

Media Release

MeGroup posts record-high revenue at half-time

- 154.3% increase in 1H2023 revenue to RM204.1 million on post-pandemic rebound

- **Strong growth in Manufacturing and Dealership businesses**
 - **Revenue from Manufacturing business rose by 136.0% while Dealership business increased by 156.8%**
- **Achieves a turnaround in net profit attributable to equity holders of the Company to RM2.5 million**
- **To push ahead with existing and new projects awarded for Manufacturing; and work with brand principals to launch newer models in Dealership**
- **Declares one-tier tax exempt interim cash dividend of RM0.012 for the current financial period ended 30 September 2022, representing a payout ratio of 57%**

Singapore, 8 November 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 period ended 30 September 2022 (“**1H2023**”).

The Group reported a 154.3% increase in revenue for 1H2023 to RM204.1 million, from RM80.3 million for the six-month period ended 30 September 2021 (“**1H2022**”). 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.

Commenting on the latest earnings, **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.** said: “We are pleased to see our strongest half-time topline performance, surpassing pre-COVID levels, with the reopening of economies. In the past six months, we achieved increased sales orders from existing and new customers, as well as added revenue, mainly from the operations of our Proton Dealership beginning January 2022.

“Our acquisition of 20% interest in an associated company, Hanamaru Auto Trading (Malaysia) Sdn Bhd, this year has allowed us to invest in new income streams. We are confident our continued collaboration with Hanamaru will lead to long-term growth and market expansion.

“Given the reopening of international borders and Malaysia’s own smooth transition into economic recovery, we will continue to take steps to improve our business performance by continuing to execute the current existing and new projects in the Manufacturing segment, and work with brand principals to introduce new models and designs in the Dealership segment to expand our product offerings in the automotive industry.”

On a segmental level, revenue from the Group’s Manufacturing business increased by RM12.9 million or 136.0% to RM22.4 million in 1H2023, from RM9.5 million in 1H2022. The increase can be attributed to the full withdrawal of movement restrictions and the reopening of the economy, which saw the increase of sales orders by existing and new customers.

The Dealership business experienced an increase in sales by RM111.0 million or 156.8% to RM181.8 million in 1H2023, from RM70.8 million in 1H2022. The increase can be attributed to the rebound of business activities in post-pandemic Malaysia where COVID-19 SOP has been relaxed and the country transitioned into endemic phase, effective 1 May 2022. Additional revenue was also contributed by the operations of Proton Dealership, located at Telok Panglima Garang, Selangor, which commenced operations in January 2022.

Financial Review

Gross profit surged 212.4% to RM17.9 million in 1H2023, from RM5.7 million in 1H2022. The increase was due to an increase in gross profit from the Manufacturing business by approximately RM3.3 million from RM1.1 million in 1H2022 to RM4.4 million in 1H2023, and the Dealership business by approximately RM8.9 from RM4.6 million in 1H2022 to RM13.5 million in 1H2023.

Gross profit correspondingly rose by approximately 1.6 percentage points to 8.8% in 1H2023 from 7.2% in 1H2022. The gross profit margin of dealership business increased by 0.9 percentage points in 1H2023 to 7.4% in 1H2023. This was attributable to the high demand of cars from strong vehicle bookings received prior to the expiration of the sales tax exemption incentive period on 30 June 2022 in Malaysia, with fewer discounts given out to attract car sales customers. The manufacturing business also reported a gross profit margin increase of 8.1 percentage points to 19.8% in 1H2023, mainly due to the low base effect in 1H2022 where production overhead costs were charged out due to the shutdown of manufacturing activities during the FMCO period.

Other gains increased by approximately RM0.6 million or 762.4% to RM0.7 million in 1H2023, from RM0.1 million in 1H2022. This was mainly due to realised forex gain from payment to suppliers.

Overall, the Group reported a net profit attributable to equity holders of the Company of RM2.5 million in 1H2023, a turnaround from a net loss attributable to equity holders of RM4.9 million in 1H2022.

The Group recorded net cash generated from operating activities of approximately RM15.1 million mainly due to the operating profit before changes in working capital of RM9.8 million, a decrease in trade and other receivables and inventories by RM2.1 million and RM0.6 million respectively, partially offset with the increase in trade and other payables of RM2.3 million.

Net cash used in investing activities of approximately RM6.4 million was mainly due to the additions to property, plant and equipment totalling RM5.4 million, addition in right-of-use assets of RM0.7 million and acquisition of 20% interest in an associated company, Hanamaru Auto Trading (Malaysia) Sdn Bhd amounting to over RM0.9 million in September 2022. These were partially offset by the proceeds from the disposal of right-of-use assets amounting to RM0.6 million and interest received from financial institutions amounting to RM0.02 million. Under financing activities, the Group recorded a net cash used of approximately RM0.9 million due to i) additional fixed deposits pledged amounting to RM0.5 million, ii) repayment of bank borrowings of approximately RM3.6 million, iii) repayment of lease liabilities including finance lease of approximately RM2.4 million and iv) interest paid of approximately RM1.6 million. These were offset by the drawdown of bank borrowings amounting to RM7.2 million during the financial period.

Interim Dividend

After considering the Group's improved financial performance for the current financial period, the Board of Directors of MeGroup has declared a one-tier tax exempt interim cash dividend of RM0.012, representing a payout ratio of 57%, and payable on 15 December 2022.

Business Outlook

Bolstered by a smooth transition into endemic phase and the reopening of international borders, many sectors in Malaysia are showing signs of growth in business activities. Though not yet up to pre-pandemic levels, economic recovery is well under way for many countries worldwide.

According to a press release by the Malaysian Automotive Association ("MAA") shared on 18 October 2022, the 9 months September 2022 calendar year-to-date total registration of new passenger and commercial vehicles in Malaysia was 516,798 units. They also reported that the total passenger and commercial vehicles produced and assembled in Malaysia for the 9 months September 2022 calendar year-to-date was 508,761 units. Both increased compared to the 9 months September 2021 calendar year-to-date.

In addition, according to the Ministry of Finance (“MOF”), Malaysia is expected to continue its recovery momentum in the calendar year 2022, supported by a continued increase in domestic and external demands, as well as labour market recovery. Although the sales tax exemption incentive for car buyers will not be extended beyond 30 June 2022, the Malaysian government has allowed buyers with confirmed bookings to register their vehicles by 31 March 2023. This will allow the automotive industry to fulfil backlogged orders accordingly.

In view of the above, the Group is continuously looking at new opportunities to expand its product offerings in the automotive sector.

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.

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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