

## NEWS RELEASE

### NEO GROUP 1Q2017 REVENUE SURGES 54.0% TO S\$31.9 MILLION

- **Contributions from newly-acquired Food Manufacturing and Food Trading businesses boost 1Q2017 topline performance**
- **Restructuring of Food Manufacturing to achieve back-end integration for greater profitability and economies of scale**

**SINGAPORE – 4 August 2016** – Singapore’s leading caterer, Neo Group Limited (“**Neo Group**”, 梁苑集团有限公司, or together with its subsidiaries, the “**Group**”), announced today that its revenue for the three-month period ended 30 June 2016 (“**1Q2017**”) grew 54.0% to S\$31.9 million from S\$20.7 million in the equivalent period a year ago (“**1Q2016**”).

The integrated catering solutions provider’s stronger topline performance was mainly lifted by revenue contributions from the newly-acquired Food Manufacturing and Food Trading businesses of S\$10.9 million and S\$4.1 million respectively, and improved Food Retail performance.

Neo Group’s Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, “As Singapore’s No.1 Events Caterer<sup>1</sup> with a leading 14.7% market share, we are constantly exploring ways to enhance our value proposition as an end-to-end food and catering solutions provider. We seek to continue expanding our market share through raising the bar of service excellence, strengthening brand equity and providing innovative product offerings to deepen customer engagement.”

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<sup>1</sup> As defined in Euromonitor International report, ‘Events Catering Services in Singapore’, dated April 2016 whereby events catering refers to food catering services provided for social or corporate events only and is based upon customer value sales

## **Financial Performance**

In 1Q2017, the Group's Food Retail segment revenue grew 10.3% to S\$4.8 million from S\$4.4 million a year ago, driven by a growth in the number of retail outlets and effective promotions launched during the period.

Conversely, the Food Catering business revenue dipped slightly by 0.6% to S\$11.8 million in 1Q2017 from S\$11.9 million in 1Q2016, in the absence of the SG50 celebrations last year. In addition, the first quarter of the financial year is typically a low season for the catering industry due to the lack of festivities, translating to lower business demand during this period.

"We have been actively seeking opportunities to create recurring income streams for our core catering business to manage seasonality effects well. In addition to aggressively pursuing corporate clients and venue partnerships, which provide more sustainable income to the segment, we are also selectively taking on higher-margin institutional catering to boost recurring income. We also look forward to improved performance in the coming quarter in view of upcoming festivities such as the Seventh Lunar Month and Mid-Autumn Festival," added Mr Neo.

The Food Manufacturing segment contributed revenue of S\$10.9 million in 1Q2017, while the Food Trading segment made its first quarterly topline contribution of S\$4.1 million in the financial quarter under review.

Having consolidated expenses incurred by the newly-acquired Food Manufacturing and Food Trading businesses, Neo Group recorded a considerable increase in expenses. Expecting an industry-wide dip in demand in the absence of the SG50 celebrations, the Group also invested in advertising and promotions in its effort to maintain business momentum and capture greater market share in 2016.

Mr Neo commented, "These marketing efforts are critical in driving business demand amidst an expected slowdown this year. Hence, we are taking this opportunity to offer promotions and discounts given to customers to capture market share for sustainable long-term growth and market leadership."

“Despite attractive discounts being offered that may narrow gross margins in the short run, we are able to control our costs effectively through the various synergistic acquisitions we’ve made so far. For instance, our Food Trading subsidiary currently meets 100% of the Group’s fruits and vegetables needs, allowing us to achieve cost savings of at least 20% and direct access to the freshest produce.”

“While we recognise that acquisitions require a gestation period for integration, which may lead to short-term impact on our financial performance, we are investing in Neo Group’s long-term growth through making such value-accretive, upstream acquisitions so as to enhance shareholders’ value.”

