NEO GROUP 梁苑集团

Neo Group Limited
Incorporated in the Republic of Singapore
Registration No. 201207080G

Unaudited Financial Statements and Dividend Announcement for the Six-Month Period Ended 30 September 2016

PART I – INFORMATION REQUIRED FOR FIRST HALF YEARLY 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

	Group			Group		
	2Q[1] 2016/2017 (Unaudited) $'000	2Q 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %	1H[2] 2016/2017 (Unaudited) $'000	1H 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %
Revenue	35,507	31,313	13.4%	67,433	52,046	29.6%
Other items of income						
Interest income	2	2	N.M.	5	3	66.7%
Other income	2,391	390	N.M.	2,964	1,211	144.8%
Items of expense						
Purchases and consumables used	(14,305)	(12,513)	14.3%	(27,643)	(19,945)	38.6%
Changes in inventories	219	222	-1.4%	31	-	N.M.
Delivery expenses	(757)	(992)	-23.7%	(1,570)	(1,707)	-8.0%
Employee benefits expense	(10,565)	(9,221)	14.6%	(21,259)	(15,695)	35.5%
Depreciation and amortisation expenses	(2,084)	(1,629)	27.9%	(4,232)	(2,983)	41.9%
Advertising expenses	(1,305)	(1,807)	-27.8%	(2,816)	(2,731)	3.1%
Operating lease expenses	(1,884)	(1,727)	9.1%	(3,756)	(2,944)	27.6%
Utilities	(1,223)	(1,159)	5.5%	(2,381)	(1,845)	29.1%
Other expenses	(2,552)	(2,413)	5.8%	(5,298)	(4,549)	16.5%
Finance costs	(555)	(458)	21.2%	(1,111)	(625)	77.8%
Profit before income tax	2,889	8	N.M.	367	236	55.5%
Income tax credit/(expense)	1	(357)	N.M.	(118)	(444)	-73.4%
Profit/(Loss) for the financial period	2,890	(349)	N.M.	249	(208)	N.M.
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences arising from translation of foreign operation	96	477	-79.9%	237	517	-54.2%
Loss on fair value changes of available-for-sale financial asset	(261)	-	N.M.	(261)	-	N.M.
Income tax relating to items that may be reclassified subsequently	-	-	N.M.	-	-	N.M.
Other comprehensive income for the financial period, net of tax	(165)	477	N.M.	(24)	517	N.M.
Total comprehensive income for the financial period	2,725	128	N.M.	225	309	-27.2%

[1] "2Q" denotes financial period from 1 July to 30 September
[2] "1H" denotes financial period from 1 April to 30 September
[3] "N.M." denotes not meaningful

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

	Group			Group		
	2Q 2016/2017 (Unaudited) $'000	2Q 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %	1H 2016/2017 (Unaudited) $'000	1H 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %
Profit/(Loss) attributable to:						
Owners of the parent	2,951	73	N.M.	439	265	65.7%
Non-controlling interests	(61)	(422)	-85.5%	(190)	(473)	-59.8%
	2,890	(349)	N.M.	249	(208)	N.M.
Total comprehensive income attributable to:						
Owners of the parent	2,742	343	N.M.	308	549	-43.9%
Non-controlling interests	(17)	(215)	-92.1%	(83)	(240)	-65.4%
	2,725	128	N.M.	225	309	-27.2%

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

Profit/(Loss) for the financial period is arrived at after crediting/(charging) the following:

	Group			Group		
	2Q 2016/2017 (Unaudited) $'000	2Q 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %	1H 2016/2017 (Unaudited) $'000	1H 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %
Interest income	2	2	N.M.	5	3	66.7%
Dividend income	-	11	-100.0%	11	18	-38.9%
Fair value gain on derivative financial instruments	-	-	N.M.	23	-	N.M.
Gain on disposal of assets classified as held for sale	1,817	-	N.M.	1,817	672	170.4%
Government grants	174	215	-19.1%	357	276	29.3%
Rental income	210	50	320.0%	357	97	268.0%
Utilities income	-	-	N.M.	-	3	-100.0%
Bad third parties trade receivables written off	(1)	-	N.M.	(3)	-	N.M.
Depreciation of property, plant and equipment	(1,984)	(1,581)	25.5%	(4,055)	(2,907)	39.5%
Depreciation of investment properties	(19)	(5)	280.0%	(38)	(11)	245.5%
Amortisation of intangible assets	(81)	(43)	88.4%	(139)	(65)	113.8%
Foreign exchange loss, net	(126)	-	N.M.	(320)	-	N.M.
Gain/(loss) on disposal of property, plant and equipment	31	-	N.M.	172	(5)	N.M.
Plant and equipment written off	(5)	-	N.M.	(5)	(3)	66.7%
Finance costs	(555)	(458)	21.2%	(1,111)	(625)	77.8%

