

## Financial Statement and Dividend Announcement for the First Quarter Ended 30 June 2016

### 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.

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

Consolidated Statement of Comprehensive Income	Group		
	1Q 2016/2017 <sup>1</sup>	1Q 2015/2016 <sup>2</sup>	Increase/ (Decrease)
	(Unaudited) \$'000	(Unaudited) \$'000	%
Revenue	31,926	20,733	54.0%
<b>Other items of income</b>			
Interest income	3	1	200.0%
Other income	573	821	-30.2%
<b>Items of expense</b>			
Purchases and consumables used	(13,338)	(7,432)	79.5%
Changes in inventories	(188)	(222)	-15.3%
Delivery expenses	(813)	(715)	13.7%
Employee benefits expense	(10,694)	(6,474)	65.2%
Depreciation and amortisation expenses	(2,148)	(1,354)	58.6%
Advertising expenses	(1,511)	(924)	63.5%
Operating lease expenses	(1,872)	(1,217)	53.8%
Utilities	(1,158)	(686)	68.8%
Other expenses	(2,746)	(2,136)	28.6%
Finance costs	(556)	(167)	232.9%
<b>(Loss)/Profit before income tax</b>	<b>(2,522)</b>	<b>228</b>	<b>N.M.</b>
Income tax expense	(119)	(87)	36.8%
<b>(Loss)/Profit for the financial period</b>	<b>(2,641)</b>	<b>141</b>	<b>N.M.</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising from translation of foreign operation	141	40	252.5%
Income tax relating to items that may be reclassified subsequently	-	-	N.M.
<b>Other comprehensive income for the financial period, net of tax</b>	<b>141</b>	<b>40</b>	<b>252.5%</b>
<b>Total comprehensive income for the financial period</b>	<b>(2,500)</b>	<b>181</b>	<b>N.M.</b>

<sup>1</sup> "1Q 2016/2017" denotes financial period from 1 April 2016 to 30 June 2016 for the first quarter ended for FY2017.

<sup>2</sup> "1Q 2015/2016" denotes financial period from 1 April 2015 to 30 June 2015 for the first quarter ended for FY2016.

<sup>3</sup> "N.M." denotes not meaningful

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

Consolidated Statement of Comprehensive Income	Group		
	1Q 2016/2017	1Q 2015/2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	\$'000	\$'000	%
<b>(Loss)/Profit attributable to:</b>			
Owners of the parent	(2,512)	192	N.M.
Non-controlling interests	(129)	(51)	152.9%
	<u>(2,641)</u>	<u>141</u>	N.M.
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	(2,434)	214	N.M.
Non-controlling interests	(66)	(33)	100.0%
	<u>(2,500)</u>	<u>181</u>	N.M.

**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 2016/2017	1Q 2015/2016	Increase/
	(Unaudited)	(Unaudited)	(Decrease)
	\$'000	\$'000	%
Interest income	3	1	200.0%
Dividend income	11	7	57.1%
Fair value gain on derivative financial instruments	23	-	N.M.
Gain on disposal of asset classified as held for sale	-	672	-100.0%
Government grants	183	61	200.0%
Rental income	147	47	212.8%
Utilities income	-	3	-100.0%
Bad third parties trade receivables written off	(2)	-	N.M.
Depreciation of property, plant and equipment	(2,071)	(1,326)	56.2%
Depreciation of investment properties	(19)	(6)	216.7%
Amortisation of intangible assets	(58)	(22)	163.6%
Foreign exchange loss, net	(194)	-	N.M.
Gain/(loss) on disposal of property, plant and equipment	141	(5)	N.M.
Plant and equipment written off	-	(3)	-100.0%
Finance costs	(556)	(167)	232.9%

