

Media Release

## MeGroup's 1H2019 revenue more than doubles to hit RM115.8 million

- Revenue increased 121.5% to RM115.8 million
- Net profit attributable to equity holders of the Company for the period was RM2.7 million
- Started operations for second Honda dealership

Singapore, 12 December 2018 – SGX-Catalist listed MeGroup Ltd. (“MeGroup” or the “Company”, and together with its subsidiaries, the “Group”) is pleased to announce their financial results for the half year that ended 30 September 2018 (“1H2019”).

FINANCIAL HIGHLIGHTS			
In RM million except otherwise stated	1H2019	1H2018	% Change
Revenue	115.8	52.3	121.5
Gross Profit	11.3	9.3	21.0
Net Profit attributable to equity holders	2.7	7.4	(64.0)

The Group's revenue increased RM63.5 million or 121.5% from RM52.3 million in the six months that ended 30 September 2017 (“1H2018”) to RM115.8 million in 1H2019. This increase was mainly attributable to the opening of the Honda dealership (“Honda Dealership”) in Cheras in September 2017, where the Group saw an increase in the volume of cars sold.

On a segmental level, revenue from the Group's manufacturing business decreased by RM0.8 million from RM18.5 million in 1H2018, to RM17.7 million in 1H2019. 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. On the other hand, due to the Honda Dealership as mentioned above, revenue from the Group's Dealership business increased by RM64.3 million to RM98.1 million in 1H2019 (1H2018: RM33.8 million).

Gross profit for the period under review increased 21.0% or RM2.0 million from RM9.3 million in 1H2018 to RM11.3 million in 1H2019. This increase is in tandem with the increase in revenue for the same period. On a segmental level, gross profit from the manufacturing business was slightly lower at RM5.2 million in 1H2019 (1H2018: RM6.2 million), whereas the dealership business generated an increment of RM2.9 million to RM6.0 million in 1H2019 (1H2018: RM3.1 million).

The Group's gross profit margin for 1H2019 was 9.7% as compared to 17.8% in 1H2018. This decrease was largely due to an increase in car sales, which has lower gross profit margins as opposed to after-sales services, from the dealership business. Gross profit margin from the manufacturing business also decreased and was largely attributable to lower gross profit margins from the sale of NVH components for a new car model as compared to higher gross profit margins from the sale of NVH components for the phased-out model.

Profit before income tax was RM3.9 million in 1H2019 compared to RM8.6 million in 1H2018. The 54.1% decrease was mainly due to an absence of a one-time gain of RM4.8 million that the Group received in 1H2018 from the Malaysian government for the compensation of a compulsory land acquisition for the country's Mass Rapid Transit system. There was also an increase in selling and distribution expense, administrative expense, as well as finance expense, which contributed to the Group's decrease in profit before income tax.

As a result, the net profit attributable to equity holders of the Company for 1H2019 was RM2.7 million (1H2018: RM7.4 million).

## **Business Update**

As announced on 28 November 2018, the Group has commenced operations of a New Honda 3S Dealership (“**New Honda Dealership**”) in Kuala Selangor, Malaysia, and expects to obtain Honda Malaysia's formal written approval for the New Honda Dealership by the end of December 2018.

This New Honda Dealership, which is the Group’s second dealership for Honda, will operate at an interim location at No. 7, Jln Seri Temenggung 3, Taman Temenggung, 45000 Kuala Selangor, Selangor D.E, Malaysia. The Group has identified a plot for the construction of a permanent facility for the New Honda Dealership and is negotiating a lease with the landlord.

MN Otomobil Kajang Sdn Bhd, the Group’s subsidiary that operates its Peugeot dealerships has been awarded a Best Service Quality Achievement award at the Peugeot Challenge 2018 held in Dubai. This is recognition of the Group’s commitment to service quality that it strives to deliver to its customers.

## **Business Outlook**

Even as Malaysia’s forecast GDP growth rate for 2019 eases to 4.5% due to the ongoing trade conflict and tighter global monetary conditions<sup>1</sup>, the Malaysian government plans to unveil its new National Automotive Policy (“**NAP**”) in the first quarter of 2019. The new NAP reportedly has an emphasis on electric vehicles and new technologies, as well as a potential third national car in Malaysia<sup>2</sup>. If these plans under the new NAP are formalised, it could present opportunities to the Group in terms of supplying NVH components for new electric

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<sup>1</sup> <https://www.thesundaily.my/business/trade-war-to-hit-local-exports-harder-in-2019-EB210053>

<sup>2</sup> <https://www.retailnews.asia/electric-vehicles-new-tech-focus-of-nap-2019-in-malaysia/>

vehicles and the third national car, as well as potential dealership opportunities down the road.

The Group has started the process of upgrading its machinery and equipment to increase productivity, which is carried out in phases and will likely be completed by 2020. It will also be commencing the production and supply of NVH components for Johnson Controls Hitachi in the HVAC industry in early 2019.

Plans to establish a research facility are also underway, and the Group hopes to get the facility accredited under the ISO17025<sup>3</sup> standard by end 2019. This research facility will primarily be used for internal research and validation purposes.

The Group will be expanding its assembly and warehouse capacity in Batu Kawan for the upcoming project with Mazda for their new car models. The assembly of parts include top ceiling, insulators, insulator bonnet and insulator engine outer. At the same time, the Group continues to be invited 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 Malaysia's third national car, if it happens.

“We are happy with the growth of our dealership business as it is testimony to the faith, trust and relationships that we have fostered with our Principals. With the new National Automotive Policy that will be announced in early 2019, we hope to be able to be a part of Malaysia's third national car project, which will boost our portfolio of customer brands. Our expansion plans are progressing steadily and we will continue our efforts to grow our business in a sustainable manner, providing good returns to all of our stakeholders”, said **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.**

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

**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 and Peugeot 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.

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