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	
	30/9/2016	31/3/2016	30/9/2016	31/3/2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	$'000	$'000	$'000	$'000
ASSETS				
Current assets				
Inventories	5,835	9,044	-	-
Trade and other receivables	15,923	16,491	3,353	6,551
Prepayments	573	759	16	11
Cash and cash equivalents	10,490	12,176	555	378
	32,821	38,470	3,924	6,940
Assets classified as held for sale	-	1,043	-	-
Total current assets	32,821	39,513	3,924	6,940
Non-current assets				
Property, plant and equipment	90,592	75,884	12	14
Investment properties	2,748	2,787	-	-
Intangible assets	9,476	9,608	7	10
Investments in subsidiaries	-	-	25,514	21,351
Other receivables	227	197	2,211	2,211
Available-for-sale financial asset	369	630	369	630
Total non-current assets	103,412	89,106	28,113	24,216
TOTAL ASSETS	**136,233**	**128,619**	**32,037**	**31,156**
EQUITY				
Capital and reserves				
Share capital	7,899	7,899	7,899	7,899
Merger reserves	(326)	(326)	-	-
Fair value adjustment account	(261)	-	(261)	-
Foreign currency translation reserve	280	150	-	-
Retained earnings	21,854	22,874	2,025	3,748
Equity attributable to owners of the parent	29,446	30,597	9,663	11,647
Non-controlling interests	7,077	5,660	-	-
TOTAL EQUITY	36,523	36,257	9,663	11,647

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

	Group		Company	
	As at		As at	
	30/9/2016	31/3/2016	30/9/2016	31/3/2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	$'000	$'000	$'000	$'000
LIABILITIES				
Current liabilities				
Trade and other payables	14,809	19,298	3,242	5,083
Provisions	437	400	-	-
Bank borrowings	31,030	30,883	-	-
Finance lease payables	1,904	2,012	-	-
Derivative financial liabilities	-	82	-	-
Income tax payable	1,025	1,520	23	23
Total current liabilities	49,205	54,195	3,265	5,106
Non-current liabilities				
Other payables	1,500	-	19,109	14,403
Bank borrowings	41,886	30,995	-	-
Finance lease payables	2,444	2,494	-	-
Deferred tax liabilities	4,675	4,678	-	-
Total non-current liabilities	50,505	38,167	19,109	14,403
TOTAL LIABILITIES	99,710	92,362	22,374	19,509
TOTAL EQUITY AND LIABILITIES	**136,233**	**128,619**	**32,037**	**31,156**

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

Amount repayable in one year or less, or on demand	As at 30/09/2016 (Unaudited) $'000		As at 31/03/2016 (Audited) $'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	11,107	19,923	13,840	17,043
Finance lease payables	1,904	-	2,012	-

Amount repayable after one year	As at 30/09/2016 (Unaudited) $'000		As at 31/03/2016 (Audited) $'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	41,853	33	30,765	230
Finance lease payables	2,444	-	2,494	-

Details of any collateral:

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

Bank borrowings

Bank borrowings of $11.01 million repayable within one year or less or on demand, and $41.85 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 $19.92 million repayable within one year or less or on demand, and $0.03 million repayable after one year are unsecured.

