

NEWS RELEASE

NEO GROUP ACHIEVES 21.2% INCREASE IN NET PROFIT TO S\$6.3 MILLION FOR FY2020

- *Food Catering to focus on broadening recurring income streams and expansion of catering options and take-away meals*
- *Food Manufacturing, the second-largest revenue driver, performs well with automation enhancements; continues to break new grounds*
 - *Focuses on overseas expansion and recurring contracts*
 - *Introduces new home-cooked and ready-to-eat products*
- *Supplies and Trading undergoing transformations to increase efficiencies*
 - *Harnesses economies of scale through shared resources and facilities*
- *Food Retail's active business reviews continue towards a lean strategy*
 - *Focuses on and continues to grow the quick-service concept and delivery sales*
- *Proposes final cash dividend of 0.5 Singapore Cent per share*

SINGAPORE – 23 July 2020 – Neo Group Limited ("**Neo Group**", or together with its subsidiaries, the "**Group**"), a homegrown integrated food solutions provider, today announced a 21.2% increase in net profit to S\$6.3 million for the financial year ended 31 March 2020 ("**FY2020**"), from S\$5.2 million in the previous corresponding period ("**FY2019**"). The strong bottom-line growth was backed by a 2.7% increase in revenue to S\$185.9 million, boosted by substantial revenue growth from the Group's core Food Catering business.

(S\$'m)	4Q2020	4Q2019	Change (%)	FY2020	FY2019	Change (%)
Revenue	43.9	50.9	(13.6)	185.9	181.0	2.7
Profit before tax	0.5	4.4	(89.4)	7.4	6.2	18.2
Profit after tax	0.2	4.1	(95.7)	6.3	5.2	21.2
Profit attributable to Owners of the Parent	0.6	3.9	(85.9)	6.3	5.4	17.3
Earnings per share Fully Diluted (Singapore cents)	-	-	-	4.30	3.68	16.8

	As at 31 March 2020 (Unaudited)	As at 31 March 2019 (Audited)	Change (%)
NAV per ordinary share (Singapore cents)	28.23	26.12	8.1

Neo Group's Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, "Our strategy of nurturing diversity through the build-up of our highly synergistic business segments over the last few years, and by having a multi-brand platform, has continued to deliver resilient performance. We are encouraged to see good growth momentum, notwithstanding the challenging macro environment brought on by the global pandemic.

Through concerted efforts, our business transformation journey in the last six years has achieved for us, an exceptional synergy for our four main business segments, which has weathered us better in the current situation. We have seen a good integration of our value chain, from the central sourcing of quality ingredients for our businesses to food manufacturing and the supply of quality food to all our customers. By having full control across our integrated value chain, we are able to extract cost savings and deliver greater value to our customers, while ensuring a high level of food safety and quality.

Food Manufacturing, our second-largest revenue driver, has contributed exceptionally well with automation enhancement and continues to make good headway in the strengthening of its brand name through the introduction of new products. We will continue to focus on home-cooked and ready-to-eat products in line with the recent shift in consumer behaviour.

As for Food Retail, we will continue to review the performance of our outlets to maximise returns. This could include the opening of more quick-service concepts, with the creation of new offerings to appeal to different market segments. We look forward to the segment's contribution, tapping on online delivery and digital platforms, and with the maturity of newer outlets over time.

In line with our ongoing transformation to increase efficiencies and profitability, for Supplies and Trading, we are consolidating our operations to unlock economies of scale through shared facilities and resources. This process is an important building block as we gear up for growth, well-supported by a robust global supply chain from various sources to reduce our reliance on local suppliers. We will continue to build up a strong network of international partners as we forge in-roads into new markets.

To stay resilient, in addition to a well-diversified business, we will continue to stay lean, be agile to changes and to quickly adapt to a 'new normal'."

Financial Performance

Despite industry headwinds, the Group maintained its stable business momentum with a 2.7% increase in revenue to S\$185.9 million in FY2020 as compared to S\$181.0 million in FY2019.

The Group's core Food Catering business, which contributes close to 50% of the Group's top-line, achieved a strong 13.1% increase in revenue to S\$92.5 million in FY2020, from S\$81.7 million in FY2019. The higher revenue was underpinned by the Group's strengthened recurring income base from the childcare and eldercare market segments, organic growth in the Group's "tingkat" business, and revenue contributed by the Group's acquired subsidiaries. This was partially offset by the implementation of safe distancing measures as a result of the pandemic. Profit before tax ("**PBT**") for this segment grew by 39.6% to close to S\$10.0 million in FY2020, from S\$7.1 million in FY2019 due to additional income streams from different catering brands and economies of scale.

