



NEWS RELEASE

NEO GROUP'S FY2019 PROFIT BEFORE TAX SOARS 90.7% TO S\$6.2 MILLION ON THE BACK OF S\$181.0 MILLION REVENUE

- ***Core Food Catering business continues to be main revenue driver***
- ***Supplies and Trading business turns around with success of strategy***
- ***Food Manufacturing achieves continued profitability; to accelerate overseas export sales***
- ***Proposes final cash dividend of 0.5 Singapore Cent per share***
- ***Adopted new SFRS(I) accounting standards¹***

SINGAPORE – 22 May 2019 – Neo Group Limited ("**Neo Group**", 梁苑集团有限公司, or together with its subsidiaries, the "**Group**"), a homegrown integrated food solutions provider, today announced a 90.7% surge in profit before tax to S\$6.2 million and 48.7% increase in net profit attributable to owners of the parent ("**PATMI**") to S\$5.4 million. This was on the back of a 1.6% revenue growth to S\$181.0 million for the financial year ended 31 March 2019 ("**FY2019**").

¹ The Group has adopted SFRS(I) on 1 April 2018 and has prepared its first set of financial information under SFRS(I) for the financial period ended 31 December 2018. The Group has consistently applied the same accounting policies in its opening SFRS(I) statement of financial position as at 1 April 2018 and throughout the comparable periods presented, as if these policies had always been in effect. In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) and new SFRS(I), amendments to and interpretation of SFRS(I) that are effective from 1 April 2018. The transition to SFRS(I) did not have any significant impact to the Group.

(S\$m)	4Q2019	4Q2018	Change (%)	FY2019	FY2018	Change (%)
Revenue	50.9	47.6	7.0	181.0	178.2	1.6
Profit before tax	4.4	2.6	69.2	6.2	3.3	90.7
Profit after tax	4.1	2.2	82.2	5.2	3.0	71.6
Profit attributable to Owners of the Parent	3.9	2.7	42.8	5.4	3.6	48.7
Earnings per share Fully Diluted (Singapore cents)	-	-	-	3.68	2.49	47.8

	As at 31 March 2019 (Unaudited)	As at 31 March 2018 (Audited)	Change (%)
NAV per ordinary share (Singapore cents)	26.12	24.22	7.8

Neo Group's Founder, Chairman and CEO, Mr Neo Kah Kiat (梁佳吉), said, "We are heartened to conclude the financial year on a solid footing, having achieved bottomline growth on stronger revenue. This is testament of the success of our multi-brand approach to drive topline. At the same time, it underscores the success of our targeted strategy to consolidate and reduce low margin trading transactions and overheads for our Supplies and Trading business, resulting in a turnaround to profitability for this business segment."



“Our core catering business continues to exert market dominance with our strong portfolio of brands. We will continue to actively pursue higher-margin and recurring income opportunities across the various market segments. This covers the full spectrum, from childcare and elderly to the fast-growing *tingkat* business, to institutional catering, corporate clients and venue partnerships. Moving ahead, we aim to continuously maximise shareholder returns through improved operational synergies and efficiencies. Through our synergistic business model, we will be actively focused on capturing a greater market share as Singapore’s No. 1 Events Caterer².”

Financial Performance

The Group continued its strong business momentum with a 1.6% revenue increase to S\$181.0 million in FY2019 compared to S\$178.2 million recorded for the previous financial year (“**FY2018**”). Higher topline was lifted by improved revenue contribution mainly from the Food Catering and Food Retail businesses, as well as the Other businesses segment.

² *Euromonitor International Report, ‘Overview of Events Catering Services in Singapore’, dated March 2019*

The Group's flagship Food Catering business continued to be the main revenue driver, with a significant 23.9% revenue growth to S\$81.7 million in FY2019 from S\$66.0 million in FY2018. The stronger topline was boosted by the stronger recurring income from the childcare and elderly market segments, the ramping up of the Group's *tingkat* business from newly incorporated subsidiaries, and revenue contributed by newly acquired subsidiaries. Profit before tax for this segment grew by 6.9% from S\$6.7 million in FY2018 to S\$7.1 million in FY2019 due to additional income streams from different catering brands and economies of scale achieved from the central kitchen.