In the absence of a S\$0.7 million one-time gain on disposal of assets held for sale recorded in 1Q2016 and in view of the cyclical impact on the Food Catering business, Neo Group reported a 1Q2017 loss after income tax attributable to the owners of the parent of \$2.7 million compared to a profit of S\$0.2 million in 1Q2016. 1Q2017 net loss attributable to non-controlling interests was S\$2.5 million compared to a net profit of S\$1.3 million in 1Q2016.

In 1Q2017, the Group’s earnings per share slid to a loss of 1.72 Singapore cents from a profit of 0.13 Singapore cent in 1Q2016 while net asset value per share dipped slightly to 19.30 Singapore cents as at 30 June 2016 from 20.97 Singapore cents as at 31 March 2016.

### **Outlook & Future Strategies**

On the Food Catering business, the Group remains optimistic on the segment’s outlook and growth as it pursues strategic clients that will provide higher margins and recurring income.

Concurrently, the Food Retail business is in the midst of reviewing its business model. To mitigate rising operational costs, the Group will expand the use of technology and review store locations. It is also looking at enhancing pricing strategies and product offerings to better engage customers.

Following the upstream acquisitions made recently, the Group is working towards achieving back-end integration with the potential for greater profitability and economies of scale. In line with its turnaround strategies for the Food Manufacturing business, the Group is restructuring the segment's operations apart from revising its pricing strategies to improve profitability.

The Food Manufacturing business is also in the midst of shifting its operations to the new and enlarged facility at 22 Senoko Way that can meet the segment's cold room needs, as well as offer more space and capacity for greater automation and efforts to boost its business-to-consumer income streams. Coupled with consolidation of business functions and processes, the new facility also presents opportunities for significant cost savings and operational synergies in the long-run.

On Neo Group's outlook, Mr Neo commented, "We've established strong fundamentals and market leadership amidst a very competitive landscape. Operating costs are expected to continue rising, which is why we embarked on a vertical integration strategy to not only improve cost controls, but to harness synergies between businesses to offer differentiated solutions to our customers."

"Going forward, we will continue executing our vertical integration strategy through acquisitions of "bite-sized" companies that will not strain our balance sheet, driving organic growth within our businesses by continuously improving product and service offerings, and raising operational efficiencies through the use of technology and innovation. Through our subsidiaries' wide distribution network across 29 countries, we will also explore opportunities to expand overseas, working towards our vision of becoming a global food and catering company."

Barring unforeseen circumstances and depending on how quickly the Group is able to successfully integrate its new acquisitions, the performance of its subsidiaries and the results from the review conducted for the Food Retail business, the Group expects to be profitable for the financial year ending 31 March 2017.

*Note: This press release is to be read in conjunction with the related mandatory announcement filed by Neo Group Limited on SGXNET on 4 August 2016.*

## **About Neo Group Limited**

Neo Group Limited is a leading food catering group in Singapore. 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 ranked as the number one events caterer in Singapore<sup>2</sup> and owns a vertically-integrated value chain to provide one-stop food and catering solutions.

The Group is involved in the Food Catering, Food Retail, Food Manufacturing, Food Trading, Food & Catering Supplies 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 strong portfolio of brands, including *Neo Garden Catering*, *Orange Clove Catering*, *Deli Hub Catering*, *Best Catering*, *umisushi*, and *Choz Confectionary*. Its food retail network spans 30 outlets<sup>3</sup> islandwide.

Through its subsidiaries, Neo Group's business presence is in 29 countries worldwide. Its operations are supported by the East and West central kitchens, manufacturing facilities, warehouses and over 1,200 dedicated employees.

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<sup>2</sup> As defined in Euromonitor International report, 'Events Catering Services in Singapore', dated April 2016 whereby events catering refers to food catering services provided for social or corporate events only and is based upon customer value sales.

<sup>3</sup> As at 23 May 2016

## **IMPORTANT NOTICE**

*This news release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST"), Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this news release.*

*This news release has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this news release, including the correctness of any of the statements or opinions made or reports contained in this news release. The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: +65 6337 5115.*

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