing measures among customers in its premises.

Additionally, due to the Covid-19 outbreak and the country's subsequent lockdown, construction of the Group's first Mitsubishi dealership was delayed, and commencement of operations has now been postponed to 2Q2021 from 1Q2021. Construction of the new 3S facilities for the Honda Kuala Selangor dealership has also been delayed.

Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd. commented:

“The Covid-19 pandemic and Malaysia government’s subsequent implementation of the MCO has adversely affected many businesses including ours. We had to completely stop work in our manufacturing and dealership businesses, construction of our new dealership had to be placed on hold, upgrading works had to stop. However, we took this opportunity to implement new ways to carry out our operations such as boosting our online presence and streamlining our work processes.

“We are pleased to also have been able to fulfil our IPO promise of setting up an R&D lab for the manufacturing business. We continually strive to be at the forefront of our industry, and we are currently the only NVH supplier in Malaysia with such an R&D facility. This lab will value-add to the products we manufacture and bring about higher credence for future potential customers to work with us.”

Business Outlook

MeGroup was granted an approval from the Ministry of International Trade and Industry to commence operations during the conditional MCO period. As such, our dealership business resumed operations on 2 May 2020, with our manufacturing business following soon after, on 4 May 2020.

The impact of Covid-19 on the Group’s businesses has been partially mitigated by the Malaysian government’s stimulus package, which includes a moratorium on repayment of bank borrowings for six months ending 30 September 2020, sales tax exemption of up to 100% for completely-knocked down passenger vehicles and 50% on completely built-up cars from 15 June 2020 to 31 December 2020. The Group has also prepared a business continuity plan to minimise any further impact from the pandemic.

On a more positive note, MeGroup continues to be invited to bid for new NVH and non-NVH projects for new car models from different automobile brands and are also exploring new potential business opportunities as well as new service offerings in the dealership outlets.

End.

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. 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; and vi) one Mitsubishi 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.

ISSUED ON BEHALF OF	:	MeGroup Ltd.
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 105 Cecil Street #09-01, The Octagon Singapore 069534
CONTACT	:	Ms Dolores Phua / Ms Melissa Sim
DURING OFFICE HOURS	:	6534-5122
EMAIL	:	Dolores.phua@citigatedewerogerson.com Melissa.sim@citigatedewerogerson.com

17 July 2020

*This press release has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, CIMB Bank Berhad (“**Sponsor**”) in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.*

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 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.