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

Statements of Financial Position	Group As at		Company As at	
	30/6/2016 (Unaudited) \$'000	31/3/2016 (Audited) \$'000	30/6/2016 (Unaudited) \$'000	31/3/2016 (Audited) \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Inventories	7,012	9,044	-	-
Trade and other receivables	17,095	16,491	5,846	6,551
Prepayments	956	759	10	11
Cash and cash equivalents	7,499	12,176	826	378
	<b>32,562</b>	<b>38,470</b>	<b>6,682</b>	<b>6,940</b>
Assets classified as held for sale	1,043	1,043	-	-
<b>Total current assets</b>	<b>33,605</b>	<b>39,513</b>	<b>6,682</b>	<b>6,940</b>
<b>Non-current assets</b>				
Property, plant and equipment	90,437	75,884	13	14
Investment properties	2,767	2,787	-	-
Intangible assets	9,557	9,608	9	10
Investments in subsidiaries	-	-	23,681	21,351
Other receivables	197	197	2,211	2,211
Available-for-sale financial asset	630	630	630	630
<b>Total non-current assets</b>	<b>103,588</b>	<b>89,106</b>	<b>26,544</b>	<b>24,216</b>
<b>TOTAL ASSETS</b>	<b>137,193</b>	<b>128,619</b>	<b>33,226</b>	<b>31,156</b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Share capital	7,899	7,899	7,899	7,899
Merger reserves	(326)	(326)	-	-
Fair value adjustment account	-	-	-	-
Foreign currency translation reserve	228	150	-	-
Retained earnings	20,362	22,874	3,503	3,748
<b>Equity attributable to owners of the parent</b>	<b>28,163</b>	<b>30,597</b>	<b>11,402</b>	<b>11,647</b>
Non-controlling interests	5,594	5,660	-	-
<b>TOTAL EQUITY</b>	<b>33,757</b>	<b>36,257</b>	<b>11,402</b>	<b>11,647</b>

**1(b)(i) Statements of Financial Position (Continued)**

Statements of Financial Position	Group		Company	
	As at		As at	
	30/6/2016 (Unaudited) \$'000	31/3/2016 (Audited) \$'000	30/6/2016 (Unaudited) \$'000	31/3/2016 (Audited) \$'000
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	21,606	19,298	5,163	5,083
Provisions	457	400	-	-
Bank borrowings	28,935	30,883	-	-
Finance lease payables	1,908	2,012	-	-
Derivative financial liabilities	-	82	-	-
Income tax payable	1,608	1,520	23	23
<b>Total current liabilities</b>	<b>54,514</b>	<b>54,195</b>	<b>5,186</b>	<b>5,106</b>
<b>Non-current liabilities</b>				
Other payables	-	-	16,638	14,403
Bank borrowings	41,800	30,995	-	-
Finance lease payables	2,446	2,494	-	-
Deferred tax liabilities	4,676	4,678	-	-
<b>Total non-current liabilities</b>	<b>48,922</b>	<b>38,167</b>	<b>16,638</b>	<b>14,403</b>
<b>TOTAL LIABILITIES</b>	<b>103,436</b>	<b>92,362</b>	<b>21,824</b>	<b>19,509</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>137,193</b>	<b>128,619</b>	<b>33,226</b>	<b>31,156</b>

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

Amount repayable in one year or less, or on demand	As at 30/06/2016 (Unaudited) \$'000		As at 31/03/2016 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
	Bank borrowings	12,166	16,769	13,840
Finance lease payables	1,908	-	2,012	-

  

Amount repayable after one year	As at 30/06/2016 (Unaudited) \$'000		As at 31/03/2016 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
	Bank borrowings	41,668	132	30,765
Finance lease payables	2,446	-	2,494	-

**Details of any collateral:**

As at 30 June 2016, the Group's borrowings comprised bank borrowings and finance lease payables.

**Bank borrowings**

Bank borrowings of \$12.17 million repayable within one year or less or on demand, and \$41.67 million repayable after one year are both secured by the legal mortgage in favour of the banks over the following properties at:

- (i) 6A Wan Lee Road;
- (ii) 1, 3, 5, 7 & 9 Enterprise Road;
- (iii) 30B Quality Road;
- (iv) 14 Joo Koon Circle;
- (v) 50 Tuas Avenue 11 #02-12;
- (vi) 16 Jalan Kilang Timor #03-07;
- (vii) 14/14A Senoko Way;
- (viii) 22 Senoko Way;
- (ix) 475 Tampines Street 44 #01-129; and
- (x) 8 Jalan Istimewa 8, Johor, Malaysia.

The remaining bank borrowings of \$16.77 million repayable within one year or less or on demand, and \$0.13 million repayable after one year are unsecured.

