

Financial Statement and Dividend Announcement for the First Quarter Ended 30 June 2015

PART I – INFORMATION REQUIRED FOR FIRST QUARTER ANNOUNCEMENT

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Board of Directors of Neo Group Limited is pleased to report consolidated results of the Group for the first quarter ended 30 June 2015. The figures presented below have not been audited.

1(a)(i) Consolidated Statement of Comprehensive Income

	Group 1Q 2015/2016 ¹ (Unaudited) \$'000	1Q 2014/2015 ² (Unaudited) \$'000	Increase/ (Decrease) %
Revenue	20,733	12,825	61.7%
Other items of income			
Interest income	1	7	N.M. ³
Other income	821	151	443.7%
Items of expense			
Purchases and consumables used	(7,432)	(3,999)	85.8%
Changes in inventories	(222)	168	N.M.
Delivery expenses	(715)	(413)	73.1%
Employee benefits expense	(6,474)	(4,924)	31.5%
Depreciation and amortisation expenses	(1,354)	(724)	87.0%
Advertising expenses	(924)	(643)	43.7%
Operating lease expenses	(1,217)	(978)	24.4%
Utilities	(686)	(356)	92.7%
Other expenses	(2,136)	(1,171)	82.4%
Finance costs	(167)	(66)	153.0%
Profit/(Loss) before income tax	228	(123)	N.M.
Income tax expense	(87)	(15)	480.0%
Profit/(Loss) for the financial period	141	(138)	N.M.
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operation	40	-	N.M.
Income tax relating to items that may be reclassified subsequently	-	-	N.M.
Other comprehensive income for the financial period, net of tax	40	-	N.M.
Total comprehensive income for the financial period	181	(138)	N.M.

¹ "1Q 2015/2016" denotes financial period from 1 April 2015 to 30 June 2015.

² "1Q 2014/2015" denotes financial period from 1 April 2014 to 30 June 2014.

³ "N.M." denotes not meaningful.

1(a)(i) Consolidated Statement of Comprehensive Income

	Group		
	1Q 2015/2016	1Q 2014/2015	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	\$'000	\$'000	%
Profit/(Loss) attributable to:			
Owners of the parent	192	(138)	N.M.
Non-controlling interests	(51)	-	N.M.
	<u>141</u>	<u>(138)</u>	<u>N.M.</u>
Total comprehensive income attributable to:			
Owners of the parent	214	(138)	N.M.
Non-controlling interests	(33)	-	N.M.
	<u>181</u>	<u>(138)</u>	<u>N.M.</u>

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit/(Loss) before income tax is arrived at after crediting/(charging) the following:

	Group		
	1Q 2015/2016	1Q 2014/2015	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	\$'000	\$'000	%
Interest income	1	7	(85.7)%
Dividend income	7	23	(69.6)%
Gain on disposals of assets classified as held for sale	672	-	N.M.
Government grants	61	21	190.5%
Rental income	47	42	11.9%
Utilities income	3	1	200.0%
Depreciation of property, plant and equipment	(1,326)	(701)	89.2%
Depreciation of investment properties	(6)	(7)	(16.6)%
Amortisation of intangible assets	(22)	(16)	34.9%
Loss on disposal of property, plant and equipment	(5)	-	N.M.
Plant and equipment written off	(3)	(12)	71.6%
Finance costs	(167)	(66)	152.9%

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i) Statements of Financial Position

	Group		Company	
	As at		As at	
	30/06/2015	31/03/2015	30/06/2015	31/03/2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	57,876	36,014	12	13
Investment properties	1,058	1,064	-	-
Other intangible assets	378	362	10	11
Goodwill	6,754	-	-	-
Investments in subsidiaries	-	-	16,486	6,586
Other receivables	197	197	-	-
Available-for-sale financial asset	671	671	671	671
Total non-current assets	66,934	38,308	17,179	7,281
Current assets				
Inventories	4,674	1,542	-	-
Trade and other receivables	11,663	5,649	6,003	5,915
Prepayments	507	561	7	9
Cash and cash equivalents	8,353	7,600	345	678
	25,197	15,352	6,355	6,602
Assets classified as held for sale	-	788	-	-
Total current assets	25,197	16,140	6,355	6,602
Current liabilities				
Trade and other payables	14,312	7,009	8,386	4,137
Provisions	317	313	-	-
Bank borrowings	17,432	5,256	-	-
Finance lease payables	1,648	578	-	-
Income tax payable	1,488	1,402	23	23
Total current liabilities	35,197	14,558	8,409	4,160
Net current (liabilities)/assets	(10,000)	1,582	(2,054)	2,442
Non-current liabilities				
Other payables	-	-	4,839	-
Bank borrowings	27,649	14,962	-	-
Finance lease payables	345	342	-	-
Deferred tax liabilities	1,107	407	-	-
Total non-current liabilities	29,101	15,711	4,839	-
Net assets	27,833	24,179	10,286	9,723

