

Neo Group posts 16.6% revenue growth in core catering business for 1H2019

- Food Catering business revenue rose from S\$27.5 million for 1H2018 to S\$32.0 million for 1H2019
- Group delivers a profitable 2Q2019 with PATMI of S\$0.6 million
- Supplies and Trading business returns to profitability for 1H2019

SINGAPORE, 8 November 2018 – Neo Group Limited ("Neo Group", 梁苑集团有限公司, or together with its subsidiaries, the "Group") today announced its financial results for the six months ended 30 September 2018 ("1H2019").

(\$'000)	2Q2019	2Q2018	Change (%)	1H2019	1H2018	Change (%)
Revenue	42,023	45,285	(7.2)	80,660	85,928	(6.1)
Other items of income	480	528	(9.1)	889	1,049	(15.3)
Items of expense	(41,984)	(46,651)	(10.0)	(82,258)	(88,482)	(7.0)
Profit/(Loss) before income tax	519	(838)	N.M.	(709)	(1,505)	(52.9)
Profit after income tax	395	(886)	N.M.	(885)	(1,693)	(47.7)
Profit attributable to Owners of the Parent ("PATMI")	584	(546)	N.M.	(236)	(1,198)	(80.3)
Earnings per share Basic and diluted based on actual number of ordinary shares (Sing Cents)	-	-	-	(0.16)	(0.82)	(80.5)

	As at 30 September 2018 (Unaudited)	As at 31 March 2018 (Audited)	Change (%)
NAV per ordinary share (Sing cents)	23.17	24.22	(4.3)

The Group recorded 6.1% year-on-year ("yoy") decrease in revenue to S\$80.7 million for 1H2019 due to intentional reduction of low margin trading transactions in the Supplies and Trading business and closure of non-performing Food Retail outlets to enhance the Group's profitability.

The Group's core Food Catering business remains healthy, recording a 16.6% yoy revenue growth to S\$32.0 million for 1H2019. Bolstered by recurring income from its childcare market segment served by Gourmetz Pte Ltd and the *Tingkat* business under 2 newly incorporated catering subsidiaries – Kim Paradise Pte Ltd ("Kim Paradise") and Savoury Catering Pte Ltd ("Savoury Catering"), the Group's Food Catering business continues to capitalise on its diversified range of 11 brands to garner greater interest from new market segments. Newly-acquired food



catering subsidiaries, Lavish Dine Catering Pte Ltd (“**Lavish Dine**”), which focuses on high-end catering experiences and Ye Liang How Catering Services Pte Ltd (“**How’s Catering**”), which serves the corporate and public sector, are also expected to contribute to the Food Catering business’ growth for the rest of FY2019.

Revenue for the Group’s Food Manufacturing segment rose 4.4% yoy to S\$23.8 million for 1H2019, mainly driven by its trading activities for its local meat and surimi trading business.

With the objective of improving the profitability of its Food Retail business, the Group embarked on a review of its retail outlets comprising mainly umisushi stores. Due to the closure of non-performing outlets during the period, revenue for the Group’s Food Retail segment declined 3.0% yoy to S\$8.2 million for 1H2019.

To drive a turnaround and ensure profitability, the Group intentionally reduced low margin meat trading transactions of U-Market Place Enterprise Pte Ltd. As a result, the segment recorded a 39.8% yoy decrease in revenue to S\$16.1 million for 1H2019.

Commenting on the Group’s results and strategic initiatives during 1H2019, **Mr. Neo Kah Kiat, Founder, Chairman and CEO of Neo Group Limited**, said: *“With the upcoming festive season in the rest of FY2019 fast approaching, we expect a surge in orders for our core Food Catering segment. Harnessing 11 distinctively unique catering brands with different cuisines, we remain well-positioned to capture a larger share of the market during the peak season. Our extensive performance review of both our Food Retail and Supplies and Trading businesses also continue to gain momentum. Barring any unforeseen circumstances, the Group is confident that it would remain profitable for the financial year ending 31 March 2019.”*

As the Group continues to build upon its portfolio of brands, it incurred an 8.4% yoy increase in employee benefits expense to S\$25.4 million for 1H2019, due mainly to the consolidation of additional headcount from newly incorporated *Tingkat* catering subsidiaries, Kim Paradise and Savoury Catering, as well as newly acquired Lavish Dine.

As part of the Group’s performance review, the reduction in low margin trading items for its Supplies & Trading business resulted in a 17.6% yoy decrease in purchase and consumables expense to S\$35.0 million for 1H2019, in line with the decline in meat trading items purchased during the period.



Leveraging on Industry 4.0, the Group continues to engage in research and development focussed on adopting automation and information technology to optimise its systems and processes. Alongside other professional fees, property tax, upkeep of motor vehicles and a foreign exchange loss, the Group recorded an increase in other expenses by 7.8% yoy to S\$6.3 million for 1H2019.

In view of the above, the Group narrowed net losses attributable to owners of the parent to S\$0.2 million for 1H2019 (1H2018: Net loss attributable to owners of the parent of S\$1.2 million). Barring any unforeseen circumstances, the Group expects operations to remain profitable for FY2019.

Outlook

In line with its multi-brand strategy, the Group will continue to expand its range of cuisines to cater to a wider range of customer segments with the objective of capturing a larger market share. To mitigate the effects of seasonality, the Group will also widen and enhance its recurring income streams by pursuing more institutional catering, corporate clients and venue partnerships. In doing so, the Group would also be able to drive economies of scale across its five central kitchens located in the West, East and North of Singapore.

For Food Manufacturing, the Group continues to increase automation and machinery upgrades to streamline its operations with the objective of enhancing profitability.

Barring any unforeseen circumstances, the Group expects its operations to remain profitable for the financial year ending 31 March 2019.

Looking ahead, **Mr. Neo** said: *“Leveraging on the framework of Industry 4.0, we believe that our efforts to tap on Industry 4.0 innovations such as automated systems, data analytics as well as the Internet-of-Things (IoT) will enhance the Group’s long-term competitiveness. We constantly invest in productivity enhancement with the aim of reducing human intervention in operations and upskilling our valuable manpower to higher-value added activities. We are confident that these strategic investments will soon bear fruit as we chart our growth trajectory for the future.”*

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Note: This press release is to be read in conjunction with the related financial announcement released by Neo Group Limited on SGXNET on 8 November 2018.





About Neo Group Limited

Listed on the Catalist board of the Singapore Exchange Securities Trading Limited, Neo Group Limited is an integrated food solutions provider in Singapore. Established since 1992, the Group possesses an award-winning track record and is one of the most recognised brand names locally, most famous for its flagship Neo Garden Catering brand. The Group has been named the number one events caterer in Singapore and provides one-stop food and catering solutions.

The Group prides itself in providing convenience to customers through its vertically-integrated value chain via four main business segments in Food Catering, Food Retail, Food Manufacturing and Supplies & Trading. Through these synergistic opportunities, Neo Group is well placed to bring customers top value in delivering fresh and tasty meals conveniently.

The Group supplies a large variety of quality food and buffets appealing to various market segments through its strong portfolio of brands, including Neo Garden Catering, Orange Clove Catering, umisushi, DoDo fish balls, Joo Chiat Kim Choo traditional rice dumplings, amongst others. Its food retail network spans over 20 outlets islandwide.

Through its subsidiaries, Neo Group has a trading network of 35 countries worldwide. Its operations are supported by the East and West central kitchens, manufacturing facilities, warehouses and over 1,400 dedicated employees.

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