Finance lease payables

The Group's obligations under finance leases of $1.90 million repayable within one year or less or on demand, and $2.44 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		Group	
	2Q 2016/2017 (Unaudited) $'000	2Q 2015/2016 (Unaudited) $'000	1H 2016/2017 (Unaudited) $'000	1H 2015/2016 (Unaudited) $'000
Operating activities				
Profit before income tax	2,889	8	367	236
Adjustments for:				
Depreciation and amortisation expenses	2,084	1,629	4,232	2,983
Bad third parties trade receivables written off	1	-	3	-
Fair value gain on derivative financial instruments	-	-	(23)	-
Gain on disposal of assets classified as held for sale	(1,817)	-	(1,817)	(672)
Interest expense	555	458	1,111	625
Interest income	(2)	(2)	(5)	(3)
(Gain)/Loss on disposal of plant and equipment	(31)	-	(172)	5
Plant and equipment written off	5	-	5	3
Dividend income	-	(11)	(11)	(18)
Operating cash flows before working capital changes	3,684	2,082	3,690	3,159
Working capital changes:				
Inventories	1,149	(1,533)	3,124	(658)
Trade and other receivables	1,111	(3,790)	462	(3,131)
Prepayments	384	(93)	186	190
Trade and other payables	(5,097)	3,444	(2,528)	(140)
Provisions	(21)	-	36	-
Derivative financial instruments	-	-	(59)	-
Cash generated from/(absorbed by) operations	1,210	110	4,911	(580)
Income taxes paid	(583)	(719)	(615)	(720)
Net cash from/(used in) operating activities	627	(609)	4,296	(1,300)
Investing activities				
Acquisitions of subsidiaries, net of cash acquired	-	-	-	(6,547)
Purchase of property, plant and equipment	(1,593)	(1,052)	(17,861)	(2,236)
Purchase of intangible assets	-	(4)	(8)	(21)
Proceeds from disposal of plant and equipment	53	-	268	-
Proceeds from disposal of assets classified as held for sale	2,860	-	2,860	1,460
Interest received	2	2	5	3
Dividend income	-	11	11	18
Net cash from/(used in) investing activities	1,322	(1,043)	(14,725)	(7,323)

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

	Group		Group	
	2Q 2016/2017	2Q 2015/2016	1H 2016/2017	1H 2015/2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	$'000	$'000	$'000	$'000
Financing activities				
Issuance of ordinary shares to non-controlling interests in a subsidiary	1,500	-	1,500	-
Drawdown of bank borrowings	6,758	12,800	24,117	23,800
Repayment of bank borrowings	(4,701)	(8,906)	(13,250)	(11,740)
Repayment of finance lease payables	(605)	(466)	(1,227)	(745)
Dividends paid	(1,459)	(1,523)	(1,459)	(1,523)
Interest paid	(573)	(443)	(1,111)	(606)
Net cash from financing activities	920	1,462	8,570	9,186
Net change in cash and cash equivalents	2,869	(190)	(1,859)	563
Effect of foreign exchange rate changes on cash and cash equivalents	-	(1)	3	(1)
Cash and cash equivalents at beginning of financial period	6,041	8,312	10,766	7,559
Cash and cash equivalents at end of financial period	**8,910**	**8,121**	**8,910**	**8,121**

Cash and cash equivalents comprise:	Group	
	As at	
	30/9/2016	30/9/2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Cash on hand and at bank	10,113	8,121
Fixed deposits	377	41
Cash and cash equivalents as per statement of financial position	**10,490**	**8,162**
Less: Fixed deposits pledged	(226)	(41)
Less: Bank overdraft	(1,354)	-
Cash and cash equivalents as per consolidated statement of cash flows	**8,910**	**8,121**

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	Merger reserves	Fair value adjustment account	Foreign currency translation reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(Unaudited)								
Balance at 1 April 2016	7,899	(326)	-	150	22,874	30,597	5,660	36,257
Profit for the financial period	-	-	-	-	439	439	(190)	249
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	130	-	130	107	237
Loss on fair value changes of available-for-sale financial asset	-	-	(261)	-	-	(261)	-	(261)
Total comprehensive income for the financial period	-	-	(261)	130	439	308	(83)	225
Distributions to owners of the parent:								
Dividends	-	-	-	-	(1,459)	(1,459)	-	(1,459)
Total transactions with owners of the parent	-	-	-	-	(1,459)	(1,459)	-	(1,459)
Contributions by non-controlling interests:								
Issue of ordinary shares to non-controlling interests in a subsidiary	-	-	-	-	-	-	1,500	1,500
Total transactions with non-controlling interests	-	-	-	-	-	-	1,500	1,500
Balance at 30 September 2016	**7,899**	**(326)**	**(261)**	**280**	**21,854**	**29,446**	**7,077**	**36,523**

