

MEGROUP LTD.

(Incorporated in the Republic of Singapore on 7 February 2018)

(Company Registration Number: 201804996H)

Half Year Financial Statements and Related Announcement For The Six Months Ended 30 September 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("**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 announcement 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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MeGroup Ltd. (the "**Company**") was incorporated in Singapore on 7 February 2018 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries (the "**Group**") was formed through a restructuring exercise (the "**Restructuring Exercise**") which involved a series of acquisitions, rationalisation of the corporate and shareholding structure as well as business and operations of the Group prior to the Company's listing on Catalist. Please refer to the Company's offer document dated 22 October 2018 (the "**Offer Document**") issued in connection with its initial public offering ("**IPO**") for further details on the Restructuring Exercise. The Company was admitted to Catalist on 31 October 2018.

For the purpose of this announcement, the Group's comparative results for the six months ended 30 September 2018 ("**1H2019**") have been prepared using the pooling of interest method, and the combined financial statements are presented as if the business has always been combined since the beginning of the earliest period presented.

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i). An income statement and statement of comprehensive income, or statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease) %
	Six Months Ended	Six Months Ended	
	30-Sep-19	30-Sep-18	
	RM	RM	
Revenue	144,483,489	113,195,032	27.6
Cost of sales	<u>(130,879,627)</u>	<u>(101,935,910)</u>	28.4
Gross profit	13,603,862	11,259,122	20.8
Other income	174,442	188,956	(7.7)
Other gains and losses, net	(80,192)	143,631	NM
Expenses			
– Selling and distribution	(3,107,486)	(2,146,581)	44.8
– Administrative	(6,579,909)	(4,784,555)	37.5
– Finance	(985,673)	(735,395)	34.0
Profit before tax	3,025,044	3,925,178	(22.9)
Income tax expense	<u>(925,700)</u>	<u>(826,298)</u>	12.0
Total comprehensive income, representing net profit for the financial period	<u>2,099,344</u>	<u>3,098,880</u>	(32.3)
Total comprehensive income, representing net profit attributable to:			
Equity holders of the Company	2,006,168	2,682,255	(25.2)
Non-controlling interests	<u>93,176</u>	<u>416,625</u>	(77.6)
	<u>2,099,344</u>	<u>3,098,880</u>	(32.3)
Earnings per share for profit attributable to equity holders of the company (Sen)			
Basic and diluted	<u>1.69</u>	<u>2.63</u>	(35.7)

NM Denotes not meaningful.

1(a)(ii). Notes to the Combined Statements of Comprehensive Income

The Group's profit before tax is arrived at after crediting / (charging) the following:

	Group		Increase/ (Decrease) %
	30-Sep-19	30-Sep-18	
	RM	RM	
Interest income	26,580	35,610	(25.4)
Commission received	43,976	67,730	(35.1)
Fees from Yatta Group Sdn. Bhd.	66,000	69,806	(5.5)
Realised currency exchange (loss)/gain – net	(99,692)	21,672	(560.0)
Gain on disposal of property, plant and equipment	19,500	121,959	(84.0)
Sales commission	(1,505,542)	(1,196,877)	25.8
Rental of premises	(690,546)	(328,488)	110.2
Salary, wages, allowances & bonus	(1,343,027)	(918,056)	46.3
Directors' remuneration	(1,172,958)	(1,033,610)	13.5
Entertainment expenses	(341,856)	(314,868)	8.6
Security charges	(226,874)	(201,454)	12.6
Depreciation expense	(1,588,140)	(1,321,019)	20.2
Amortization expense	(331,454)	(331,455)	0.0
Interest on borrowings	(985,673)	(735,395)	34.0

