

## NEWS RELEASE

### NEO GROUP FY2017 REVENUE GROWS 29.2% TO S\$162.0 MILLION

- ***Food Catering reports profit before tax of S\$6.5 million***
- ***Food Manufacturing achieves full year operational profit***
- ***Food Retail reaps results from strategic review***
- ***Proposes final cash dividend of 1.00 SGD cent per share***

**SINGAPORE – 25 May 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 it has achieved a 29.2% growth in revenue to S\$162.0 million and net profit attributable to owners of S\$3.3 million for the financial year ended 31 March 2017 (“**FY2017**”).

Neo Group’s Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, “We are pleased to report sustained double-digit topline growth and that we have achieved profitability despite business expansion costs – investments necessary to ensure the Group’s sustained long-term growth and competitiveness. We view this as a natural process as we nurture our growth and strengthen our vertically-integrated value chain to bring our customers differentiated value as an end-to-end food and catering solutions provider. We’ll continue to capture greater market share and retain our reign as Singapore’s No.1 Events Caterer<sup>1</sup>.”

---

<sup>1</sup> As defined in Euromonitor International report, ‘Events Catering Services in Singapore’, dated April 2017 whereby events catering refers to food catering services provided for social or corporate events only and is based upon customer value sales

## **Financial Performance**

The revenue of S\$162.0 million registered this financial year was a 29.2% increase from S\$125.4 million recorded a year ago (“**FY2016**”).

The higher topline was lifted by improved revenue contribution across all four business segments, particularly the Supplies and Trading segment<sup>2</sup> that posted 317.7% higher revenue of S\$31.1 million in FY2017 on contribution from the Group’s newly-acquired frozen meat trading subsidiary, U-Market, in January 2017, and an absence of 7-month revenue contribution in FY2016 from the vegetables and fruits subsidiary, CTVeg Group, as the acquisition was completed in November 2015.

Neo Group’s Food Catering business recorded a 0.8% increase in revenue to S\$63.1 million this financial year from S\$62.6 million in FY2016, lifted by stronger performance in the last quarter of FY2017 due to the festive Chinese New Year sales. The Food Catering business remains the Group’s key bottomline driver, reporting profit before tax of S\$6.5 million.

Mainly due to new outlets and market initiatives and promotions launched during the year, revenue from the Food Retail business segment in FY2017 rose 7.5% to S\$18.8 million from S\$17.5 million in the last financial year. The segment reported narrowed FY2017 loss before tax of S\$0.8 million compared to S\$1.4 million last year due to results of the ongoing review – tight cost controls, and fine-tuning of the Food Retail business model and processes.

The Food Manufacturing business recorded 29.9% higher revenue of S\$48.0 million in FY2017 compared to S\$36.9 million in FY2016, due mainly to an absence of two-month revenue in FY2016 as the acquisition was completed in June 2015.

---

<sup>2</sup> *The Supplies and trading business consists the Group’s import and export trading arms, NKK and H-Cube F&B; 100%-owned fruits and vegetables trading subsidiary, CTVeg Group acquired in November 2015; BBQ and meat-related manufacturer, U-Market, which also manufactures the popular Joo Chiat Kim Choo dumplings*

This segment reported a loss before income tax of S\$5.8 million for FY2017. Excluding the effect of several one-off items – S\$5.2 million loss on disposal of property, S\$0.3 million plant and equipment write-off and S\$0.3 million additional provision for reinstatement costs for 14 Senoko Way due to the relocation to the larger 22 Senoko Way facility, as well as an unrealised foreign exchange loss of S\$0.6 million – the Food Manufacturing segment reported an operational profit for the financial year of S\$0.6 million in FY2017 – a testament of its turnaround efforts since June 2015.

Other income decreased 31.6% to S\$4.4 million in FY2017 compared to S\$6.5 million in FY2016 in the absence of a one-off provisional gain from bargain purchase on acquisition of S\$3.5 million in FY2016, offset by a S\$1.2 million increase in gain on disposal of assets held for sale in FY2017.

In view of the above, the Group reported FY2017 net profit attributable to owners of the parent (“**PATMI**”) of S\$3.3 million compared to S\$6.1 million in FY2016, and earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) of \$9.6 million in FY2017 compared to \$14.0 million in FY2016.

Accordingly, Neo Group’s earnings per share for FY2017 decreased to 2.24 Singapore cents per share from 4.18 Singapore cents per share in FY2016, while net asset value per share rose to 22.73 Singapore cents per share as at 31 March 2017 from 20.97 Singapore cents a year ago.

### **Dividend**

In appreciation of shareholders’ loyalty and support for the Group as it embarks on its growth journey, Neo Group has proposed a final cash dividend of 1.00 Singapore cent per share for FY2017.