1(b)(i) Statements of Financial Position

	Group		Company	
	As at		As at	
	30/06/2015 (Unaudited) \$'000	31/03/2015 (Audited) \$'000	30/06/2015 (Unaudited) \$'000	31/03/2015 (Audited) \$'000
Capital and reserves				
Share capital	7,299	6,399	7,299	6,399
Merger reserves	(326)	(326)	-	-
Fair value adjustment account	(230)	(230)	(230)	(230)
Foreign currency translation reserve	22	-	-	-
Retained earnings	18,528	18,336	3,217	3,554
Equity attributable to owners of the parent	25,293	24,179	10,286	9,723
Non-controlling interests	2,540	-	-	-
Total equity	27,833	24,179	10,286	9,723

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 30/06/2015 (Unaudited) \$'000		As at 31/03/2015 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
	Bank borrowings	10,123	7,309	1,874
Finance lease payables	1,648	-	578	-

Amount repayable after one year

	As at 30/06/2015 (Unaudited) \$'000		As at 31/03/2015 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
	Bank borrowings	27,327	322	14,581
Finance lease payables	345	-	342	-

Details of any collateral:

As at 30 June 2015, the Group's borrowings comprised of bank borrowings and finance lease payables.

Bank borrowings

Bank borrowings of \$10.12 million repayable within one year or less or on demand, and \$27.33 million repayable after one year are both secured by the legal mortgage in favour of the banks over the following properties at:

- 8A Admiralty Street #06-01 and #06-02, 5 units of leasehold properties at Enterprise Road, 1 factory building at 14 Senoko Way, 1 factory building at 8 Jalan Istimewa 8, Johor, Malaysia and land held for development at 30B Quality Road.

The remaining bank borrowings of \$7.31 million repayable within one year or less or on demand, and \$0.32 million repayable after one year are unsecured.

1(b)(ii) Aggregate amount of group's borrowings and debt securities (Continued)**Finance lease payables**

The Group's obligations under finance leases of \$1.65 million repayable within one year or less or on demand, and \$0.35 million repayable after one year are secured by the leased assets.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

1(c) Consolidated Statement of Cash Flows

	Group	
	1Q 2015/2016 (Unaudited) \$'000	1Q 2014/2015 (Unaudited) \$'000
Operating activities		
Profit/(Loss) before income tax	228	(123)
Adjustments for:		
Depreciation and amortisation expenses	1,354	724
Gain on disposal of assets classified as held for sale	(672)	-
Interest expense	167	66
Interest income	(1)	(7)
Loss on disposal of plant and equipment	5	-
Plant and equipment written off	3	12
Dividend income	(7)	(23)
Operating cash flows before working capital changes	1,077	649
Working capital changes:		
Inventories	875	(235)
Trade and other receivables	659	(685)
Prepayments	283	58
Trade and other payables	(3,584)	1,068
Provisions	-	49
Cash (absorbed by)/generated from operations	(690)	904
Income taxes paid	(1)	(664)
Net cash (used in)/from operating activities	(691)	240
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	(6,547)	-
Purchase of property, plant and equipment	(1,184)	(1,745)
Purchase of intangible assets	(17)	(145)
Proceeds from disposal of assets classified as held for sale	1,460	-
Interest received	1	-
Dividend income	7	23
Net cash used in investing activities	(6,280)	(1,867)