1(b)(i). A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at		As at	
	30-Sep-19 RM	31-Mar-19 RM	30-Sep-19 RM	31-Mar-19 RM
ASSETS				
Current assets				
Cash and cash equivalents	10,929,946	16,927,691	2,600,735	6,847,246
Trade and other receivables	19,911,856	22,730,399	3,839,189	258,944
Tax recoverable	855,900	813,778	-	-
Inventories	19,262,637	15,143,323	-	-
Total current assets	50,960,339	55,615,191	6,439,924	7,106,190
Non-current assets				
Property, plant and equipment	36,982,047	33,556,424	-	-
Investment in subsidiaries	-	-	26,094,134	26,094,134
Intangible assets	2,972,935	3,304,389	-	-
Total non-current assets	39,954,982	36,860,813	26,094,134	26,094,134
Total assets	90,915,321	92,476,004	32,534,058	33,200,324
LIABILITIES				
Current liabilities				
Trade and other payables	11,401,015	13,537,585	28,000	214,580
Current income tax liabilities	1,228,981	970,267	-	-
Borrowings	13,857,539	12,856,642	-	-
Total current liabilities	26,487,535	27,364,494	28,000	214,580
Non-current liabilities				
Borrowings	18,295,042	17,483,469	-	-
Deferred income tax liabilities	2,803,772	2,855,472	-	-
Total non-current liabilities	21,098,814	20,338,941	-	-
Total liabilities	47,586,349	47,703,435	28,000	214,580
NET ASSETS	43,328,972	44,772,569	32,506,058	32,985,744
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	36,722,029	36,722,029	36,722,029	36,722,029
Retained profits/(accumulated losses)	32,251,266	30,245,098	(4,215,971)	(3,736,285)
Other reserves	(27,269,030)	(24,594,282)	-	-
Total equity attributable to equity holders of the Company	41,704,265	42,372,845	32,506,058	32,985,744
Non-controlling interests	1,624,707	2,399,724	-	-
Total equity	43,328,972	44,772,569	32,506,058	32,985,744

1(b)(ii). In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year: (A) the amount repayable in one year or less, or on demand; (B) the amount repayable after one year; (C) whether the amounts are secured or unsecured; and (D) details of any collaterals.

	As at 30-Sep-19		As at 31-Mar-19	
	Secured	Unsecured	Secured	Unsecured
	RM	RM	RM	RM
Amount repayable in one year or less, or on demand	13,375,045	482,494	12,389,721	466,921
Amount repayable after one year	17,031,324	1,263,718	15,976,810	1,506,659

Details of Collaterals

As at 30 September 2019, the Group's borrowings are secured by:

- Joint and Several Guarantee by the following directors and executive officers of the Company in their personal capacity:
 1. Wong Cheong Chee
 2. Wong Sai Hou
 3. Abdul Razak Bin Montel
- Corporate Guarantee by Menang Nusantara Sdn Bhd for facilities of Menang Nusantara Auto Sdn Bhd, MN Otomobil Sdn Bhd, MJN Motors Sdn Bhd and MJN Auto Sdn Bhd.
- 1st party 1st legal charge over the land and building at Bukit Beruntung for facilities of Menang Nusantara Sdn Bhd
- 1st party 2nd legal charge over the land and building at Bukit Beruntung for facilities of Menang Nusantara Sdn Bhd
- Debenture on fixed and floating assets of Menang Nusantara Sdn Bhd
- Specific debenture on the toolings and related equipment of Menang Nusantara Sdn Bhd
- Specific debenture on machines of Menang Nusantara Sdn Bhd
- Debenture in a form of floating charge over all company's stock of Motor Vehicles purchased utilizing floor stock facilities under Menang Nusantara Auto Sdn Bhd, MN Otomobil Sdn Bhd and MJN Motors Sdn Bhd
- Half-year sinking fund bank deposits of RM75,000 as collateral for facility of MJN Motors Sdn Bhd
- 1st party all monies legal charge over the property at Lot 1, Jalan 5, Cheras Jaya for facility of Menang Nusantara Sdn Bhd
- 1st party all monies legal charge over the property at Lot 14, Jalan CJ 1/7, Cheras Jaya for facility of Menang Nusantara Sdn Bhd
- Corporate Guarantee by MeGroup Ltd for facilities of MJN Motors Sdn Bhd.
- Half year sinking fund bank deposit of RM91,000 as collateral for facility of MJN Auto Sdn Bhd.
- Debenture on building and equipment of MJN Motors Sdn Bhd.