**Finance lease payables**

The Group's obligations under finance leases of \$1.91 million repayable within one year or less or on demand, and \$2.45 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

Consolidated Statement of Cash Flows	Group	
	1Q 2016/2017	1Q 2015/2016
	(Unaudited)	(Unaudited)
	\$'000	\$'000
<b>Operating activities</b>		
(Loss)/Profit before income tax	(2,522)	228
Adjustments for:		
Depreciation and amortisation expenses	2,148	1,354
Bad third parties trade receivables written off	2	-
Fair value gain on derivative financial instruments	(23)	-
Gain on disposal of assets classified as held for sale	-	(672)
Interest expense	556	167
Interest income	(3)	(1)
(Gain)/Loss on disposal of plant and equipment	(141)	5
Plant and equipment written off	-	3
Dividend income	(11)	(7)
Operating cash flows before working capital changes	6	1,077
Working capital changes:		
Inventories	1,975	875
Trade and other receivables	(649)	659
Prepayments	(198)	283
Trade and other payables	2,569	(3,584)
Provisions	57	-
Derivative financial instruments	(59)	-
Cash generated from/(absorbed by) operations	3,701	(690)
Income taxes paid	(32)	(1)
Net cash from/(used in) operating activities	3,669	(691)
<b>Investing activities</b>		
Acquisitions of subsidiaries, net of cash acquired	-	(6,547)
Purchase of property, plant and equipment	(16,268)	(1,184)
Purchase of intangible assets	(8)	(17)
Proceeds from disposal of plant and equipment	215	-
Proceeds from disposal of assets classified as held for sale	-	1,460
Interest received	3	1
Dividend income	11	7
Net cash used in investing activities	(16,047)	(6,280)

1(c) Consolidated Statement of Cash Flows (Continued)

Consolidated Statement of Cash Flows	Group	
	1Q 2016/2017	1Q 2015/2016
	(Unaudited)	(Unaudited)
	\$'000	\$'000
<b>Financing activities</b>		
Drawdown of bank borrowings	17,359	11,000
Repayment of bank borrowings	(8,549)	(2,834)
Repayment of finance lease payables	(622)	(279)
Interest paid	(538)	(163)
Net cash from financing activities	7,650	7,724
Net change in cash and cash equivalents	(4,728)	753
Effect of foreign exchange rate changes on cash and cash equivalents	3	-
Cash and cash equivalents at beginning of financial period	10,766	7,559
<b>Cash and cash equivalents at end of financial period</b>	<b>6,041</b>	<b>8,312</b>

Cash and cash equivalents comprise:

	Group	
	As at	
	30/6/2016	30/6/2015
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Cash on hand and at bank	7,122	8,312
Fixed deposits	377	41
<b>Cash and cash equivalents as per statement of financial position</b>	<b>7,499</b>	<b>8,353</b>
Less: Fixed deposits pledged	(226)	(41)
Less: Bank overdraft	(1,232)	-
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>6,041</b>	<b>8,312</b>

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
<b>(Unaudited)</b>								
Balance at 1 April 2016	7,899	(326)	-	150	22,874	30,597	5,660	36,257
Loss for the financial period	-	-	-	-	(2,512)	(2,512)	(129)	(2,641)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	78	-	78	63	141
<b>Total comprehensive income for the financial period</b>	-	-	-	78	(2,512)	(2,434)	(66)	(2,500)
<b>Balance at 30 June 2016</b>	<b>7,899</b>	<b>(326)</b>	<b>-</b>	<b>228</b>	<b>20,362</b>	<b>28,163</b>	<b>5,594</b>	<b>33,757</b>
<b>(Unaudited)</b>								
Balance at 1 April 2015	6,399	(326)	(230)	-	18,335	24,178	-	24,178
Profit for the financial period	-	-	-	-	192	192	(51)	141
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	22	-	22	18	40
<b>Total comprehensive income for the financial period</b>	-	-	-	22	192	214	(33)	181
Transactions with non-controlling interests:								
Acquisition of subsidiaries	900	-	-	-	-	900	2,573	3,473
<b>Total transactions with non-controlling interests</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>900</b>	<b>2,573</b>	<b>3,473</b>
<b>Balance at 30 June 2015</b>	<b>7,299</b>	<b>(326)</b>	<b>(230)</b>	<b>22</b>	<b>18,527</b>	<b>25,292</b>	<b>2,540</b>	<b>27,832</b>