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

Group	Share capital	Merger reserves	Fair value adjustment account	Foreign currency translation reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(Unaudited)								
Balance at 1 April 2015	6,399	(326)	(230)	-	18,335	24,178	-	24,178
Profit for the financial period	-	-	-	-	265	265	(473)	(208)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	284	-	284	233	517
Total comprehensive income for the financial period	-	-	-	284	265	549	(240)	309
Distribution to owners of the parent:								
Dividends	-	-	-	-	(1,523)	(1,523)	-	(1,523)
Total transactions with owners of the parent	-	-	-	-	(1,523)	(1,523)	-	(1,523)
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 September 2015	**7,299**	**(326)**	**(230)**	**284**	**17,077**	**24,104**	**2,333**	**26,437**

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

Company	Share capital	Fair value adjustment account	Retained earnings	Total equity attributable to owners
	$'000	$'000	$'000	$'000
(Unaudited)				
Balance at 1 April 2016	7,899	-	3,748	11,647
Loss for the financial period	-	-	(264)	(264)
Other comprehensive income:				
Loss on fair value changes of available-for-sale financial asset	-	(261)	-	(261)
Total comprehensive income for the financial period	-	(261)	(264)	(525)
Distribution to owners:				
Dividends	-	-	(1,459)	(1,459)
Total transactions with owners	-	-	(1,459)	(1,459)
Balance at 30 September 2016	**7,899**	**(261)**	**2,025**	**9,663**
(Unaudited)				
Balance at 1 April 2015	6,399	(230)	3,554	9,723
Loss for the financial period	-	-	(599)	(599)
Total comprehensive income for the financial period	-	-	(599)	(599)
Transactions with owners:				
Share issued for acquisition of subsidiaries	900	-	-	900
Dividends	-	-	(1,523)	(1,523)
Total transactions with owners	900	-	(1,523)	(623)
Balance at 30 September 2015	**7,299**	**(230)**	**1,432**	**8,501**

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 September 2016	145,907,100	7,899,133

As at 30 September 2016, the Company did not have any outstanding options, warrants or other instrument convertible into securities of the Company.

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	
	30/9/2016	**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 September 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 September 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		Group	
	2Q 2016/2017 (Unaudited)	2Q 2015/2016 (Unaudited)	1H 2016/2017 (Unaudited)	1H 2015/2016 (Unaudited)
Profit attributable to owners of the parent ($'000)	2,951	73	439	265
Weighted average number of ordinary shares (1)	145,907,100	144,606,557	145,907,100	144,606,557
Basic and diluted EPS based on weighted average number of ordinary shares (cents) (2)	2.02	0.05	0.30	0.18

Notes:

(1) Basic EPS is computed by dividing the 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 As at		Company As at	
	30/9/2016 (Unaudited)	31/3/2016 (Audited)	30/9/2016 (Unaudited)	31/3/2016 (Audited)
NAV ($'000)	29,446	30,597	9,663	11,647
Number of ordinary shares	145,907,100	145,907,100	145,907,100	145,907,100
NAV per ordinary share (cents)	20.18	20.97	6.62	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

2Q 2016/2017 compared to 2Q 2015/2016

Revenue

For the quarter ended 30 September 2016 ("**2Q 2016/2017**"), the Group registered $35.51 million in revenue as compared to $31.31 million in the previous corresponding quarter ended 30 September 2015 ("**2Q 2015/2016**"). The increase was approximately $4.20 million or 13.4%.

Food catering business revenue decreased marginally by $0.25 million or 1.6% from $15.75 million in 2Q 2015/2016 to $15.50 million in 2Q 2016/2017. The decrease was mainly due to less event celebrations during this period compared to the prior corresponding period when there were nation-wide SG50 celebrations.

Food retail business revenue increased by $0.58 million or 13.2% from $4.39 million in 2Q 2015/2016 to $4.97 million in 2Q 2016/2017. This was mainly attributable to the growth in our number of outlets as well as new initiatives and promotions launched during this quarter.

