

Media Release

MeGroup reports resilient performance for 1HFY2021 despite operational challenges

- Revenue of RM87.8 million mainly driven by dealership business
- Other income and other gains increased due to the Malaysian government's Wage Subsidy Program and forex gain
- Manufacturing business has embarked on its sustainable production cost optimisation project to reduce overhead costs
- Dealership business expects its new Honda Kuala Selangor outlet to be completed in 4QFY2021

Singapore, 11 November 2020 – 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 that ended 30 September 2020 ("**1HFY2021**").

The Group reported a revenue of RM87.8 million for 1HFY2021, this was mainly driven by MeGroup's dealership business, where the sale of automobiles contributed to a larger share of the Group's overall revenue. Revenue for the period under review was RM56.7 million or 39.2% lower as compared to the six months that ended 30 September 2019 ("**1HFY2020**").

Gross profit for the period under review was RM10.5 million, which corresponds to a gross profit margin of 11.9%. Gross profit margin increased slightly by 2.5 percentage points, and this was largely due to the dealership business' after-sales services, where it commanded a higher margin compared to the sale of automobiles.

On a segmental level, revenue from the Group's manufacturing business reduced by RM6.8 million to RM11.7 million in 1HFY2021. The dealership business also experienced a decline in sales by RM49.9 million to RM76.1 million for the period under review. Both businesses were significantly affected due to the Movement Control Order ("MCO") that was implemented between 18 March 2020 to 1 May 2020 by the Malaysian government, in a bid to curb the spread of Covid-19. No components were manufactured and delivered during the MCO, and the dealership showrooms and service centres were closed.

On a more positive note, other income increased RM0.4 million or 252.9%, from RM0.2 million in 1HFY2020 to RM0.6 million in 1HFY2021. This was mostly due to the Malaysian government's Wage Subsidy Program that was introduced in May 2020 to assist companies in keeping their workforce employed. Other gains also saw a net gain of RM0.05 million in 1HFY2021 as compared to a net loss of RM0.08 million in 1HFY2020, which was attributed to a realised forex gain from payment to suppliers.

As a result of the above, net profit attributable to equity holders of the Company stood at RM0.8 million for 1HFY2021.

Business Update

The Group has embarked on its sustainable production cost optimisation project in its main manufacturing facility. This project looks at harnessing solar energy that will be utilised within the manufacturing plant, and hence lead to lower production overhead expenses. This step forward into the renewable energy space also further cements the Group's beliefs in reducing its carbon footprint and to continue manufacturing components in a sustainable and environmentally friendly manner.

In addition, the Group has implemented its phased automation programme, in a bid to reduce its reliance on foreign workers and at the same time increase its productivity and manufacturing quality. This allows the Group to be focused in hiring more local skilled workers to help ensure high-quality product delivery to MeGroup's customers.

Construction of the Group's new Honda Kuala Selangor outlet is also underway. This bigger facility with a showroom will be able to take on more servicing orders and will serve as a one-stop shop for all Honda customers. Construction of the outlet is expected to be completed in 4QFY2021 with operations to commence soon after.

Commenting on the 1HFY2021 results, **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.** said: "We are going through an unprecedented period seeing as how the pandemic has severely affected so many individuals and businesses on a global scale. Here in Malaysia, the government had imposed a Movement Control Order which saw the closure of all non-essential businesses. Our manufacturing and dealership businesses took a hit, but we were not disheartened. We took the opportunity to think of new ways in carrying out our operations post-MCO, and what we could do to streamline, optimise and improve our work processes. We hope to regain our footing in this new Covid-era, and continue to focus our efforts on driving growth for both our manufacturing and dealership businesses."

Business Outlook

Based on the sales and production statistics published by the Malaysian Automotive Association ("MAA"), the nine months from January to September 2020 saw a total of 341,489 newly registered passenger and commercial vehicles, as compared to a total of 604,287 registered units in the preceding 12 months. MAA also reported that the total number of passenger and commercial vehicles produced and assembled in Malaysia for the first nine months in 2020 was 315,863 units, as compared to 571,632 units in the previous 12 months in 2019.

Production and registration of new vehicles in Malaysia for the last quarter of calendar year 2020 is expected to remain stable with the current sales tax exemption of up to 100% for completely knocked-down passenger vehicles and a sales tax exemption of 50% on completely built-up cars for registration before 31 December 2020.

Outlook on the automotive sector remains challenging due to the uncertainty surrounding the Covid-19 pandemic. The Group remains prudent and will continuously look for opportunities to expand its product offering for both its manufacturing and dealership businesses.

Launching of new car models by the respective brand principals in 2020 is also expected to positively contribute to the sales of the Group's dealership segment.

End

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

About MeGroup [\(https://me-grp.com/\)](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.

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*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.

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