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
<b>(Unaudited)</b>				
Balance at 1 April 2016	7,899	-	3,748	11,647
Loss for the financial period	-	-	(245)	(245)
Other comprehensive income:				
Loss on fair value changes of available-for-sale financial asset	-	-	-	-
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>(245)</b>	<b>(245)</b>
<b>Balance at 30 June 2016</b>	<b>7,899</b>	<b>-</b>	<b>3,503</b>	<b>11,402</b>
<b>(Unaudited)</b>				
Balance at 1 April 2015	6,399	(230)	3,554	9,723
Loss for the financial period	-	-	(337)	(337)
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>(337)</b>	<b>(337)</b>
Transactions with owners:				
Share issued for acquisition of subsidiaries	900	-	-	900
<b>Total transactions with owners</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>900</b>
<b>Balance at 30 June 2015</b>	<b>7,299</b>	<b>(230)</b>	<b>3,217</b>	<b>10,286</b>

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 2016 and 30 June 2016	145,907,100	7,899,133

**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	
	30/6/2016	31/3/2016
Total number of issued shares excluding treasury shares	145,907,100	145,907,100

There were no treasury shares as at 30 June 2016 and 31 March 2016.

**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 as the Company does not have any treasury shares as at 30 June 2016.

**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 2016.

**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 the new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 April 2016. The adoption of these new standards, amendments to standards and interpretations did not result in any significant changes 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	
	1Q 2016/2017 (Unaudited)	1Q 2015/2016 (Unaudited)
(Loss)/Profit attributable to owners of the parent (\$'000)	(2,512)	192
Weighted average number of ordinary shares <sup>(1)</sup>	145,907,100	144,208,791
Basic and diluted EPS based on weighted average number of ordinary shares (cents) <sup>(2)</sup>	(1.72)	0.13

**Notes:**

- (1) Basic EPS is computed by dividing the (loss)/profit attributable to owners of the parent in each financial period by the weighted average number of issued ordinary shares outstanding during the respective financial period. In June 2015, the Company issued 1,000,000 new ordinary shares in its capital pursuant to the Thong Siek Acquisition and in November 2015, the Company issued 907,100 new ordinary shares in its capital pursuant to the CT Vegetables Acquisition.
- (2) Diluted EPS is the same as the basic EPS for all the periods under review as the Company did not have any outstanding instruments convertible into rights or subscribe for, and options in respect of its ordinary shares during the respective financial periods.

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		Company	
	As at		As at	
	30/6/2016 (Unaudited)	31/3/2016 (Audited)	30/6/2016 (Unaudited)	31/3/2016 (Audited)
NAV (\$'000)	28,163	30,597	11,402	11,647
Number of ordinary shares	145,907,100	145,907,100	145,907,100	145,907,100
NAV per ordinary share (cents)	19.30	20.97	7.81	7.98

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.**

## 8(a). Consolidated Statement of Comprehensive Income

### Revenue

For the financial period ended 30 June 2016 (“1Q 2016/2017”), the Group registered \$31.93 million in revenue as compared to \$20.73 million in the previous corresponding financial period ended 30 June 2015 (“1Q 2015/2016”). The increase was approximately \$11.20 million or 54.0%.

Food catering business revenue decreased marginally by \$0.07 million or 0.6% from \$11.89 million in 1Q 2015/2016 to \$11.82 million in 1Q 2016/2017. The decrease was mainly due to less event celebrations during this period compared to the prior corresponding period when there was nation-wide SG50 celebrations. In addition, the decrease was also due to general economic slowdown in food and beverage industry and seasonality effect during this period.

Food retail business revenue increased by \$0.45 million or 10.3% from \$4.39 million in 1Q 2015/2016 to \$4.84 million in 1Q 2016/2017. This was mainly attributable to the growth in our number of outlets as well as various promotions launched during this period.

Food manufacturing business contributed revenue of \$10.86 million in 1Q 2016/2017 compared to its post-acquisition maiden revenue contribution of \$3.54 million in June 2015.

Food trading business also contributed revenue of \$4.10 million in 1Q 2016/2017. As the acquisition was only completed in November 2015, there is no comparative revenue in prior corresponding period.