Food manufacturing business revenue decreased marginally by $0.42 million or 3.7% from $11.50 million in 2Q 2015/2016 to $11.08 million in 2Q 2016/2017. This was mainly due to the general slowdown in its export business during this quarter.

Food trading business contributed revenue of $3.61 million in 2Q 2016/2017. As the acquisition was only completed in November 2015, there is no comparative revenue for the prior corresponding period.

Other income

Other income was $2.39 million in 2Q 2016/2017 as compared to $0.39 million in 2Q 2015/2016. It increased by approximately $2.00 million or 513.1% mainly due to the one-off gain on disposal of assets classified as held for sale of $1.82 million and an increase in rental income of $0.16 million from the properties acquired through food trading business.

Purchases and consumables used

Purchases and consumables used increased by approximately $1.80 million or 14.3% to $14.31 million in 2Q 2016/2017 from $12.51 million in 2Q 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 trading business after the acquisition were completed in November 2015. Generally, the food trading business has a lower gross profit margin compared to the food catering business, thus the percentage increase in purchases and consumables used was higher than the percentage increase in revenue.

Purchases and consumables used for the food catering business increased by $0.02 million or 0.4% from $5.20 million in 2Q 2015/2016 to $5.22 million in 2Q 2016/2017 whilst marginal decrease in revenue was mainly due to the various promotions and discounts given to our customers in order to boost our sales during the quarter.

Purchases and consumables used for the food retail business decreased by $0.09 million or 4.3% from $2.11 million in 2Q 2015/2016 to $2.02 million in 2Q 2016/2017. The decrease was mainly attributable to new food retail menu items, i.e. selling hot items with higher gross profit margin (can we leave the last line out?).

Delivery expenses

Delivery expenses decreased by $0.23 million or 23.7% to $0.76 million in 2Q 2016/2017 as compared to $0.99 million in 2Q 2015/2016. This was due to a marginal decrease in food catering business' sales and a reduction in the usage of drivers we outsourced for the food retail business.

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

Employee benefits expense

Employee benefits expense increased by $1.35 million or 14.6% to $10.57 million in 2Q 2016/2017 as compared to $9.22 million in 2Q 2015/2016. This was due to the introduction of employee benefits expense incurred from the food trading business which was absent in 2Q 2015/2016.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $0.45 million or 27.9% from $1.63 million in 2Q 2015/2016 to $2.08 million in 2Q 2016/2017. This was mainly attributable to the additional renovation for leasehold properties at Enterprise Road, the acquisition of plant and machinery during the quarter and also the consolidation of depreciation and amortisation expenses from the food trading business which was mainly derived from the depreciation of its leasehold properties.

Advertising expenses

Advertising expenses decreased by $0.50 million or 27.8% from $1.81 million in 2Q 2015/2016 to $1.31 million in 2Q 2016/2017. This was mainly due to a reduction in advertising and promotional activities and sponsorship expenses during the quarter.

Operating lease expenses

Operating lease expenses increased by $0.15 million or 9.1% from $1.73 million in 2Q 2015/2016 to $1.88 million in 2Q 2016/2017. This was mainly due to additional rental expenses incurred for new retail outlets, as well as an increase in land rental due to an increase in the number of properties owned by the Group after consolidation of the food trading business.

Utilities

Utilities increased by approximately $0.06 million or 5.5% from $1.16 million in 2Q 2015/2016 to $1.22 million in 2Q 2016/2017. The increase was mainly due to the consolidation of utilities from the food trading business, as well as a higher electricity tariff contract which was committed by the food trading business.

Other expenses

Other expenses increased by $0.14 million or 5.8% from $2.41 million in 2Q 2015/2016 to $2.55 million in 2Q 2016/2017. The increase was mainly due to the consolidation of other expenses incurred by the food trading business. Other expenses were largely attributable to credit card charges, professional and legal fees, repair and maintenance, upkeep of motor vehicles, insurance expenses and low value asset items expensed in profit or loss instead of being capitalised.

Finance costs

Finance costs increased by approximately $0.10 million or 21.2% from $0.46 million in 2Q 2015/2016 to $0.56 million in 2Q 2016/2017 mainly due to the increase in bank borrowings to fund the acquisition of subsidiaries, new property, plant and equipment acquired through term loans and finance leases.