1(c). A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Six Months Ended	
	30-Sep-19	30-Sep-18
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	3,025,044	3,925,178
Adjustments for:		
Amortisation of intangible assets	331,454	331,455
Depreciation of property, plant & equipment	1,588,140	1,321,019
Gain on disposal of property, plant and equipment	(19,500)	(121,959)
Interest income	(26,580)	(35,610)
Interest expense	985,673	735,395
Operating profit before working capital changes	5,884,231	6,155,478
Trade and other receivables	2,818,543	306,901
Inventories	(4,119,314)	4,045,311
Trade and other payables	(5,679,511)	(2,653,016)
Cash (used in)/generated from operations	(1,096,051)	7,854,674
Income tax paid	(760,808)	(503,482)
NET CASH (USED IN)/ PROVIDED BY OPERATING ACTIVITIES	(1,856,859)	7,351,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	26,580	35,610
Purchase of property, plant and equipment	(4,680,763)	(565,670)
Proceeds from disposal of property, plant & equipment	19,500	218,332
NET CASH USED IN INVESTING ACTIVITIES	(4,634,683)	(311,728)
CASH FLOWS FROM FINANCING ACTIVITIES		
Fixed deposits pledged to licensed banks	(8,231)	-
Proceeds from bank borrowings	3,449,676	437,000
Repayment of bank borrowings	(494,918)	(5,385,765)
Repayment to finance lease liabilities	(352,332)	-
Interest paid	(985,673)	(735,395)
Dividends paid	-	(149,985)
NET CASH FLOWS PROVIDED BY/ (USED IN) FINANCING ACTIVITIES	1,608,522	(5,834,145)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(4,883,020)	1,205,319
CASH AND CASH EQUIVALENTS		
Beginning of financial year	13,802,371	8,106,220
End of the financial period	8,919,351	9,311,539

Note:

For the purpose of presenting the statement of cash flows, the cash and cash equivalents comprise the following:

	Group	
	Six Months Ended	
	30-Sep-19	30-Sep-18
	RM	
Cash and bank balances	10,929,946	11,505,823
Less: Short-term bank deposits pledged	(895,132)	(833,738)
Less: Bank overdraft	(1,115,463)	(1,360,546)
	8,919,351	9,311,539

1(d)(i). A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group						
	Share capital	Merger reserve	Capital reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	RM	RM	RM	RM	RM	RM	RM
As at 1 April 2019	36,722,029	(24,594,282)	-	30,245,098	42,372,845	2,399,724	44,772,569
Total comprehensive income for the 6 months	-	-	-	2,006,168	2,006,168	93,176	2,099,344
Acquisition of additional interest in a subsidiary	-	-	(2,674,748)	-	(2,674,748)	(868,193)	(3,542,941)
As at 30 September 2019	36,722,029	(24,594,282)	(2,674,748)	32,251,266	41,704,265	1,624,707	43,328,972
As at 1 April 2018	1,499,852	-	-	29,002,057	30,501,909	1,850,062	32,351,971
Total comprehensive income for the 6 months	-	-	-	2,682,255	2,682,255	416,625	3,098,880
Dividends paid	-	-	-	(149,985)	(149,985)	-	(149,985)
Restructuring exercise	(1,499,852)	(24,594,282)	-	-	(26,094,134)	-	(26,094,134)
Issuance of new shares	26,094,134	-	-	-	26,094,134	-	26,094,134
As at 30 September 2018	26,094,134	(24,594,282)	-	31,534,327	33,034,179	2,266,687	35,300,866

	Company		
	Share capital	Accumulated losses	Total equity
	RM	RM	RM
As at 1 April 2019	36,722,029	(3,736,285)	32,985,744
Total comprehensive loss for the 6 months	-	(479,686)	(479,686)
As at 30 September 2019	36,722,029	(4,215,971)	32,506,058
As at 1 April 2018	3	-	3
Total comprehensive income for the 6 months	-	-	-
Issuance of new shares	26,094,131	-	26,094,131
As at 30 September 2018	26,094,134	-	26,094,134

1(d)(ii). Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of Ordinary Shares
Issued and paid up share capital as at 31 March 2018	1
Issue of new shares pursuant to the Restructuring Exercise ⁽¹⁾	101,999,999
Issued and paid up share capital as at 30 September 2018	102,000,000
Issue of new shares pursuant to IPO ⁽¹⁾	16,500,000
Issued and paid up share capital as at 30 September 2019	<u>118,500,000</u>

Note:

- (1) Issued pursuant to the Company's IPO in connection with the listing of the Company on Catalist on 31 October 2018. Please refer to the Offer Document and Company's prior results announcements for further details of the Restructuring Exercise and the issuance of shares.

There were no changes in the Company's share capital since the end of the previous period reported on, between the period from 31 March 2019 to 30 September 2019.

There were no outstanding convertibles, treasury shares or subsidiary holdings at the end of the current financial period, the last financial period reported on, and as at the end of the corresponding period of the immediately preceding financial year.

1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Number of Ordinary Shares	
	As at	
	30-Sep-19	31-Mar-19
Total number of issued shares excluding treasury shares	118,500,000	118,500,000

There were no treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv). A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as the Company did not have any treasury shares as at 31 March 2019 and 30 September 2019.