### Other income

Other income was \$0.57 million in 1Q 2016/2017 as compared to \$0.82 million in 1Q 2015/2016. It decreased by approximately \$0.25 million or 30.2% mainly due to the one-off gain on disposal of assets classified as held for sale of \$0.67 million in 1Q 2015/2016, which is offset by the gain on disposal of property, plant and equipment of \$0.14 million in 1Q 2016/2017, increase in government grants received of \$0.12 million and increase in rental income of \$0.10 million.

### Purchases and consumables used

Purchases and consumables used increased by approximately \$5.91 million or 79.5% to \$13.34 million in 1Q 2016/2017 from \$7.43 million in 1Q 2015/2016. The increase was mainly due to increase in higher food prices and consumables expenses as a result of the consolidation of costs incurred by the food manufacturing business and food trading business after the acquisition were completed in June 2015 and November 2015 respectively. Generally, both the food manufacturing business and food trading business have lower gross profit margin compared to the food catering business, and thus the percentage increase in purchases and consumables used was higher than the percentage increase in revenue.

Purchases and consumables used for food catering business increased by \$0.10 million or 2.5% from \$3.93 million in 1Q 2015/2016 to \$4.03 million in 1Q 2016/2017 mainly due to the various promotions and discounts given to our customers, which was managed by our cost control measures through the synergies reaped from the vertical integration of food trading business as well as the sustained savings from our food and catering supplies business.

Purchases and consumables used for food retail business increased by \$0.27 million or 14.7% from \$1.84 million in 1Q 2015/2016 to \$2.11 million in 1Q 2016/2017. The increase was mainly attributable to the promotions launched to drive the sales whilst maintaining our food quality and remaining our competitive advantage in retail markets.

### Delivery expenses

Delivery expenses increased by \$0.09 million or 13.7% to \$0.81 million in 1Q 2016/2017 as compared to \$0.72 million in 1Q 2015/2016. This arose from additional logistics expenses to support the increase in orders from food catering and the food retail segment's delivery business, as well as the consolidation of logistics expenses incurred by the food manufacturing business and food trading business.

## 8(a). Consolidated Statement of Comprehensive Income (Continued)

### Employee benefits expense

Employee benefits expense increased by \$4.22 million or 65.2% to \$10.69 million in 1Q 2016/2017 as compared to \$6.47 million in 1Q 2015/2016. This was due to the consolidation of employee benefits expense from the food manufacturing business and food trading business, as well as planned addition of headcounts in the Group's operations and logistics to support the business expansion and in preparation for the upcoming peak seasons.

### Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by \$0.80 million or 58.6% from \$1.35 million in 1Q 2015/2016 to \$2.15 million in 1Q 2016/2017. This was mainly attributable to the additional renovation for leasehold properties at Enterprise Road, the acquisition of plant and machinery during the financial period, and also the consolidation of depreciation and amortisation expenses from the food manufacturing business and food trading business which was mainly derived from the depreciation of leasehold property and its related plant and machinery for the factories.

### Advertising expenses

Advertising expenses increased by \$0.59 million or 63.5% from \$0.92 million in 1Q 2015/2016 to \$1.51 million in 1Q 2016/2017. 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, such as "Neo Unbelievable Draw" and "Neo Celebrates" programmes.

### Operating lease expenses

Operating lease expenses increased by \$0.65 million or 53.8% from \$1.22 million in 1Q 2015/2016 to \$1.87 million in 1Q 2016/2017. This was mainly due to additional rental expenses incurred for new retail outlets, increase in land rent rate and number of properties owned, as well as the consolidation of operating lease expenses from the food manufacturing business and food trading business.

### Utilities

Utilities increased by approximately \$0.47 million or 68.8% from \$0.69 million in 1Q 2015/2016 to \$1.16 million in 1Q 2016/2017. The increase was mainly due to the consolidation of utilities from the food manufacturing business and food trading business, as well as a higher electricity tariff contract which was committed by the food manufacturing business and food trading business. The increase is offset by the utilities incurred for food catering business and food retail business which decreased by \$0.05 million or 15.2% from \$0.33 million in 1Q 2015/2016 to \$0.28 million in 1Q 2016/2017.

