

Media Release

MeGroup's FY2019 revenue increases 67.6% with Dealership business driving overall growth

- Revenue increased 67.6% to RM243.5 million
- Gross profit increased 25.4% to RM24.5 million
- Dealership business doing well, revenue from this segment increased 93.4%

Singapore, 30 May 2019 – SGX-Catalist listed MeGroup Ltd. (“MeGroup” or the “Company”, and together with its subsidiaries, the “Group”) announced their financial results for the financial year ended 31 March 2019 (“FY2019”).

FINANCIAL HIGHLIGHTS			
In RM million except otherwise stated	FY2019	FY2018	% Change
Revenue	243.5	145.2	67.6
Gross Profit	24.5	19.6	25.4
Net Profit attributable to equity holders	1.4	8.9	(84.4)

The Group's revenue increased RM98.3 million or 67.7% from RM145.2 million in the financial year ended 31 March 2018 (“FY2018”) to RM243.5 million in FY2019. This increase was mainly attributable to the Group's dealership business whereby operations for both the newly opened Honda dealership in Kuala Selangor and the Peugeot dealership in Setia Alam, started to generate revenue. The Group also noted an increase in the volume of cars that were sold in FY2019 at the Honda dealership in Cheras due to the outlet's first full-year contribution.

On a segmental level, revenue from the Group's manufacturing business decreased by RM1.9 million from RM38.1 million in FY2018 to RM36.2 million in FY2019. This decrease was largely

because of a decrease in the volume of NVH components supplied, as the Group phased out the production of NVH components for an automobile model since September 2017. There was also a production delay for a particular automobile model that consequently caused a drop in NVH components ordered.

Revenue from the Group's dealership business increased by RM100.1 million from RM107.2 million in FY2018 to RM207.3 million in FY2019. The 93.4% increase was mostly due to four months of contribution from the newly opened dealerships mentioned above, and an increase in vehicle sales at the Honda dealership in Cheras for the full financial year.

Gross profit increased by 25.4% from RM19.6 million in FY2018 to RM24.5 million in FY2019, in accordance with the increase in revenue for FY2019. Gross profit from the manufacturing business was 18.0% lower at RM10.0 million in FY2019 (FY2018: RM12.2 million), whereas the dealership business saw an increase of 93.2% or RM6.9 million to RM14.3 million in FY2019 (FY2018: RM7.4 million).

The Group's FY2019 gross profit margin was 10.1% compared to 13.5% in FY2018. This decrease was mainly due to the decrease in gross profit margin of approximately 4.2 percentage points from the manufacturing business. The manufacturing business segment logged a gross profit margin of 27.6% in FY2019 (FY2018: 31.9%), which was the result of sales of NVH components for a new car model with a lower gross profit margin, as compared to the higher gross profit margin of NVH components for the phased-out car model. On the other hand, the gross profit margin of dealership business segment has remained largely stable at 7.0% in FY2019 (FY2018: 6.9%).

Profit before tax for FY2019 was RM3.9 million as compared to RM11.5 million in FY2018. The 66.1% drop was largely due to the absence of a one-time gain of RM4.8 million received in FY2018 from the Malaysian government for the Mass Rapid Transit ("MRT") system compensation due to land acquisition; the absence of the gain on disposal of Yatta Group Sdn. Bhd. amounting to approximately RM0.4 million in FY2018 and; the one-off listing expenses of approximately RM3.0 million that was recognised in FY2019. But these were offset by the

absence of the property, plant and equipment written-off of approximately RM1.1 million due to the relocation of the Mazda dealership in FY2018.

However, excluding the one-time gain in FY2018 from the MRT compensation, gain on disposal of Yatta Group, as well as adjusting for the amount written off due to relocation of the Mazda dealership, the Group's profit before tax for FY2018 would have been approximately RM7.4 million. Similarly, excluding the one-time listing expenses in FY2019, the Group's profit before tax for FY2019 would have been approximately RM6.9 million, a slight decrease of approximately RM0.5 million or 6.8% year-on-year comparison.

Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd. remarked, "We are heartened to see an overall growth of our revenue in FY2019 as well as our dealership business propelling forward. Through more sales in the automobile body and paint repair work services, we expect to see better margins in the near term for our dealership business segment. Looking forward, despite the challenging and uncertain economic outlook, we will continue to strive to grow our business and improve our profitability, so as to deliver sustainable returns to our shareholders."

Business Updates

The Group is currently upgrading its machinery and equipment to increase productivity. This upgrading will be done in phases and is likely to be completed by 2020. The Group has also started the production and supply of NVH components for Johnson Controls Hitachi in the HVAC industry since January 2019.

In April 2019, the Group announced its intent on increasing its stake from 55% to 80% in the subsidiary, MJN Motors Sdn. Bhd. that owns and operates the Honda dealerships. The rationale was to consolidate and capitalise on the strong demand of the brand, as Honda was Malaysia's top non-Malaysian car brand in 2018. Operations of a new Peugeot 3S Dealership in Setia Alam have also commenced, marking the Group's third Peugeot dealership in Malaysia. Furthermore, MeGroup has secured its first Hyundai dealership through a Letter of

Award from the carmaker's official distributor in Malaysia, and the Hyundai dealership is expected to commence operations in the second half of 2019.

Business Outlook

Malaysia's GDP growth for 2019 is forecasted to be at 4.5% due to the ongoing US-China trade conflict and tighter global monetary conditions¹. The Malaysian automotive sector is also expected to flatten out in 2019 with total vehicle sales projected to taper off. Despite this, the Malaysian government has plans to unveil its new National Automotive Policy (“**NAP**”) in the second quarter of 2019 with an emphasis on electric vehicles and new technologies, as well as a potential third national car for Malaysia². Should the plans under the new NAP be formalised, it could present opportunities to the Group in terms of the production and supply NVH components for the new electric vehicles and the third national car, as well as potential dealership opportunities in the future.

The Group is also planning to establish a research facility that will primarily be used for internal research and validation purposes and hopes to get the facility accredited under the ISO17025³ standard by end 2019.

Despite a decline in the Group's manufacturing business, its pipeline remains robust with the inclusion of the upcoming new projects with Mazda for the assembly of parts for their new car models. As such, plans are underway to expand the Group's assembly and warehouse capacity in Batu Kawan to cater for Mazda's new cars. The assembly of parts in Batu Kawan include products such as top ceiling, insulators, insulator bonnet and insulator engine outer.

Concurrently, the Group continues to bid for new NVH projects for new car models from different automobile brands and has also registered its interest in becoming a vendor for

¹ ICAEW report entitled “Economic Insight: South-east Asia

² The Sun Daily, 21 November 2018 and 8th April 2019

³ ISO/IEC 17025:2017 specifies the general requirements for the competence, impartiality and consistent operation of laboratories.

Malaysia's NAP. It will also strengthen its efforts in the dealerships' after sales services with more aggressive sales campaigns to mitigate the projected vehicle sales plateau in the later part of 2019.

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 company involved in the manufacturing of noise, vibration and harshness ("NVH") components and non-NVH components primarily for the automotive industry in Malaysia. It also owns and operates several 3S and 4S automobile dealerships for the sale of new automobiles under the Honda, Mazda, Peugeot and Hyundai brands in various parts of Malaysia.

MeGroup has developed long-standing partnerships with its manufacturing customers and is an Approved Supplier to the Malaysian manufacturers of the Perodua, Honda, Mazda and Proton brand of automobiles and heating, ventilation and air-conditioning ("HVAC") manufacturer Johnson Controls Hitachi. The Group also maintains an established relationship with its dealership principals.

Issued on behalf of the Company by Cogent Communications Pte Ltd.
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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 Catalist.

This press release has not been examined or approved by the SGX-ST. The SGX-ST assume 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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