



NEWS RELEASE

NEO GROUP'S PROFIT BEFORE TAX SURGES 176.0% TO S\$1.8 MILLION FOR 9M2019

- *Achieves strongest revenue quarter since listing*
- *Food Catering business revenue grows with broader array of brands targeted at different customer segments to capture greater market share*
- *Food Manufacturing revenue boosted by higher trading activities*

SINGAPORE – 13 February 2019 – Neo Group Limited ("**Neo Group**", 梁苑集团有限公司, or together with its subsidiaries, the "**Group**"), a homegrown integrated food solutions provider, today announced a 176.0% increase in its profit before tax to S\$1.8 million and 67.0% growth in profit attributable to owners of the parent ("**PATMI**") to S\$1.5 million for the nine months ended 31 December 2018 ("**9M2019**"). This was



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achieved on the back of healthy revenue contributions, boosted by significant revenue growth from the Group's core Food Catering business.

(S\$m)	3Q2019	3Q2018	Change (%)	9M2019	9M2018	Change (%)
Revenue	49.5	44.7	10.7	130.1	130.6	(0.4)
Profit before income tax	2.5	2.2	16.7	1.8	0.7	176.0
Profit after income tax	2.0	2.5	(20.1)	1.1	0.8	40.8
Profit attributable to Owners of the Parent	1.7	2.1	(17.7)	1.5	0.9	67.0
Earnings per share Fully Diluted (Singapore cents)	-	-	-	1.01	0.61	65.6

	As at 31 December 2018 (Unaudited)	As at 31 March 2018 (Audited)	Change (%)
NAV per ordinary share (Singapore cents)	23.79	24.22	(1.8)





Neo Group's Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, "Our flagship Food Catering business continues to achieve strong results, bolstered by a broader array of brands and additional sources of recurring income streams. We have sharpened our competitive edge with our strong portfolio of over 20 brands across various business segments, providing the opportunity for cross-selling to a wider spectrum of customers. At the same time, we continued to build upon our Food Manufacturing's strong brand recognition and global distribution network across over 30 countries to expand our business into overseas markets to be another key pillar of growth for the Group.

"Strategically, we have built-up our synergistic businesses along the value chain to increase our market share and stay ahead of competition. We remain focused on driving operational synergies and efficiencies for bottomline improvements to maximise shareholder returns."



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Financial Performance

Strong business momentum across most segments propelled the Group's revenue for the three months ended 31 December 2018 ("3Q2019") to S\$49.5 million, up 10.7% from S\$44.7 million recorded in the three months ended 31 December 2017 ("3Q2018"). Revenue for 9M2019 was S\$130.1 million, a marginal decrease of 0.4% mainly due to an intentional reduction in low margin trading transactions in the Supplies and Trading business, partially offset by significant growth in the Food Catering business.

The Group's flagship Food Catering business recorded a 23.2% or S\$10.6 million increase in revenue to S\$55.9 million in 9M2019 compared to S\$45.3 million in the nine months ended 31 December 2017 ("9M2018"), boosted by stronger recurring revenue gained from the childcare and elderly market segments as well as contributions from newly incorporated and acquired subsidiaries.



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The Food Retail business reported a marginal decrease of 0.6% to S\$12.6 million in 9M2019 from S\$12.7 million in 9M2018. Notably, supported by the introduction of new concepts and opening of new outlets, the Food Retail business showed positive signs of improvement in 3Q2019.

The Group's Food Manufacturing business posted 3.6% stronger revenue of S\$36.7 million in 9M2019 from S\$35.5 million in 9M2018, driven by an increase in trading activities for its surimi-based products.

With a turnaround strategy underway for the Supplies and Trading business, the Group has taken the steps to reduce low margin trading transactions in the business segment, which has seen purchase and consumables decrease by 11.3% to S\$55.8 million in 9M2019 from S\$62.9 million in 9M2018.

Over the past year, the Group has expanded its portfolio of brands to capture a wider customer demographic. In line with the Group's planned expansion to increase market share, employee benefits expenses increased by 12.1% to \$40.0 million in 9M2019



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from S\$35.7 million in 9M2018, mainly from the consolidation of the additional headcount from the newly incorporated and newly acquired catering subsidiaries.

The intentional reduction in low margin trading transactions in the Supplies and Trading business has resulted in substantial cost savings due to the reduction in rental of external cold room storage. As a result, the Group was able to achieve a 14.7% decrease in operating lease expenses to S\$5.9 million in 9M2019 as compared to S\$6.9 million in 9M2018.

In line with the stronger performance from the Food Catering business, the Group's profit before tax for 9M2019 surged 176.0% to S\$1.8 million whilst PATMI for the same period rose by 67.0% to S\$1.5 million.

Outlook & Future Strategies

On the core Food Catering business segment, Neo Group will continue to focus on its multi-brand strategy to increase market share by capturing the demand across the





entire range of customer segments. Through its diversified range of 13 catering brands, the Group will continue to widen and enhance its recurring income streams from established corporate clientele and new market segments. The enlarged customer base also presents the Group with cross selling opportunities. Going forward, the Group continues to leverage on its extensive procurement and logistics network to drive economies of scale with its eight central kitchens strategically located across Singapore.

The Group will continue to review the performance of its Food Retail business with the objective of enhancing profitability.

For Food Manufacturing, the Group's surimi-based seafood products continue to be well-received by consumers. The increased use of automation and machinery has improved operational efficiency and productivity. The Group will now look towards R&D to develop new and improved products and ramping up the overseas markets for a new level of growth.



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Meanwhile, the Supplies and Trading business will continue to contribute to the Group by reviewing the overall costs, following the intentional reduction in low-margin meat trading transactions of U-Market Place Enterprise Pte Ltd.

Looking ahead, Mr. Neo said: “Innovation and automation is the key to unlocking the next level of growth for Neo Group, allowing us to keep our operations lean while boosting our efficiency. As we already have an established portfolio of brands which are well-received by the market, we now place a strong focus on productivity and digitalisation. We will build upon our technological infrastructure and through Industry 4.0, we will identify areas of improvements, with the aim to manage operating expenses, improve productivity while maintaining the high quality of our products.”

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

Note: This press release is to be read in conjunction with the related financial results announcement released by Neo Group Limited via SGXNET on 13 February 2019.



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About Neo Group Limited

Listed on the Catalist board of the Singapore Exchange Securities Trading Limited, Neo Group Limited is a homegrown, integrated food solutions provider. Established since 1992, the Group possesses an award-winning track record and is one of the most recognised brand names in Singapore. 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, namely, Food Catering, Food Retail, Food Manufacturing, Supplies and Trading and other businesses, combining their synergistic qualities to bring customers top value in delivering fresh and tasty meals on time.

The Group supplies a large variety of quality food and buffets appealing to various market segments through its multi-brand strategy. Neo Group's strong portfolio of over 20 brands includes *Neo Garden Catering, Deli Hub Catering, Orange Clove Catering, Best Catering, Chilli Manis Catering, Lavish Dine Catering, How's Catering,*



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Gourmetz, Kim Paradise, umisushi, DoDo fish ball, 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 across over 30 countries worldwide. Its operations are supported by the eight central kitchens, manufacturing facilities, warehouses and over 1,400 dedicated employees.

For more information, please visit www.neogroup.com.sg.



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