The Group's Food Manufacturing business also achieved profitability, with PBT increasing 556.5% to S\$1.5 million in FY2020, from S\$0.2 million in FY2019, resulting from higher production efficiencies and automation enhancements. Revenue from this division, the Group's second-largest top-line contributor making up 26.1% of sales, held steady at S\$48.6 million in FY2020.

As part of the Group's sustainable growth roadmap, the Group continues to focus on the optimisation of its other two business pillars – the Supplies and Trading and Food Retail businesses.

The Supplies and Trading business, which made up approximately 15.5% of revenue, recorded S\$28.8 million in FY2020, representing an 11.0% decrease from FY2019 due to a reduction in low margin trading transactions. This division reported a loss before income tax of S\$1.7 million in FY2020 from a PBT of S\$0.02 million in FY2019 mainly due to an impairment review on goodwill, trade receivables and inventories.

In its ongoing effort to streamline the Food Retail business segment, the Group continues to close non-performing outlets as part of its strategic business review. In addition, precautionary measures implemented during this period resulted in a significant decrease in physical footfall in retail outlets and malls, impacting the Group's outlet sales. As a result, the Group's Food Retail business revenue recorded S\$14.9 million in FY2020, representing an 11.4% decrease from FY2019. Food Retail reported a loss before income tax of S\$1.1 million in FY2020 mainly due to the impairment review with the impact of ongoing safe distancing measures.

With a wide portfolio of brands, which has been meticulously curated over the years, Neo Group is well-positioned to extend its reach across all customer demographics, and thereby increasing its market share. In line with its planned expansion, the Group saw a 16.3% increase in delivery expenses.

Overall, the Group's net profit for FY2020 increased by 21.2% to S\$6.3 million from S\$5.2 million recorded in FY2019.

For the three months ended 31 March 2020, the Group recorded a 95.7% decrease in net profit to S\$0.2 million, from S\$4.1 million in the previous corresponding quarter. This was mainly due to a decrease in consumer demand for the Group's Food Catering business following the implementation of safe distancing measures as well as restrictions on social events and gatherings. The Group's Food Retail business was also impacted by the precautionary measures implemented, which resulted in a decrease in physical footfall at retail outlets and malls.

Dividend

To reward shareholders' for their loyalty and continuous support, Neo Group has proposed a final cash dividend of 0.5 Singapore cent for FY2020. The Group will continue to review the distribution of dividend in view of its business expansion, and the construction of its headquarters and catering hub at 30B Quality Road.

Outlook & Future Strategies

Moving forward, the Group will focus on broadening its market share in its Food Catering business by strengthening its recurring income stream and widening its catering and take-away meal options, amidst the trend of dining-in and eating healthy. At the same time, the Group will continue to harness economies of scale with its central kitchens strategically located across Singapore, as part of its long-term strategy.

Meanwhile, the Group's products under the Food Manufacturing business continue to experience strong demand by consumers both locally and abroad, mainly due to the dining-in trend as a result of health and safety concerns. The Group will continue to leverage on its extensive global distribution network to drive export sales, while performing R&D to develop new and improved products such as home-cooked and ready-to-eat products.

The Supplies and Trading segment, which supplies food ingredients and products used across the Group's main business pillars, will continue to support the Group through cost discipline and vertical integration, as well as ensuring the continued supply of raw materials.

For the Food Retail business, the Group currently operates its outlets with precautionary restrictions in place, in accordance with local guidelines. Looking ahead, the Group will continue to perform business review as part of an ongoing process to enhance performance, including the proactive management of its food retail outlets with the objective of optimising profitability through rationalising cost and streamlining its processes.

In view of the recent pandemic which has impacted Singapore's food and beverage sectors, the Group anticipates headwinds to its strong growth momentum going forward. The Group has further stepped up precautionary measures and will closely monitor the situation while building upon its diversified revenue streams.



The Group will continue to monitor the evolving pandemic situation and adjust and react proactively with appropriate countermeasures to minimise the financial impact for the financial year ending 31 March 2021.

Note: This press release is to be read in conjunction with the related financial results announcement released by Neo Group Limited via SGXNET on 23 July 2020.

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, 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 its central kitchens, manufacturing facilities, warehouses and over 1,400 dedicated employees.

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

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"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), Listing Manual Section B: Rules of Catalist.

This news release has not been examined or approved by the SGX-ST. 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.

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