

## NEWS RELEASE

### NEO GROUP'S 3Q 2017 REVENUE GROWS 23.4% TO S\$46.7 MILLION

- ***New Food Catering brand, Gourmetz, to target growing elder-care and childcare market segments and strengthen recurring income***
- ***Food Manufacturing segment turns operationally profitable – result of effective turnaround strategies***
- ***Recent acquisition of U-Market, which owns and manufactures popular “Joo Chiat Kim Choo” rice dumplings brand, to strengthen Neo Group’s vertically-integrated value chain***

**SINGAPORE – 9 February 2017** – 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 topline for the three-month period ended 31 December 2016 (“**3Q 2017**”) grew 23.4% to S\$46.7 million from S\$37.8 million a year ago (“**3Q 2016**”).

Neo Group’s Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, “Notwithstanding the challenging operating landscape and macroeconomic volatilities, we are pleased to report sustained topline growth this year and operational profit – a testament of our strong brand equity and value proposition as an end-to-end food and catering solutions provider.”

“We seek to continue expanding our market share, maintaining our reign as Singapore’s No.1 Events Caterer<sup>1</sup>, while enhancing margin efficiency by reaping synergies from our vertically-integrated value chain.”

## **Financial Performance**

Neo Group’s higher topline this quarter was mostly lifted by a S\$7.6 million rise in revenue from the Food and Catering Supplies business, which commenced supplying and trading frozen meat to a local third-party customer that contributed to the S\$7.7 million segment revenue reported this quarter compared to \$0.1 million in 3Q 2016.

While the Food Catering business reported 6.5% lower revenue to S\$16.8 million in the absence of the SG50 boost last year, the Food Retail business’ topline rose 5.5% to S\$4.6 million due to strategically-located new outlets as well as successful initiatives and promotions launched during the quarter.

As a result of new products that were successfully launched during the quarter, the Food Manufacturing business reported a 2.9% growth in revenue to S\$12.6 million in 3Q 2017 from S\$12.2 million a year ago.

The Food Trading business, which contributed three months of revenue this quarter compared to two months in 3Q 2016, reported revenue of S\$4.7 million in 3Q 2017, 59.6% higher than the S\$2.9 million in 3Q 2016.

In the absence of a S\$4.3 million one-time gain recognised in 3Q 2016 from bargain purchase on acquisition of subsidiaries, the Group reported net profit attributable to owners of the parent (“**PATMI**”) of S\$0.1 million compared to S\$4.8 million in 3Q 2016.

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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

For the nine-month financial period ended 31 December 2016 (“**9M 2017**”), Neo Group reported a 27.0% increase in revenue to S\$114.1 million from S\$89.9 million a year ago (“**9M 2016**”). Due mainly to the absence of the one-time gain recognised in 9M 2016, PATMI was S\$0.6 million compared to S\$5.1 million in 9M 2016.

Neo Group’s earnings per share for 3Q 2017 decreased to 0.09 Singapore cent from 3.34 Singapore cent a year ago, while net asset value per share slid slightly to 20.33 Singapore cents as at 31 December 2016 from 20.97 Singapore cents as at 31 March 2016.

### **Outlook & Future Strategies**

On the core Food Catering business segment, Neo Group recently established a 51%-owned subsidiary, Gourmetz Pte. Ltd. (“**Gourmetz**”), which targets the burgeoning elderly-care and childcare market segments. The Group also continues to pursue corporate clients and venue partnerships to build sustainable income streams.

“We seek to strengthen our recurring income streams with the establishment of our new brand, Gourmetz. We will continuously review our brands portfolio and refresh product and service offerings to pursue higher-margin opportunities, deepen our market penetration and capture greater market share,” commented Mr Neo.

While the review of the Group’s Food Retail business model is still ongoing, the effectiveness of various new business and marketing initiatives are captured in the higher topline growth this quarter.

To enhance the segment’s profitability, the management will continue to review store locations, product and service offerings to improve customer engagement, streamline processes, reduce operational costs and increase productivity through technology adoption.

On the Food Manufacturing segment, Mr Neo said, “We are pleased to announce that the segment is operationally profitable, having expanded its revenue streams and reduced expenses and enhanced efficiencies following its progressive relocation to 22 Senoko Way – a reflection of the effectiveness of the segment’s turnaround strategies.”

Upon consolidating the Food Manufacturing operations under the enlarged 22 Senoko Way facility, which has an on-site cold room – a key expense item for the segment prior to the relocation, the Group believes the segment is on track to generate operating profit, and there will be further cost savings once operational synergies and economies of scale set in. Productivity and efficiency could also be enhanced with greater automation that is now possible in the larger space.

The Group recognises the positive contributions and growth potential of the Food Trading segment, and had acquired the remaining 10% equity interest in CT Vegetables & Fruits Pte Ltd in January 2017. The segment will continue to drive sales for topline growth while exploring opportunities to expand into new segments and build synergistic capabilities in food processing.

In line with the Group’s vertical integration strategy, it had acquired 75%-equity stake in U-Market Place Enterprises Pte. Ltd. (“**U-Market**”), which will strengthen the Food and Catering Supplies business segment. The addition of U-Market will also give Neo Group direct control over its raw material supplies, enhancing product consistency, quality and safety.

“U-Market has a strong following for its ‘*Joo Chiat Kim Choo*’ rice dumplings, as well as established retail and distribution networks for BBQ products and meat-related items. With the support of our management expertise, deep market knowledge and Group-wide operational synergies to be reaped, we believe U-Market will fulfil its growth potential and further strengthen our value proposition,” Mr Neo added.

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 9 February 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 26 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 1,400 dedicated employees.

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<sup>3</sup> As at 1 January 2017.

## **IMPORTANT NOTICE**

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