### Other expenses

Other expenses increased by \$0.61 million or 28.6% from \$2.14 million in 1Q 2015/2016 to \$2.75 million in 1Q 2016/2017. The increase was mainly due to the consolidation of other expenses incurred by the food manufacturing business and food trading business which increased by \$0.61 million or 152.5% from \$0.40 million in 1Q 2015/2016 to \$1.01 million in 1Q 2016/2017. Other expenses were largely attributable from credit card charges, professional and legal fees, repair and maintenance, upkeep of motor vehicles, insurance expenses and low value asset items expensed.

### Finance costs

Finance costs increased by approximately \$0.39 million or 232.9% from \$0.17 million in 1Q 2015/2016 to \$0.56 million in 1Q 2016/2017 mainly due to the increase in bank borrowings to fund the acquisition of subsidiaries, new property, plant and equipment, and trade facilities used for the purchase of materials and consumables for food manufacturing business and food trading business.

## 8(a). Consolidated Statement of Comprehensive Income (Continued)

### (Loss)/Profit before income tax

The Group's (loss)/profit before income tax decreased by \$2.75 million from a profit of \$0.23 million in 1Q 2015/2016 to a loss of \$2.52 million in 1Q 2016/2017. The loss before income tax was mainly due to the seasonality effect for the food catering business, the competitiveness in food retail markets and integration costs from food manufacturing business.

### Income tax expense

The income tax expense of the Group increased by \$0.03 million or 36.8% from \$0.09 million in 1Q 2015/2016 to \$0.12 million in 1Q 2016/2017 primarily due to tax expense was not provided by non-profitable businesses which tax losses cannot be utilised under group tax relief.

### (Loss)/Profit for the financial period

As a result of the above review, the Group's (loss)/profit after income tax and attributable to the owners of the parent decreased by \$2.70 million from a gain of \$0.19 million in 1Q 2015/2016 to a loss of \$2.51 million in 1Q 2016/2017, while the net loss attributable to non-controlling interests increased by \$0.08 million from \$0.05 million to \$0.13 million.

## 8(b). Statement of Financial Position

### Current assets

The Group's current assets decreased by \$5.90 million from \$39.51 million as at 31 March 2016 to \$33.61 million as at 30 June 2016. The Group's inventories decreased by \$2.03 million due to the improvement of inventory control in the food manufacturing business to maintain adequate balance of resources without intruding upon customer satisfaction levels. The increase in our trade and other receivables of approximately \$0.61 million resulted from the slower repayment from customers in the food manufacturing business, as well as more advance payments and deposits for outlet tender, purchase of new machinery and renovation for central kitchen. Prepayments increased by \$0.20 million, while cash and cash equivalents decreased by \$4.68 million.

The Group's assets classified as held for sale with a total carrying amount of \$1.04 million as at 30 June 2015 relate to the properties being disposed off to third parties for a total cash considerations of \$2.86 million which are expected to be completed in the second quarter of FY2017.

### Non-current assets

The Group's non-current assets increased by \$14.48 million from \$89.11 million as at 31 March 2016 to \$103.59 million as at 30 June 2016 primarily due to the acquisition of new property at 22 Senoko Way with purchase consideration of \$15.00 million, as well as purchase of other plant and equipment of \$1.74 million, which is offset by the depreciation charged of \$2.07 million for 1Q 2016/2017.

### Current liabilities

The Group's current liabilities increased by \$0.31 million from \$54.20 million as at 31 March 2016 to \$54.51 million as at 30 June 2016. This was mainly attributable to increase in trade and other payables of \$2.31 million due to payment control in food manufacturing business to maximise the benefits from credit term granted from suppliers, which is offset by the net repayment of current bank borrowings of \$1.94 million.

### Non-current liabilities

The Group's non-current liabilities increased by \$10.75 million from \$38.17 million as at 31 March 2016 to \$48.92 million as at 30 June 2016 primarily due to the financing obtained for the acquisition of 22 Senoko Way, which is offset by the reclassification from non-current bank borrowings to current bank borrowings based their repayment terms.

## **8(b). Statement of Financial Position (Continued)**

### Net current liability position

As at 30 June 2016, the Group was in a net current liability position of \$20.91 million which was mainly due to the effects of the acquisition of the food manufacturing business, recent acquisition of a new property at 22 Senoko Way and losses in food retail business.

