

Media Release

MeGroup posts RM144.5 million revenue, an increase of 27.6% in 1H2020

- Revenue growth of RM31.3 million mainly driven by dealership business
- Interim dividend of 0.17 Sen per share, and special dividend of 0.76 Sen per share, representing an aggregate payout ratio of 54.9% of the Group's net profit attributable to shareholders for 1H2020
- Pipeline plans for the Group includes establishing research facility for the manufacturing business, and to deepen dealership capabilities across all marques

Singapore, 11 November 2019 – 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 2019 (“**1H2020**”).

FINANCIAL HIGHLIGHTS			
In RM million except otherwise stated	1H2020	1H2019	% Change
Revenue	144.5	113.2	27.6
Gross Profit	13.6	11.3	20.8
Net Profit attributable to equity holders	2.0	2.7	(25.2)

The Group's revenue increased RM31.3 million or 27.6%, from RM113.2 million in the six months that ended 30 September 2018 (“**1H2019**”) to RM144.5 million in 1H2020. This increase was mainly attributable to the additional revenue contributed from the Company's Honda dealership in Kuala Selangor, where operations commenced in January 2019.

On a segmental level, revenue from the Group's manufacturing business increased by RM0.8 million from RM17.7 million in 1H2019, to RM18.5 million in 1H2020. This increase was largely due to the rise in demand of NVH components supplied, as well as production of new NVH components from existing customers. The Group's dealership business also saw an increase of RM30.5 million to RM126.0 million in 1H2020 from RM95.5 million in 1H2019, mainly from the commencement of the Honda dealership in Kuala Selangor since January 2019.

Gross profit for the period under review increased RM2.3 million or 20.8%, from RM11.3 million in 1H2019 to RM13.6 million in 1H2020. This increase is in tandem with higher revenue for the same period. On a segmental level, gross profit from the manufacturing business declined by approximately 3.8% to RM5.0 million in 1H2020 as compared to RM5.2 million in 1H2019, whereas the dealership business saw a significant 41.7% or RM2.5 million increase to RM8.5 million in 1H2020, as compared to RM6.0 million in 1H2019.

The Group's gross profit margin for 1H2020 remained at a healthy level of 9.4%, as compared to close to 10.0% in 1H2019. The slight decrease was mainly due to a lower gross profit margin from the Group's manufacturing business which incurred higher costs of production of components for new automobile models for a customer. However, this decrease was partially offset by an increase in gross profit margin from the dealership business, which recognised a higher revenue contribution from after-sales automobile services that commanded higher gross profit margins as compared to revenue contributed from the sale of automobiles which had increased at a lower rate.

Profit before income tax was RM3.0 million in 1H2020 compared to RM3.9 million in 1H2019. The 22.9% decrease was mainly due to the Group's investment and operational costs incurred in setting up holding companies, as well as constructing the Group's first Hyundai and Ford dealerships, which had not begun contributing revenue to the Group.

As a result, the net profit attributable to equity holders of the Company for 1H2020 stood at RM2.0 million, a 25.2% dip from RM2.7 million in 1H2019.

Commenting on the 1H2020 results, **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.** said: “We are seeing growth momentum for the Group in FY2020 and we are pleased that we have delivered on our promises since IPO. In under a year since we were listed, we secured our third Peugeot dealership, and our first Hyundai and Ford dealerships. We were also appointed as an approved supplier for a major carmaker in our Manufacturing front. We will no doubt strive to continue to drive growth in both our manufacturing and dealership businesses and to ramp up our sales and marketing efforts. Additionally, to show our appreciation, we are pleased to declare an interim and special dividend towards our loyal shareholders.”

Dividend

The Board of Directors is pleased to declare an interim dividend of 0.17 Sen per share, which will be paid on 30 December 2019. The Board has also declared a special dividend of 0.76 Sen per share. This translates to a total payout ratio of 54.9% of the Group’s net profit attributable to shareholders for the period under review.

Business Outlook

Based on the Malaysian Automotive Association (“MAA”), the total industry volume up to September 2019 was down 2.6%, slightly lower compared to the same period in 2018. However, the Group has prepared plans to mitigate the impact on vehicle sales should it be adversely affected.

For Manufacturing, the Group is currently in the process of upgrading its machinery and equipment to increase productivity, which is being carried out in phases and will likely be completed by 2020. The Group also continues to be invited to bid for new NVH projects for new car models from different automobile brands and has registered its interest in becoming a vendor for Malaysia’s third national car, in the event the project materialises.

It also plans to establish a research facility and hope to get it accredited under the ISO17025¹ standard by end 2020. This research facility will primarily be used for internal research and validation purposes. At the same time, the Group is looking to purchase NVH testing facilities by mid-2020.

As for its Dealership division, the Group's first Hyundai 3S dealership officially opened on 28 September 2019 with its first Ford 3S dealership expected to be fully operational by the first quarter in 2020. The Group's Honda dealership in Cheras was also recently approved to carry out 4S services, and the Honda Kuala Selangor outlet will be undergoing an expansion and facelift to enhance its services to provide a better experience to its customers.

"Both our manufacturing and dealership businesses are doing well. We are seeing an increase in demand for our NVH components and at the same time successfully opened our first Hyundai dealership in Klang. While we gear up for the opening of our first Ford dealership, we will continually strive to secure more automotive brands in our dealership portfolio as well as clinch more manufacturing projects," added **Mr Wong**.

End.

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

¹ ISO/IEC 17025:2017 specifies the general requirements for the competence, impartiality and consistent operation of laboratories.

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; and v) one Ford dealership in Klang Valley, 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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