

Neo Group reports S\$38.6 million revenue for 1Q2019

- The Group continues to chart steady growth via its multi-brand strategy as revenue from core Food Catering business rose 11.5% yoy to S\$13.9 million for 1Q2019
- Driven by initiatives to expand its overseas market and increase export sales, revenue from the Group's Food Manufacturing business increased 2.8% yoy to S\$11.7 million for 1Q2019
- The Group continues to explore organic and inorganic growth with the objective of driving bottomline improvements

SINGAPORE, 7 August 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 first quarter ended 30 June 2018 ("1Q2019").

(S\$'000)	1Q2019	1Q2018	Change (%)
Revenue	38,637	40,643	(4.9)
Other items of income	409	521	(21.5)
Items of expense	(40,274)	(41,831)	(3.7)
Loss before income tax	(1,228)	(667)	N.M.
Loss after income tax	(1,280)	(807)	N.M.
Loss attributable to Owners of the Parent	(820)	(652)	N.M.
Earnings per share Basic and diluted based on actual number of ordinary shares (Sing Cents)	(0.56)	(0.45)	N.M.

	As at 30 June 2018 (Unaudited)	As at 31 March 2018 (Audited)	Change (%)
NAV per ordinary shares (Sing cents)	23.59	24.22	(2.6)

On the back of a seasonally slower quarter for 1Q2019, the Group recorded a 4.9% year-on-year ("yoy") decrease in revenue to S\$38.6 million. While revenue growth for the Food Catering and Food Manufacturing segments remain healthy and intact, a reduction in low margin trading transactions for the Supplies & Trading business contributed mainly to lower revenue posted for the quarter.

The introduction of newly incorporated *Tingkat* catering subsidiaries, Kim Paradise Pte Ltd ("Kim Paradise") and Savoury Catering Pte Ltd ("Savoury Catering"), contributed to the strengthening of the Food Catering segment's recurring income streams. Coupled with growing recurring income from its elder-care and childcare catering subsidiary, Gourmetz Pte Ltd, the segment recorded a 11.5% yoy growth to S\$13.9 million for 1Q2019.



While the Food Manufacturing business' locally renowned 'Dodo Fishball' brand continues to maintain a strong foothold in Singapore, the Group is intensifying its efforts on improving sales to overseas markets such as the United States of America to drive sustainable growth. Accordingly, the Food Manufacturing segment's revenue increased 2.8% yoy to S\$11.7 million for 1Q2019.

In line with the Group's objective of improving profitability of its Food Retail business, a conscious decision was made to close non-performing outlets comprising mainly umisushi stores. Consequently, the Food Retail segment posted a 4.1% yoy decrease in revenue to S\$4.0 million for 1Q2019.

As weak market sentiment for meat trading ensues, the Group is in the midst of a comprehensive business review of its frozen meat supplier, U-Market Place Enterprise Pte Ltd ("**U-Market**"). Following a marked reduction in low margin trading transactions of U-Market's meat related products, the Group's Supplies & Trading segment posted a 29.0% decrease in revenue to S\$8.8 million for 1Q2019.

Commenting on the Group's results and strategic initiatives during 1Q2019, **Mr. Neo Kah Kiat, Founder, Chairman and CEO of Neo Group Limited**, said:

*"The gradual expansion of our core Food Catering segment and main revenue generator has continued to provide a strong foundation as we explore growth opportunities for our other business segments. Part of our multi-brand strategy, the introduction of two new recurring income streams from Kim Paradise and Savoury Catering will allow us to alleviate the unfavourable effects of seasonality prevalent in the F&B industry. Apart from catering, our Food Manufacturing segment continues to make headway into overseas markets as export sales continue to be a key growth driver for the Group. As our conscious efforts to streamline procurement and reduce lower margin trading transactions for our Supplies & Trading segment are bearing fruit, we are hopeful of a turnaround for the financial year ended 31 March 2019 ("**FY2019**")."*

Stemming from an improvement in procurement practices attributable to the reduction of U-Market's low margin meat trading items, purchase and consumables decreased 9.6% yoy to S\$17.4 million for 1Q2019. Correspondingly, lower rental costs from a reduction in external cold room storage required led to a 22.0% yoy decrease of operating lease expenses to S\$1.9 million.

With the consolidation of new headcount for the Group's newly established Food Catering subsidiaries, Kim Paradise and Savoury Catering, employee benefits expense increased 8.0% yoy to S\$12.4 million for 1Q2019.



In view of the above, the Group reported a net loss attributable to owners of the parent of S\$0.8 million for 1Q2019 as compared to S\$0.7 million for 1Q2018.



Figure: Seasonality effect on the Group’s revenue and bottomline

The third and fourth quarters are generally stronger for the Group due to festive seasons such as Christmas and the Lunar New Year. Barring any unforeseen circumstances, the Company expects the Group’s operations to remain profitable for FY2019.

Outlook

On the Food Catering front, the Group intends to focus on expanding its pool of venue partners, corporate clients and institutional catering to drive growth. In addition, the gradual introduction of new brands and cuisines will allow the Group to capture a wider range of customer segments as well as better utilise its Kaki Bukit (east) and Enterprise Road (west) central kitchens to drive economies of scale. To enhance efficiency, the Group will continue to invest in machinery and adopt automation such as paperless systems within its facilities.

For Food Retail, the Group is constantly reviewing the operations of its stores so as to improve profitability for this segment. With the launch of innovative new retail concepts such as ‘Dodo Express’, the presence and convenience of “Grab-and-Go” physical retail outlets islandwide will continue to build brand awareness for the Group.

Looking ahead, **Mr. Neo** said:

“Building on our strong core business operations, we will continue to explore a combination of organic and





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inorganic growth as we move forward with the remainder of FY2019. With the objective of achieving bottomline improvements, we will continue to capitalise on synergies across our vertically integrated value chain to capture revenue growth as well as adopt automation to drive productivity and cost efficiencies. As part of our commitment to maximise shareholder returns, potential acquisitions will be assessed prudently so that only companies that are earnings-accretive, harness value-added capabilities and have high growth potential are considered.”

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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 7 August 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 26 outlets islandwide.

Through its subsidiaries, Neo Group has a trading network of 30 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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