1(d)(v). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company did not hold any subsidiary holdings as at 31 March 2019 and 30 September 2019.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statement for the current financial period as those applied for the audited consolidated financial statements for the financial year ended 31 March 2019 as set out in the Annual Report.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019, using the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. It requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

However, the Group is in the midst of assessing and quantifying the ROU assets and lease liabilities together with the amortisation of ROU assets and interest expenses which will be made available and reflected in the full year financial results announcement.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: (a) Based on the weighted average number of ordinary shares on issue; and (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Group	
	Six Months Ended	
	30-Sep-19	30-Sep-18
Total comprehensive income, representing net profit attributable to equity holders of the Company (RM)	2,006,168	2,682,255
Weighted average number of Shares	118,500,000	102,000,000
Earnings per Share - basic and diluted (Sen)	1.69	2.63

Note:

For illustrative and comparative purposes, the issued and paid-up share capital of the Company of 102,000,000 Shares is assumed to have been in issue throughout the entire six months ended 30 September 2018.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at		As at	
	30-Sep-19	31-Mar-19	30-Sep-19	31-Mar-19
NAV per Share (Sen)	35.19	35.76	27.43	27.84
Equity Attributable to Owners of the Company (RM)	41,704,265	42,372,845	32,506,058	32,985,744
Number of Shares used in computation of NAV per Share	118,500,000	118,500,000	118,500,000	118,500,000

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a) Review of Group's Performance

Revenue

Revenue increased by approximately RM31.29 million or 27.6% from RM113.19 million in 1H2019 to RM144.48 million in 1H2020.

Manufacturing Business

Revenue from manufacturing business increased by RM0.76 million from RM17.72 million in 1H2019 to RM18.48 million in 1H2020. The increase was due to the increase of demand in the volume of NVH components supplied, and new production of NVH components from existing customers.

Dealership Business

Revenue from dealership business increased by RM30.52 million from RM95.48 million in 1H2019 to RM126.00 million in 1H2020. The increase is largely due to the additional revenue contributed from the operations of Honda Dealership located at Kuala Selangor ("**Honda Kuala Selangor**") which commenced operations in January 2019.

Cost of sales

Cost of sales increased by approximately RM28.94 million or 28.4% from RM101.94 million in 1H2019 to RM130.88 million in 1H2020.

Manufacturing Business

Cost of sales from manufacturing business increased by RM0.9 million from RM12.5 million in 1H2019 to RM13.4 million in 1H2020. The increase is largely due to higher cost of production to produce NVH components for new automobile models for a manufacturing business customer as compared to the cost of producing NVH parts for the phased-out automobile model.

Dealership Business

Cost of sales from dealership business increased by RM28.0 million from RM89.44 million in 1H2019 to RM117.44 million in 1H2020. The increase is in line with the additional revenue generated from the Kuala Selangor Operations mentioned above.

Gross profit and Gross Profit Margin

For the reasons discussed above, gross profit increased by approximately RM2.34 million or 20.8% from RM11.26 million in 1H2019 to RM13.6 million in 1H2020. The increase was due to an increase in gross profit from dealership business of approximately RM2.52 million from RM6.04 million in 1H2019 to RM8.56 million in 1H2020. This was slightly offset by a decrease in gross profit from manufacturing business of approximately RM0.17 million from RM5.21 million in 1H2019 to RM5.04 million in 1H2020.

Overall gross profit margin decreased by approximately 0.53 percentage points from 9.95% in 1H2019 to 9.42% in 1H2020. The slight decrease in gross profit margin was due to the decrease in gross profit margin from manufacturing business which was partially offset by the increase in gross profit margin from dealership business. The gross profit margin of manufacturing business decreased by 2.1 percentage points from 29.4% in 1H2019 to 27.3% in 1H2020, which was due to lower gross profit margin from the sales of NVH components from the new car models as compared to higher gross profit margin from the sales of NVH components from the phased-out model. The gross profit margin of dealership business increased by 0.6 percentage points from 6.2% in 1H2019 to 6.8% in 1H2020, the increase is largely due to the increase in revenue from after-sales automobile services being greater than the increase in revenue contributed from the sales of automobiles, where the sales of automobiles generally have a lower gross profit margin compared to after-sales automobile services.

Other income

Other income decreased by approximately RM0.014 million or 7.4% from RM0.188 million in 1H2019 to RM0.174 million in 1H2020.