Taking into consideration that the Group's intended disposal of certain properties and based on the Group's internal budget and cash flow planning, the Board of Directors of the Company ("**Directors**") believe that the Group would be able to meet its short-term obligations as and when they fall due. Barring unforeseen circumstances, the Directors believe that the Group's negative working capital position would be overcome in the longer term as the Group realises the synergistic benefits of the acquisition of the food manufacturing business and implementing new initiatives to increase efficiency and productivity for food retail business.

## **8(c). Consolidated Statement of Cash Flows**

The Group's net cash from operating activities in 1Q 2016/2017 of \$3.67 million, which mainly resulted from operating cash flows before working capital changes of \$0.01 million and an increase in net working capital of \$3.70 million, which is offset by the income tax paid of \$0.03 million.

The increase in net working capital was mainly due to the decrease in inventories of approximately \$1.98 million and increase in trade and other payables of approximately \$2.57 million, which is offset by the increase in trade and other receivables of approximately \$0.65 million, as well as the increase in prepayment of approximately \$0.20 million.

The Group's net cash flows used in investing activities of \$16.05 million during 1Q 2016/2017 were mainly attributable to the purchase of property, plant and equipment of \$16.27 million, which is offset by the proceeds of \$0.22 million from disposal of plant and equipment. The cash used in purchase of property, plant and equipment mainly attributable to the acquisition of the new property at 22 Senoko Way with purchase consideration of \$15.00 million.

The Group's net cash flows from financing activities of \$7.65 million during 1Q 2016/2017 were mainly due to the drawdown of bank borrowings of \$17.36 million, which is offset by the repayment of bank borrowings of \$8.55 million, repayment of finance lease payables of \$0.62 million and interest payment of \$0.54 million. The drawdown of bank borrowings of \$17.36 million mainly used to finance the acquisition of the new property at 22 Senoko Way.

As a result of the above, the net decrease in cash and cash equivalents during 1Q 2016/2017 was \$4.73 million.

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

The Group issued a profit guidance on 27 July 2016 in relation to the unaudited consolidated financial results of the Group for the first quarter ended 30 June 2016. The expected net loss in the aforementioned announcement is in line with the actual results. Further explanations are elaborated in section 8 of this announcement.

**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 challenging.

The food catering business would continue to grow through improved product offerings and customer experience. The segment is also working on strengthening its recurring income streams by pursuing more corporate clients and venue partnerships.

The food retail business would review its business model in order to reduce the losses for the Group.

Following the vertical expansion of the Group's value chain into food manufacturing and food trading businesses, the Group seeks to achieve back-end integration with the potential of greater profitability and economies of scale, by restructuring the operations of food manufacturing business. We would also widen our product offering for our food manufacturing business. In addition, the food trading business continues to grow and consistently contribute to the Group.

Barring any unforeseen circumstances and also depending on how quickly the Group is able to successfully integrate its new acquisitions, performance of the subsidiaries, and the results of the food retail business review, the Group expects to remain profitable for the current year.

**11. Dividend**

**a. Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

None

**b. Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the 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/recommendeded, 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
<b>Neo Kah Kiat</b>		
(ii) GUI Solutions Pte Ltd		
- Cost of goods and services purchased	63.9	-
- Rental and utilities income	6.0	-
<b>Neo Kah Kiat and Liew Oi Peng</b>		
(i) Office premise lease expense	3.0	-
(ii) Twinkle Investment Pte Ltd		
- 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 Catalyst 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 consolidated financial statements of the Group for the first quarter ended 30 June 2016 to be false or misleading in any material aspect.

Neo Kah Kiat  
Chairman and Chief Executive Office

Liew Oi Peng  
Executive Director

**15. Confirmation that the issuer has procured undertakings from all its directors and executive offices (in the format set out in Appendix 7H) under Rule 720 (1)**

In view of the guideline in relation to Rule 720 (1) of the SGX-ST Catalist Rules, the Company confirms that it has procured signed undertaking from all its Directors and executive officers based on the format set out in Appendix 7H of the Catalist Rules.

**BY ORDER OF THE BOARD**

Neo Kah Kiat  
Chairman and Chief Executive Officer  
4 August 2016

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This announcement 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 ("**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.