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

Profit before income tax

The Group's profit before income tax increased by $2.88 million from $0.01 million in 2Q 2015/2016 to $2.89 million in 2Q 2016/2017. The profit before income tax was mainly attributable to the seasonality effect recovery in the second quarter for food catering business and one-off gain from disposal of assets classified as held for sale of $1.82 million during the quarter.

Income tax expense

The income tax expense of the Group decreased by $0.36 million in 2Q 2016/2017 primarily due to over-provision of income tax expense in prior and current financial year which tax losses from non-profitable business will be utilised by profitable business under group tax relief.

Profit for the financial period

As a result of the above review, the Group's profit after income tax attributable to the owners of the parent increased by $2.88 million from $0.07 million in 2Q 2015/2016 to $2.95 million in 2Q 2016/2017, while net loss attributable to non-controlling interests decreased by $0.36 million from $0.42 million to $0.06 million.

1H 2016/2017 compared to 1H 2015/2016

Revenue

For the half-year financial period ended 30 September 2016 ("**1H 2016/2017**"), the Group registered $67.43 million in revenue as compared to $52.05 million in the previous corresponding half year ended 30 September 2015 ("**1H 2015/2016**"). The increase was approximately $15.38 million or 29.6%.

Food catering business revenue decreased marginally by $0.32 million or 1.2% from $27.64 million in 1H 2015/2016 to $27.32 million in 1H 2016/2017. The decrease was mainly due to less event celebrations during this period compared to the prior corresponding period when there were nation-wide SG50 celebrations.

Food retail business revenue increased by $1.03 million or 11.7% from $8.78 million in 1H 2015/2016 to $9.81 million in 1H 2016/2017. This was mainly attributable to the growth in the number of outlets as well as new initiatives and promotions launched during this period.

Food manufacturing business revenue increased by $6.90 million or 45.9% from $15.04 million in 1H 2015/2016 to $21.94 million in 1H 2016/2017. This was mainly due to the absence of revenue contribution in April and May 2015, since the acquisition was only completed in June 2015, offset by the general slowdown in its export business during the period.

Food trading business contributed revenue of $7.71 million in 1H 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 $2.96 million in 1H 2016/2017 as compared to $1.21 million in 1H 2015/2016. It increased by approximately $1.75 million or 144.8% mainly due to increase in (i) one-off gain on disposal of assets classified as held for sale of $1.15 million, (ii) gain on disposal of property, plant and equipment of $0.18 million, (iii) government grants received of $0.08 million and (iv) rental income of $0.26 million.

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

Purchases and consumables used

Purchases and consumables used increased by approximately $7.69 million or 38.6% to $27.64 million in 1H 2016/2017 from $19.95 million in 1H 2015/2016. The increase was mainly due to higher food prices and consumables expenses as a result of the consolidation of costs incurred by the food trading business after the acquisition was completed in November 2015. Generally, the food trading business has lower gross profit margin compared to the food catering business, 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 $0.12 million or 1.3% from $9.13 million in 1H 2015/2016 to $9.25 million in 1H 2016/2017 while the marginal decrease in revenue was mainly due to the various promotions and discounts given to customers to boost sales during the financial period.

Purchases and consumables used for the food retail business increased by $0.18 million or 4.6% from $3.95 million in 1H 2015/2016 to $4.13 million in 1H 2016/2017. The increase in purchases and consumables used was in line with the increase in sales, while the improvement in gross profit margin was due to the launch of new food retail menu items during the second quarter.

Delivery expenses

Delivery expenses decreased by $0.14 million or 8.0% to $1.57 million in 1H 2016/2017 as compared to $1.71 million in 1H 2015/2016. This was due to the marginal decrease in food catering business' sales and a reduction in the usage of drivers we outsourced for the food retail business.

Employee benefits expense

Employee benefits expense increased by $5.56 million or 35.5% to $21.26 million in 1H 2016/2017 as compared to $15.70 million in 1H 2015/2016. This was due to the introduction of employee benefits expense incurred from the food trading business which were absent in 1H 2015/2016.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $1.25 million or 41.9% from $2.98 million in 1H 2015/2016 to $4.23 million in 1H 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 trading business which were mainly derived from the depreciation of its leasehold properties.