Other gains and losses, net

Other gains and losses were reversed from a net gain of RM0.143 million in 1H2019 to a net loss of RM0.08 million in 1H2020 due to realised forex loss payment to suppliers.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RM0.97 million or 45.3% from RM2.14 million in 1H2019 to RM3.11 million in 1H2020. This was due mainly to the corresponding increase in sales commission, sales salary, rental of premises and costs of advertising & promotions in line with the commencement of the operations of Honda Kuala Selangor.

Administrative expenses

Administrative expenses increased by approximately RM1.80 million or 37.6% from RM4.78 million in 1H2019 to RM6.58 million in 1H2020. This was mainly due to the increase in (i) commencement of the operations of Honda Kuala Selangor with total admin expenses of RM0.32 million in 1H2020, and (ii) early stage of incubating Hyundai and Ford 3S Dealership, and (iii) increase in the administrative expenses attributable to the Group's investment holding companies namely MeGroup, MEMG, MEAG, and MNH, amounting to an aggregate administrative expense of RM0.57 million in 1H2020 as compared to RM0.10 million in 1H2019.

Finance expenses

Finance expenses increased by approximately RM0.25 million or 34% from RM0.74 million in 1H2019 to RM0.99 million in 1H2020. This was largely due to (i) the bank interest from the usage of the new floor stock facility utilised by Honda Kuala Selangor, and (ii) bank interest from the facility granted to Honda Cheras for its Body and Paint facilities.

Profit before tax

Profit before tax decreased by approximately RM0.9 million or 22.9% from RM3.92 million in 1H2019 to RM3.02 million in 1H2020. This was largely due to the (i) decrease in the gross profit margin of the manufacturing business by 2.1 percentage point, partially offset by the increase in the gross profit margin of the dealership business, and (ii) decrease in other income and other gains and losses, net by approximately RM0.24 million, and (iii) Operational cost and start-up expenses of the First Hyundai and First Ford Dealership and the investment holding companies, and (iv) the increase of finance expenses.

(b) Review of Group's Financial Position

Current assets

Current assets decreased by approximately RM4.66 million or 8.37% from RM55.62 million as at 31 March 2019 to RM50.96 million as at 30 September 2019. This was largely due to the (i) reduction in cash and bank equivalents from RM16.93 million as at 31 March 2019 to RM10.93 million as at 30 September 2019, due to purchase of fixed assets for commencement of the operations of Honda Kuala Selangor and payment of start-up expenses for incubating Hyundai and Ford 3S Dealership (ii) a decrease in trade and other receivables of RM2.82 million from RM22.73 million as at 31 March 2019 to RM19.91 million as at 30 September 2019 due to lower sales of automobiles at the end of month September 2019. The decrease in cash and bank balances and trade and other receivables were partially offset by the increase in inventories from RM15.1 million as at 31 March 2019 to RM19.3 million as at 30 September 2019. This was due to the increase in the holding of raw materials from the manufacturing business and additional car stocks held by the dealership business with the new Hyundai Bukit Raja dealership.

Non-current assets

Non-current assets increased by approximately RM3.09 million or 8.38% from RM36.86 million as at 31 March 2019 to RM39.95 million as at 30 September 2019. This was largely due to building and renovation cost together with the purchase of tools and equipment for Honda Cheras body and paint, Honda Kuala Selangor 3S and Hyundai Bukit Raja.

Current liabilities

Current liabilities decreased by approximately RM0.88 million or 3.20% from RM27.36 million as at 31 March 2019 to RM26.49 million as at 30 September 2019. This was largely due to a decrease in trade and other payables of RM2.14 million or 15.78% from RM13.54 million as at 31 March 2019 to RM11.40 million as at 30 September 2019 mainly due to the repayment to the automobile principals in the dealership business and raw materials supplier in the manufacturing business.

Non-current liabilities

Non-current liabilities slightly increased by approximately RM0.76 million or 3.74% from RM20.34 million as at 31 March 2019 to RM21.10 million as at 30 September 2019. This was due to the drawdown of term loan and hire purchase facility during the financial period.

Equity

The decrease in equity of approximately RM1.44 million from RM44.77 million as at 31 March 2019 to RM43.33 million as at 30 September 2019 was mainly due to the acquisition of additional interest in a subsidiary amounting to RM3.5 million offset against net profit during the financial period of RM2.1 million.