1(c) Consolidated Statement of Cash Flows

	Group	
	1Q 2015/2016 (Unaudited) \$'000	1Q 2014/2015 (Unaudited) \$'000
Financing activities		
Drawdown of bank borrowings	11,000	2,000
Repayment of bank borrowings	(2,834)	(320)
Repayment of finance lease payables	(279)	(98)
Interest paid	(163)	(66)
Net cash from financing activities	<u>7,724</u>	<u>1,516</u>
Net change in cash and cash equivalents	755	(111)
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	-
Cash and cash equivalents at beginning of financial period	<u>7,559</u>	<u>8,409</u>
Cash and cash equivalents at end of financial period	<u>8,312</u>	<u>8,298</u>

Cash and cash equivalents comprise:

	Group As at	
	30/06/2015 (Unaudited) \$'000	30/06/2014 (Unaudited) \$'000
Cash on hand and at bank	8,312	8,298
Fixed deposits	41	51
Cash and cash equivalents as per statement of financial position	8,353	8,349
Less: Fixed deposits pledged	(41)	(51)
Cash and cash equivalents as per consolidated statement of cash flows	<u>8,312</u>	<u>8,298</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

1(d)(i) Statements of Changes in Equity

Group	Share capital \$'000	Merger reserves \$'000	Fair value adjustment account \$'000	Foreign currency translation reserves \$'000	Retained earnings \$'000	Total equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 April 2015	6,399	(326)	(230)	-	18,336	24,179	-	24,179
Profit for the financial period	-	-	-	-	192	192	(51)	141
Other comprehensive income: Exchange differences arising from translation of foreign operations	-	-	-	22	-	22	18	40
Total comprehensive income for the financial period	-	-	-	22	192	214	(33)	181
Transactions with non-controlling interests Acquisition of subsidiaries	900	-	-	-	-	900	2,573	3,473
Total transactions with non-controlling interests	900	-	-	-	-	900	2,573	3,473
Balance at 30 June 2015	7,299	(326)	(230)	22	18,528	25,293	2,540	27,833

1(d)(i) Statements of Changes in Equity

Group	Share capital \$'000	Merger reserves \$'000	Fair value adjustment account \$'000	Foreign currency translation reserves \$'000	Retained earnings \$'000	Total equity attributable to owners of the parent \$'000
Balance at 1 February 2014	6,399	(326)	(207)	-	14,619	20,485
Profit for the financial period	-	-	-	-	7,403	7,403
Other comprehensive income:						
Loss on fair value changes of available-for sale financial asset	-	-	(23)	-	-	(23)
Total comprehensive income for the financial period	-	-	(23)	-	7,403	7,380
Distribution to owners of the parent:						
Dividends	-	-	-	-	(3,686)	(3,686)
Total transactions with owners of the parent	-	-	-	-	(3,686)	(3,686)
Balance at 31 March 2015	6,399	(326)	(230)	-	18,336	24,179

1(d)(i) Statements of Changes in Equity

Company	Share capital \$'000	Fair value adjustment account \$'000	Retained earnings \$'000	Total equity attributable to owners \$'000
Balance at 1 April 2015	6,399	(230)	3,554	9,723
Loss for the financial period	-	-	(337)	(337)
Total comprehensive income for the financial period	-	-	(337)	(337)
Transactions with owners:				
Share issued for acquisition of subsidiaries	900	-	-	900
Total transactions with owners	900	-	-	900
Balance at 30 June 2015	7,299	(230)	3,217	10,286
Balance at 1 February 2014	6,399	(207)	2,566	8,758
Profit for the financial period	-	-	4,674	4,674
Other comprehensive income:				
Loss on fair value changes of available-for-sale financial asset	-	(23)	-	(23)
Total comprehensive income for the financial period	-	(23)	4,674	4,651
Distribution to owners:				
Dividends	-	-	(3,686)	(3,686)
Total transactions with owners	-	-	(3,686)	(3,686)
Balance at 31 March 2015	6,399	(230)	3,554	9,723

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of Ordinary Shares	Issued and Paid-up \$
Balance at 1 April 2015	144,000,000	6,399,133
Issue of ordinary shares pursuant to the Investment and Shareholders' Agreement dated 13th May 2015	1,000,000	900,000
Balance at 30 June 2015	145,000,000	7,299,133

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current period and as at the end of the immediately preceding year.

	Company	
	As at	
	30/06/2015	31/03/2015
Total number of issued shares excluding treasury shares	145,000,000	144,000,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The financial results for the current period have been prepared using the same accounting policies and methods of computation as presented in the Group's most recently audited financial statement for the financial year ended 31 March 2015.

