Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: MeGroup Ltd.

Stock code: SJY

Meeting details:
Date: 28 July 2023
Time: 9.30 a.m.
Venue: Room Kyoto, 137 Cecil Street, #04-01 Cecil Building, Singapore 069537

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Q1. Despite the challenges posed by the pandemic, the group reported a 65% increase in its revenue to a record high of RM421 million in FY2023. The manufacturing segment contributed RM53.8 million while the dealership segment contributed RMB367.7 million.

The group currently operates 11 dealership outlets under seven brand principals – Ford, Honda, Hyundai, Mazda, Mitsubishi, Peugeot and Proton.

(i) **Does management see the demand for cars normalising after the pent-up demand during COVID? In addition, how significant was the surge in customer purchases driven by the deadline for the sales tax exemption incentive that expired on 30 June 2022?**

(ii) **Is it the group's strategy to upgrade all 3S (sales, service and spare parts) dealerships into 4S (sales, service, spare parts, and body and paint services) dealerships?**

(iii) **To what extent does the group have influence in persuading brands to establish new dealerships and award it the dealership?**

The group has established a new Northern Manufacturing Hub in Kulim Hi-tech Park, Kedah for the production of noise, vibration and harshness (NVH) and non-NVH parts for automobile brands.

(iv) **What are the projected investments required to increase the group's automation level to the targeted 70% or above, considering the current level stands at 25%? Furthermore, has the board established a timeline to accomplish this goal?**

(v) **What is the level of utilisation at the new facility in Kedah?**

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Q2. For FY2023, the group generated cash from operations RM14.1 million in FY2023 mainly due to increases in trade and other payables of RM13.2 million. Net cash provided by operating activities was RM12.8 million.

In the past two years, additions to property, plant and equipment amounted to RM10.5 million and RM8.9 million in FY2023 and FY2022 respectively. Net cash used in investing activities for the past two years added up to over RM17.6 million.

(i) **What were the total amounts invested to set up the new manufacturing facility, the new Mitsubishi outlet and the upgrading of the Proton dealership to 4S status?**

(ii) **Can management help shareholders better understand if the investment-intensive phase has concluded? What are the other major capital expenditure items in the near term?**

Net debt has increased from RM74.4 million to RM94.2 million as at 31 March 2023. The gearing ratio, calculated as net debt divided by total capital, is at 68% (2022: 65%). The interest expense for 2023 was RM3.5 million (2022: RM2.7 million).

(iii) **Has the board reviewed the capital structure and established a limit on the group's gearing, particularly in light of the current high interest rate environment?**

In addition, no dividends were declared for FY2023 as the group intends to conserve cash for expansion and other business opportunities. The company had paid dividends in FY2019, FY2021 and FY2022.

(iv) **What guidance has the board given to management regarding striking a balance between investing in the growth of the group and providing returns to shareholders through dividend distributions?**

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Q3. The attendance of directors at board and board committee meetings is shown on page 19 of the annual report and reproduced below.

The attendance of the Directors at meetings of the Board and Board Committees and the Annual General Meeting ("**AGM**") during the financial year ended 31 March 2023 ("**FY2023**") is as follows:

NAME OF DIRECTOR	BOARD	AC	NC	RC	AGM
	Number of Meetings Held				
	2	2	1	1	1
	Number of Meetings Attended				
Wong Cheong Chee	2	*2	*1	*1	1
Wong Keat Yee	2	*2	*1	*1	1
Chee Teck Kwong Patrick	2	2	1	1	1
Benjamin Choo Chih Chien	2	2	1	1	1
Edmund Lai Sou Wei	2	2	1	1	1
Chong Kwea Seng	2	2	1	1	1

* In attendance by invitation

(Source: company annual report)

Mr Wong Cheong Chee is the executive chairman and chief executive officer while Ms Wong Keat Yee is the executive director and head of operations of the group. It is noted that Mr Wong Cheong Chee is the parent of Ms Wong Keat Yee, Mr Wong Sai Hou, and Mr Wong Sai Keat. Both Mr Wong Sai Hou and Mr Wong Sai Keat are employees of the group who received remuneration ranging from $100,001 to $200,000 in the financial year.

(i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**

(ii) Such board committee meetings would have included agenda items on interested party transactions, performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group. **What is the dynamic of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors and/or their close relatives who work in the group?**

(iii) **Specifically, would the board committee meetings be turned into "standard" board meetings and thus negating the purpose of having independent board committees?**

(iv) **Are the committees able to make decisions objectively and independently?**

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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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