The Food Retail business recorded a marginal 0.7% increase in revenue to S\$16.9 million in FY2019 from S\$16.8 million in FY2018, attributable to the introduction of new concepts and opening of new outlets. However, Food Retail reported a loss before tax of S\$0.6 million in FY2019 mainly due to the gestation period required to nurture new concepts.

Food Manufacturing continued to achieve profitability, with a profit before tax of S\$0.2 million in FY2019 compared to S\$1.5 million in FY2018 due to the rising cost of its raw materials. Revenue decreased marginally by 0.9% to S\$48.9 million in FY2019 from S\$49.4 million in FY2018, due to the adoption of new accounting standards.



With the success of the turnaround strategy for the Supplies and Trading business, the Group achieved profit before tax of S\$0.02 million in FY2019 as compared to a loss of S\$3.30 million a year ago. Revenue for this segment stood at S\$32.3 million in FY2019, a 28.1% decline from \$45.0 million in FY2018, mainly attributable to an intentional reduction of low margin trading transactions as a result of ongoing business review.

Revenue from the Group's Other businesses rose 4.3% to S\$1.2 million in FY2019 from S\$1.1 million in FY2018, with a turnaround in profit before tax to S\$0.07 million from a loss before tax of S\$0.3 million over the same period.

The Group has taken steps to reduce low margin trading transactions in this business segment which has seen purchase and consumables decrease by 7.8% to S\$76.5 million in FY2019 from S\$83.0 million in FY2018.

To capture a wider customer demographic and increase market share, the Group has expanded its portfolio of brands over the past year. In line with the Group's planned expansion, delivery expenses and employee benefits expenses increased by 20.3% and 10.6% respectively. This was mainly due to the increase in outsourced delivery expenses for Food Catering and the consolidation of the additional headcount from the newly incorporated and newly acquired catering subsidiaries.

In view of the above, the Group reported a 48.7% increase in FY2019 PATMI of S\$5.4 million as compared to S\$3.6 million in FY2018.



Accordingly, Neo Group's earnings per share for FY2019 increased to 3.68 Singapore cents per share from 2.49 Singapore cents per share in FY2018, while net asset value per share rose to 26.12 Singapore cents per share as at 31 March 2019 from 24.22 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 0.5 Singapore cent for FY2019. The Group will continue to review the distribution of dividend in view of business expansion and the construction of its headquarters and catering hub at 30B Quality Road.

Outlook & Future Strategies

In line with its multi-brand strategy, the Group will continue to widen and strengthen its recurring income streams in the Food Catering business segment by expanding its range of cuisine and catering options to cater to a wider range of consumers.

Through its diversified range of catering brands, the Group will continue the pursuit of more institutional catering, corporate clientele and venue partnerships, and sharpen its competitive edge through cross-selling opportunities. Going forward, the Group will continue to leverage on its extensive procurement and logistics network to drive economies of scale with its central kitchens strategically located across Singapore.



For Food Manufacturing, the Group's surimi-based seafood products continue to be well-received by consumers and Neo Group intends to accelerate overseas export sales, tapping on the Group's global distribution network. At the same time, the increased use of automation and machinery has improved operational efficiency and productivity. The Group will now look towards R&D to develop new and improved products, and ramp up the overseas markets for a new level of growth.

Meanwhile, the Group will continue to review the performance of its Food Retail business with the objective of enhancing profitability. The Supplies and Trading business will continue to contribute to the Group through cost discipline.

On 15 March 2019, Neo Group announced that it has broken ground on its headquarters and catering hub at 30B Quality Road. When completed around 4Q 2020, the state-of-the-art growth platform will consolidate the Group's operations and accelerate the Group's future expansion through technology, with a target towards automation.

Looking ahead, Mr. Neo said, "We believe in the adoption of technology, digitalisation and automation in propelling us forward towards the next phase of growth. With the plans in place for our new headquarters and catering hub at 30B Quality Road, we are poised to ride on the digital and technology wave, as we move towards automation. We look forward to the significant cost savings as we consolidate our central kitchens, offices, warehouses, logistics and storage facilities and other F&B operations, and to capture greater market share with increased capacity and grow recurring income streams."



Barring unforeseen circumstances, the Group expects its operations to remain profitable for the financial year ending 31 March 2020.

Note: This news release is to be read in conjunction with the related financial results announcement released by Neo Group Limited via SGXNET on 22 May 2019.

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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