5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 April 2015. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the company for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per share (“EPS”)

	Group	
	30/06/2015 (Unaudited)	30/06/2014 (Unaudited)
Profit/(Loss) attributable to owners of the parent (\$'000)	192	(138)
Weighted average/Actual number of ordinary shares	144,208,791	144,000,000
Basic and diluted EPS based on weighted average/actual number of ordinary shares (cents) ^{(1) (2)}	0.13	(0.10)

Notes:

- (1) The calculation for the basic and diluted EPS for the respective financial period is based on the profit/(loss) attributable to owners of the parent for the financial ended 30 June 2015 and 30 June 2014 divided by the weighted average/actual number of ordinary shares in issue in the respective financial period.
- (2) The basic and diluted EPS were the same as the Group did not have any potentially dilutive instruments for the respective financial period.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of**
 (a) **current period reported on; and**
 (b) **immediately preceding financial year**

Net asset value (“NAV”)	Group As at		Company As at	
	30/06/2015 (Unaudited)	31/03/2015 (Audited)	30/06/2015 (Unaudited)	31/03/2015 (Audited)
NAV (\$'000)	25,293	24,179	10,286	9,723
Number of ordinary shares	145,000,000	144,000,000	145,000,000	144,000,000
NAV per ordinary share (cents)	17.44	16.79	7.09	6.75

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.**

Review of the Group's performance

The completion of the major acquisition of 55% equity-stake in Thong Siek Holdings Pte. Ltd. ("**TSH**") has taken place on 12 June 2015. Accordingly, the Group commences consolidation of TSH's and its subsidiaries' ("**TSH Group**") maiden financial results in its inaugural quarterly announcement for the financial period ended 30 June 2015. However, the fair value of the net assets acquired of TSH is of provisional basis and might change subsequently after obtaining the audited accounts of its subsidiaries and inclusion of the final purchase price allocation results.

8(a). Consolidated Statement of Comprehensive Income

Revenue

For the financial period ended 30 June 2015 ("1Q 2015/2016"), the Group registered \$20.73 million in revenue as compared to \$12.83 million in the previous corresponding financial period ended 30 June 2014 ("1Q 2014/2015"). The increase was approximately \$7.91 million or 61.7%.

Food catering business revenue increased by \$2.91 million or 32.4% from \$8.98 million in 1Q 2014/2015 to \$11.89 million in 1Q 2015/2016. The increase was mainly attributable to effective marketing efforts of broadcast and print advertising, as well as promotions introduced to celebrate SG50 during the financial periods.

Food retail business revenue increased by \$0.62 million or 16.4% from \$3.77 million in 1Q 2014/2015 to \$4.39 million in 1Q 2015/2016. This was mainly attributable to the growth in delivery sales as well as promotions launched during 2015 SEA Games.

Food manufacturing business also contributed its first post-acquisition revenue of \$3.54 million in June 2015.

Other income

Other income was \$0.82 million in 1Q 2015/2016 as compared to \$0.15 million in 1Q 2014/2015. It increased by approximately \$0.67 million or 443.7% which mainly arose from a gain on disposal of assets classified as held for sale.

Purchases and consumables used

Purchases and consumables used increased by approximately \$3.43 million or 85.8% to \$7.43 million in 1Q 2015/2016 from \$4.00 million in 1Q 2014/2015. The increase was mainly due to increase in higher food prices and consumables expenses, which included the consolidation of costs incurred by the food manufacturing business after the acquisition was completed in June 2015.

Delivery expenses

Delivery expenses increased by \$0.30 million or 73.1% to \$0.71 million in 1Q 2015/2016 as compared to \$0.41 million in 1Q 2014/2015. This arose from additional logistics expenses to support the increase in orders from food catering and the delivery business in food retail.

Employee benefits expense

Employee benefits expense increased by \$1.55 million or 31.5% to \$6.47 million in 1Q 2015/2016 as compared to \$4.92 million in 1Q 2014/2015. This was due to a planned addition of headcounts in the Group's Operations, Logistics, HR and Finance divisions to support the business expansion.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by \$0.63 million or 87.0% from \$0.72 million in 1Q 2014/2015 to \$1.35 million in 1Q 2015/2016. This was mainly attributable to the additions on renovation for leasehold properties at Enterprise Road and acquisition of plant and machinery during the financial period.