(c) Review of Group's Cash Flows

The Group recorded net cash used in operating activities of approximately of RM1.86 million mainly due (i) decrease in trade and other payables of RM5.68 million arising from the repayment to the automobile principals in the dealership business and raw materials supplier in the manufacturing business and (ii) increase in the inventories of RM4.12 million arising from the higher inventories held by the dealership business.

The Group recorded net cash used in investing activities of approximately of RM4.63 million due to the purchase of new tools and machinery as well as building and renovation cost for Honda Cheras body and paint, Honda Kuala Selangor 3S and Hyundai Bukit Raja.

The Group recorded net cash generated from financing activities due to the drawdown of new term loan of approximately RM3.45 million during the financial period partially offset by the repayment of bank borrowings, finance lease liabilities and interest paid of approximately RM0.49 million, RM0.35 million and RM0.99 million respectively.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Based on the monthly sales data released by the Malaysian Automotive Association (MAA), the calendar year-to-date total industry volume up to September 2019 was down by 2.63%, slightly behind that of 2018. The Group has prepared plans and activities to minimise the impact should it be adversely affected.

Manufacturing

The Group has started the process of upgrading its machinery and equipment to increase productivity. This will be done in phases and will likely be completed by 2020.

Plans to establish a research facility are also underway, and the Group hopes to get the facility accredited under the ISO17025 standard by 2020. This research facility will primarily be used for internal research and validation purposes.

The group is also looking to purchase NVH testing facilities by mid-2020.

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, in the event the project materialises.

Dealership

MN Otomart Sdn Bhd, the Group's other newly setup subsidiary is awarded the 1st Ford 3S dealership as announced on the 8 of July 2019. The Group is currently undergoing setup and expect to be operational by 1st Quarter 2020.

MN Automart Sdn Bhd, the Group's newly setup subsidiary is awarded with the 1st Hyundai 3S dealership and commenced operations on 28 September 2019.

As announced on 14 October 2019, the Group has commenced operations of the Body and Paint facility in Cheras, Malaysia. This business segment will ensure better dealership branding as well as providing another source of revenue for the Honda Cheras 4S outlet.

MJN Auto Sdn Bhd, the Group's Honda Kuala Selangor subsidiary will construct a newer, bigger and better facility starting by 1st Quarter 2020 to provide better services, sales and part sales.

11. If a decision regarding dividend has been made: (a) Whether an interim (final) ordinary dividend has been declared (recommended); (b) (i) Amount per share, cents (ii) Previous corresponding period, cents; (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

(a) Dividend Declared (Recommended) for the Current Financial Period Reported On

Yes

Name of dividend	Interim dividend	Special
Dividend type	Cash	Cash
Dividend amount per share (in Malaysian Sen)	0.17 Sen per ordinary share	0.76 Sen per ordinary share
Tax rate	Tax exempt (one-tier)	Tax exempt (one-tier)

(b) Dividend Declared (Recommended) for Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

30 December 2019

(d) Books closure date

29 November 2019

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained an IPT mandate.

14. Negative confirmation pursuant to the Rule 705(5)

The Board of Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to its attention which may render financial results for the half-year ended 30 September 2019 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

16. Update on use of IPO proceeds

The Company was listed on Catalist of the SGX-ST on 31 October 2018. The initial public offering of the Company raised gross proceeds and net proceeds of approximately S\$3.80 million and approximately S\$2.38 million respectively.

	Amount allocated as stated in the offer document (S\$' million)	Amount utilised as at the date of this announcement (S\$' million)	Balance of net proceeds as at the date of this announcement (S\$' million)
Business expansion (including organic expansion and mergers and acquisitions)	1.80	0.66 ⁽¹⁾⁽²⁾	1.14
General working capital purposes	0.58	0.54 ⁽³⁾	0.04
	<u>2.38</u>	<u>1.20</u>	<u>1.18</u>

Notes:

- (1) An amount of S\$0.33 million was utilised on 16 April 2019 for the issued and paid up capital of MN Automart Sdn Bhd.
- (2) An amount of S\$0.33 million was utilised on 8 July 2019 for the issued and paid up capital of MN Otomart Sdn Bhd.
- (3) General working capital includes payment to the principals in the dealership business to purchase additional car inventories and to the raw materials supplier in the manufacturing business.

The uses of the IPO proceeds as at the date of this announcement are in accordance with the intended uses as stated in the Company's Offer Document.

BY ORDER OF THE BOARD

Wong Cheong Chee
Executive Chairman and Chief Executive Officer

11 November 2019

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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11 November 2019

*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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