

## NEWS RELEASE

### NEO GROUP ACHIEVES 29.6% GROWTH IN REVENUE TO S\$67.4 MILLION FOR 1H2017

- ***Topline lifted on contributions from newly-acquired Food Manufacturing and Food Trading businesses***
- ***Expects stronger 2H2017 performance in view of boost from upcoming festivities***
- ***Focus on vertical integration strategy for better cost and quality control***

**SINGAPORE – 11 November 2016** – Singapore’s leading food catering group, 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 six-month period ended 30 September 2016 ("**1H2017**") grew 29.6% to S\$67.4 million from S\$52.0 million in the equivalent period last year ("**1H2016**").

Neo Group’s Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, “Amidst macro uncertainties, we are pleased to report resilient performance and sustained growth. This reflects the strength of our brands, market leadership, and differentiated value as an end-to-end food and catering solutions provider. We will continue to leverage on our strengths and offer customers top-notch service and quality products, leading the pack as Singapore’s No.1 Events Caterer<sup>1</sup>.”

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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**

Improved performance across most business segments and a S\$7.7 million revenue contribution from the Food Trading business segment lifted the integrated catering solutions provider's 1H2017 topline performance.

Food Retail grew 11.7% to S\$9.8 million in 1H2017 from S\$8.8 million on an increase in number of stores and effective promotions launched during the period under review. Similarly, Food Manufacturing reported a 45.9% growth in revenue of S\$21.9 million compared to S\$15.0 million across the comparative periods.

Impacted mostly by seasonality due to the lack of festivities and in the absence of SG50 celebrations that lifted catering volumes last year, the Food Catering segment slid marginally by 1.2% to S\$27.3 million in 1H2017 from S\$27.6 million in 1H2016.

“We are pleased to see an improved performance from the Food Retail segment, which attests to the effectiveness of our turnaround strategies and marketing initiatives. We will continue to fine-tune our retail business model and watch operating costs closely to enhance the profitability of the segment.”

“With regards to the Food Catering segment, we've anticipated an industry-wide dip in the absence of the SG50 boost seen last year. Hence, we've managed to mitigate a significant dip in business volume by increasing promotions and effective marketing campaigns to drive demand for our catering business.”

In tandem with the stronger topline performance, coupled with other income earned of S\$3.0 million, consisting mainly of a S\$1.8 million one-time gain on disposal of a non-core property, Neo Group reported 1H2017 net profit attributable to owners of the parent (“**net profit**”) of S\$0.4 million, a 65.7% rise from S\$0.3 million in 1H2016.

For the three-month financial period ended 30 September 2016 (“**2Q2017**”), Neo Group reported a 40 times increase in net profit of S\$2.9 million compared to S\$0.07 million a year ago (“**2Q2016**”) on a 13.4% rise in revenue to S\$35.5 million from S\$31.3 million across the same comparative periods.

Removing the impact of the one-time gain on disposal, which amounted to S\$1.8 million in 2Q2017, the Group reported an operational profit of S\$1.1 million, turning around from an operational loss recorded in the preceding quarter.

Neo Group’s earnings per share rose to 0.30 Singapore cent in 1H2017 from 0.18 Singapore cent in 1H2016. Net asset value per share slid slightly to 20.18 Singapore cents as at 30 September 2016 from 20.97 Singapore cents as at 31 March 2016.

### **Outlook & Future Strategies**

The Food Catering segment seeks to frequently refresh its product offerings to offer differentiated service experiences. The Group is also pursuing higher-margin institutional catering opportunities, as well as corporate clients and venue partnerships to build sustainable income streams.

Mr Neo added, “Due to recovery from a cyclical seasonality effect, the second half of the financial year is typically stronger than the first half. We look forward to a stronger 2H2017, which will be lifted by the upcoming festivities – Christmas, New Year and Lunar New Year.”

A review of the Food Retail business model is still ongoing to enhance the profitability of the segment through streamlining of processes, reducing operational costs and increasing productivity through technology adoption. Store locations are also reviewed regularly, and innovative products and menus are refreshed periodically for greater customer engagement.

Following the progressive relocation of the Food Manufacturing operations to a larger property with cold room facilities at 22 Senoko Way, the Group hopes to improve the segment's profitability through harnessing operational synergies, achieving economies of scale and further automating processes.

In addition, the segment has seen a reduction in sourcing costs through bulk purchases, leveraging on Neo Group's sourcing arm, NKK Import & Export Trading, to meet its surimi and other needs. Prices for the segment's products have also been adjusted to optimise margin efficiencies.

The profitable Food Trading segment continues to contribute positively to the Group, and will continue to drive sales for topline growth while exploring opportunities to expand into new geographies and build synergistic capabilities in food processing.

On Neo Group's outlook, Mr Neo commented, "We will continue to build upon our strengths and solid fundamentals to sustain our growth momentum. In the meantime, we are starting to see results from the strategies put in place for the Food Retail and Food Manufacturing segments to improve profitability."

"In an environment where escalating costs are inevitable, it is crucial to maintain control over our costs. Our vertical integration strategy allows us to harness synergies between businesses, reap economies of scale and offer differentiated solutions. We will continue to explore "bite-sized" acquisitions to sharpen our niche, while keeping a look out for opportunities to export our proven business model overseas to fulfil 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 results from the review conducted for the Food Retail business, the Group's operations are expected to remain 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 11 November 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 29 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 1,300 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 November 1, 2016.

## **IMPORTANT NOTICE**

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