Advertising expenses

Advertising expenses increased by \$0.28 million or 43.7% from \$0.64 million in 1Q 2014/2015 to \$0.92 million in 1Q 2015/2016. This was mainly due to expenses incurred for the various marketing promotional tools used to create a constant interaction with the targeted customers during the financial period.

Operating lease expenses

Operating lease expenses increased by \$0.24 million or 24.4% from \$0.98 million in 1Q 2014/2015 to \$1.22 million in 1Q 2015/2016. This was mainly due to the increase in rental of equipment and cold rooms; as well as additional rental expenses incurred for new retail outlets.

Utilities

Utilities increased by approximately \$0.33 million or 92.7% from \$0.36 million in 1Q 2014/2015 to \$0.69 million in 1Q 2015/2016. The increase was mainly due to the business expansion during the period, as well as a higher electricity tariff contract which was committed by the food manufacturing business.

Other expenses and finance costs

Other expenses increased by \$0.97 million or 82.4% from \$1.17 million in 1Q 2014/2015 to \$2.14 million in 1Q 2015/2016. This was largely attributable to the increase in professional and legal fees, courses and training expenses, bank charges, credit card charges and low value assets items expensed off.

Finance costs increased by approximately \$0.10 million or 153.0% from \$0.07 million in 1Q 2014/2015 to \$0.16 million in 1Q 2015/2016 mainly due to the increase in bank borrowings to fund the acquisition of subsidiaries, plant and equipment, and purchase of materials and consumables in 1Q 2015/2016.

Profit before income tax

The Group's profit before income tax increased by \$0.35 million from a loss of \$0.12 million in 1Q 2014/2015 to a profit of \$0.23 million in 1Q 2015/2016. The increase in profit before income tax was mainly due to a one-off gain of \$0.67 million from disposal of assets classified as held for sale.

Income tax expense

The income tax expense of the Group increased by \$0.72 million or 480.0% from \$0.02 million in 1Q 2014/2015 to \$0.09 million in 1Q 2015/2016 primarily due to tax expense was not provided by non-profitable businesses.

Profit for the financial period

As a result of the above review, the Group's profit after income tax and attributable to the owners of the parent increased by \$0.33 million from a loss of \$0.14 million in 1Q 2014/2015 to a profit of \$0.19 million in 1Q 2015/2016, while the net loss attributable to non-controlling interests was \$0.51 million.

8(b). Statement of Financial Position

Non-current assets

The Group's non-current assets increased substantially by \$28.63 million from \$38.31 million as at 31 March 2015 to \$66.93 million as at 30 June 2015 primarily due to the acquisition of new subsidiaries' net tangible assets of \$22.03 million and a recognition of goodwill of \$6.75 million, offset by a decrease in property, plant and equipment of \$0.68 million.

Current assets

The Group's current assets increased by \$9.06 million from \$16.14 million as at 31 March 2015 to \$25.20 million as at 30 June 2015. The Group's inventories increased by approximately \$3.13 million due to the higher inventory held in the food manufacturing business to maintain the resources during the seasonal fishing bans, which typically starts from 15 April 2015 to 14 June 2015 in Indian East coast and from 1 June 2015 to 31 July 2015 in Indian West coast. The increase in our trade and other receivables of approximately \$6.01 million resulted from the longer credit terms granted in the food manufacturing business, as well as more deposits for outlets, hostel, and utilities. Prepayments decreased by \$0.05 million, while cash and cash equivalents increased by \$0.75 million.

The Group's assets classified as held for sale with a total carrying amount of \$0.78 million was disposed to a third party in April 2015 for a cash consideration of \$1.46 million.

Current liabilities

The Group's current liabilities increased by \$20.64 million from \$14.56 million as at 31 March 2015 to \$35.20 million as at 30 June 2015. This was mainly attributable to the consolidation of \$7.49 million bank borrowings and \$10.98 million trade and other payables upon the completion of acquisition on 12 June 2015.

Non-current liabilities

The Group's non-current liabilities increased by \$13.39 million from \$15.71 million as at 31 March 2015 to \$29.10 million as at 30 June 2015 primarily due to the consolidation of \$8.78 million bank borrowings and \$0.70 million deferred tax liabilities upon the completion of acquisition on 12 June 2015.