## Outlook & Future Strategies

Mr Neo added, “We have transformed beyond our core Food Catering business to become a diversified and vertically-integrated food and catering group. Over the last two years, we’ve made strategic decisions to lay solid foundations in place that are necessary to ensure the long-term viability of our businesses and greater control over our cost structure. While we remain focused on driving the growth of our four business pillars, our key objective for the coming financial year would be to drive the Group’s profitability.”

On the core Food Catering business segment, Neo Group is looking to enter new market segments in line with its multi-brand strategy to cater to the needs of various consumer groups so as to capture greater market share. It has recently established a 51%-owned subsidiary, Gourmetz Pte. Ltd. (“**Gourmetz**”), which targets the burgeoning elderly-care and childcare market segments.

“These new market segments we are looking to enter are more specialised and offer higher margins. Concurrently, we’ll continue to grow our institutional catering business and pursue more corporate clients and venue partnerships to strengthen our recurring catering income streams. 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,” added Mr Neo.

A review of the Group's Food Retail business is still ongoing, new outlets in malls with higher footfall has replaced outlets in MRT stations with typically less footfall during weekends. Coupled with marketing and promotions, these turnaround strategies have proven effective in the topline growth and narrowed losses seen this financial year.

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 to enhance the segment's profitability.

The Food Manufacturing business has progressively been relocating to the enlarged 22 Senoko Way facility, and had started to reap results especially in the second half of the financial year from significant cost savings from the in-house cold room, operational synergies and bulk purchase cost savings from NKK's procurement of surimi.

In May 2017, the Food Manufacturing operations fully relocated to the enlarged 22 Senoko Way facility and management expects to reap additional cost savings such as the cessation of rental costs relating to 14 Senoko Way in the financial year ending 31 March 2018. With a larger facility, the segment is also looking at adding new product lines and automating more processes for greater productivity and efficiency.

For the Supplies and Trading business, CTVeg Group continues to deliver strong top- and bottomline growth, while the Group progresses on the integration of the newly-acquired U-Market subsidiary, which includes the Joo Chiat Kim Choo brand. CTVeg Group and U-Market now cater to 100% of the Group's fruits and vegetables and meat-related needs, respectively, leading to significant cost savings.

U-Market's bottomline was impacted by a one-off allowance for impairment loss on receivables. Going forward, the Group expects to reap economies of scale from bulk overseas purchases and is looking to leverage on the Group's cold room facility to achieve significant cost savings.

The Group also looks forward to positive contributions to the Supplies and Trading business segment from April 2017 from its newly-acquired 51%-owned manufacturer and supplier of plastic products, Hi-Q Plastic Industries Sdn Bhd.

"We are starting to see results from our recent acquisitions – not only are they value-accretive, but they also give us better control over cost and quality so that we can offer our customers better value. While we continue to be on the look-out for synergistic acquisitions, improving the Group's profitability is our immediate priority. We will also explore opportunities to tap into our global distribution network to expand overseas," added Mr Neo.

Barring unforeseen circumstances, the Group expects its operations to remain profitable.

*Note: This press release is to be read in conjunction with the related mandatory announcement filed by Neo Group Limited on SGXNET on 25 May 2017.*



## **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>3</sup> and provide one-stop food and catering solutions with its strong and effective vertically-integrated value chain.

The Group is involved in the Food Catering, Food Retail, Supplies and Trading, Food Manufacturing 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, Choz Confectionery, DoDo fish ball, Joo Chiat Kim Choo traditional rice dumplings*, amongst others. Its food retail network spans 25 outlets<sup>4</sup> islandwide.

Through its subsidiaries, Neo Group's business presence is in 35 countries worldwide. Its operations are supported by the East and West central kitchens, manufacturing facilities, warehouses and over 1,400 dedicated employees.

---

<sup>3</sup> As defined in Euromonitor International report, 'Events Catering Services in Singapore', dated April 2017 whereby events catering refers to food catering services provided for social or corporate events only and is based upon customer value sales

<sup>4</sup> As at 1 May 2017

**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 Catalyst. 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, Catalyst. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: +65 6337 5115.*

---

ISSUED ON BEHALF OF	:	Neo Group Limited
BY	:	Citigate Dewe Rogerson, i.MAGE Pte Ltd 55 Market Street #02-01 SINGAPORE 048941
CONTACT	:	Ms Dolores Phua / Ms Jasmine Zhao at telephone
DURING OFFICE HOURS	:	6534-5122
EMAIL	:	<a href="mailto:dolores.phua@citigatedrimage.com">dolores.phua@citigatedrimage.com</a> <a href="mailto:jasmine.zhao@citigatedrimage.com">jasmine.zhao@citigatedrimage.com</a>

---

25 May 2017