8(c). Consolidated Statement of Cash Flows

The Group's net cash used in operating activities in 1Q 2015/2016 of \$0.69 million, which mainly resulted from operating cash flows before working capital changes of \$1.08 million offset by a decrease in net working capital of \$1.77 million.

The decrease in net working capital was mainly due to the decrease in inventories of approximately \$0.88 million, the decrease in trade and other receivables of approximately \$0.66 million, the decrease in prepayment of approximately \$0.28 million, as well as the decrease in trade and other payables of approximately \$3.58 million.

The Group's net cash flows used in investing activities of \$6.28 million during 1Q 2015/2016 were mainly attributable to the acquisition of subsidiary, net of cash acquired, of \$6.55 million on its net tangible assets as at 12 June 2015. Net cash was also used in the purchase of plant and equipment of \$1.18 million and the purchase of intangible assets of \$0.02 million, which is offset by the proceeds of \$1.46 million from disposal of assets classified as held for sale.

The Group's net cash flows from financing activities of \$7.72 million during 1Q 2015/2016 were mainly due to the drawdown from bank borrowings of \$11.00 million, repayment of bank borrowings of \$2.83 million, repayment of finance lease payables of \$0.28 million and interest payment of \$0.16 million.

As a result of the above, the net increase in cash and cash equivalents during 1Q 2016 was \$0.75 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to our shareholders, any variance between it and the actual results.

There has not been any forecast or prospect statement in relation to the Group's results previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook of the industry which we operate in is expected to remain positive. However, the Group expects the Food and Beverage industry to remain challenging due to higher manpower costs, raw material costs and rental costs from the retail outlets.

The Food Catering Business would continue to grow through better product offerings and customer's experience. The segment has intensified its marketing efforts to boost sales from the various SG50 celebrations, and in the process of improving its product mix to better suit customers' palates.

The Food Retail Business would consolidate its network of 25 umisushi outlets, review its pricing strategy and product offerings to meet the customers' needs. It would continue to focus on improving its operational efficiency and monitoring its raw materials costs to improve its financial performance. Through TSH's footprint in its large distribution network across 22 countries, the Food Retail Business would also seek to export its proven retail model overseas.

Through the landmark acquisition of TSH, the Group paves its way into food manufacturing business. The Group seeks to achieve back-end integration with the potential for greater profitability and economies of scale, while restructuring TSH's operations and exploring opportunities to bring TSH's products to new markets. This would allow the Group to create new recurring business-to-consumer income streams.

The Group would continue to look for suitable acquisitions, joint ventures and strategic alliances that complement its suite of capabilities to strengthen its value chain and solidify its market leadership position in Singapore.

Barring any unforeseen circumstances, the Group expects to remain profitable for the coming year.

11. Dividend

a. Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

b(i). Amount per share

None

b(ii). Corresponding Period of the Immediately Preceding Financial Year

None

- c. **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable

- d. **The date the dividend is payable**

Not applicable

- e. **Books closure date**

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

There is no dividend declared in this quarter.

13. Interested person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u>) \$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than \$100,000) \$'000
Neo Kah Kiat		
(i) Office premise lease expense	21.0	-
(ii) GUI Solutions Pte Ltd		
- Cost of goods and services purchased	57.7	-
- Rental and utilities income	6.0	-
Neo Kah Kiat and Liew OiPeng		
(i) Office premise lease expense	45.0	-
(ii) Twinkle Investment Pte Ltd		
- Office premise lease expense	21.0	-
- Rental of yacht	60.0	-

Note:

The Group has not obtained any general mandate from shareholders for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

14. Negative assurance confirmation on interim financial results pursuant to Rule 705 (5) of the Catalist Rules

We, Neo Kah Kiat, and Liew Oi Peng, being two directors of Neo Group Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the first quarter ended 30 June 2015 to be false or misleading in any material aspect.

Neo Kah Kiat
Chairman and Chief Executive Officer

Liew Oi Peng
Executive Director

BY ORDER OF THE BOARD

Neo Kah Kiat
Chairman and Chief Executive Officer
11 August 2015

This announcement has been reviewed by the Company’s sponsor, CIMB Bank Berhad, Singapore Branch (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, telephone: +65 6337 5115.