Advertising expenses

Advertising expenses increased by $0.09 million or 3.1% from $2.73 million in 1H 2015/2016 to $2.82 million in 1H 2016/2017. This was mainly due to expenses incurred for the various marketing and promotional tools used to create a constant interaction with the targeted customers during the financial period, such as the "Neo Unbelievable Draw" and "Neo Celebrates" programmes.

Operating lease expenses

Operating lease expenses increased by $0.82 million or 27.6% from $2.94 million in 1H 2015/2016 to $3.76 million in 1H 2016/2017. This was mainly due to additional rental expenses incurred for new retail outlets, as well as an increase in land rental due to an increase in number of properties owned by the Group after consolidation of the food trading business.

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

Utilities

Utilities increased by approximately $0.53 million or 29.1% from $1.85 million in 1H 2015/2016 to $2.38 million in 1H 2016/2017. The increase was mainly due to the consolidation of utilities from the food trading business, as well as a higher electricity tariff contract which was committed by the food trading business.

Other expenses

Other expenses increased by $0.75 million or 16.5% from $4.55 million in 1H 2015/2016 to $5.30 million in 1H 2016/2017. The increase was mainly due to the consolidation of other expenses incurred by the food trading business. Other expenses were largely attributable to credit card charges, professional and legal fees, repair and maintenance, upkeep of motor vehicles, insurance expenses and low value asset items expensed in profit or loss instead of being capitalised.

Finance costs

Finance costs increased by approximately $0.48 million or 77.8% from $0.63 million in 1H 2015/2016 to $1.11 million in 1H 2016/2017 mainly due to the increase in bank borrowings to fund the acquisition of subsidiaries, new property, plant and equipment acquired through term loans and finance leases.

Profit before income tax

The Group's profit before income tax increased by $0.13 million or 55.5% from $0.24 million in 1H 2015/2016 to $0.37 million in 1H 2016/2017. The challenges faced by the Group's profit before income tax was mainly due to the seasonality effect for the first half yearly in food catering business, the competitiveness in food retail markets and integration costs of the food manufacturing business.

Income tax expense

The income tax expense of the Group decreased by $0.32 million or 73.4% from $0.44 million in 1H 2015/2016 to $0.12 million in 1H 2016/2017 primarily due to over-provision of income tax expense in prior and current financial year which tax losses from non-profitable business will be utilised by profitable business under group tax relief.

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 $0.17 million from $0.27 million in 1H 2015/2016 to $0.44 million in 1H 2016/2017 while the net loss attributable to non-controlling interests decreased by $0.28 million from $0.47 million to $0.19 million.

8(b). Review of Financial Position of the Group as at 30 September 2016

Current assets

The Group's current assets decreased by $6.69 million from $39.51 million as at 31 March 2016 to $32.82 million as at 30 September 2016. The Group's inventories decreased by $3.20 million mainly due to the improvement in inventory control of the food manufacturing business. The decrease in trade and other receivables of approximately $0.57 million resulted from the tightening of credit control in food manufacturing and food trading businesses. Prepayments decreased by $0.19 million and cash and cash equivalents decreased by $1.69 million.

The Group's assets classified as held for sale with a total carrying amount of $1.04 million as at 31 March 2016 relate to the properties being disposed off to third parties for a total cash consideration of $2.86 million, which were completed in 2Q 2016/2017.

8(b). Review of Financial Position of the Group as at 30 September 2016 (Continued)

Non-current assets

The Group's non-current assets increased by $14.30 million from $89.11 million as at 31 March 2016 to $103.41 million as at 30 September 2016 primarily due to the acquisition of a new property at 22 Senoko Way for a purchase consideration of $15.00 million as well as the purchase of other plant and equipment and intangible assets of approximately $3.94 million. This is offset by depreciation and amortisation charges of $4.23 million for 1H 2016/2017 and a decrease in available-for-sale financial assets of $0.25 million due to a loss on fair value changes based on its quoted market price.

Current liabilities

The Group's current liabilities decreased by $4.99 million from $54.20 million as at 31 March 2016 to $49.21 million as at 30 September 2016. This was mainly attributable to a decrease in trade and other payables of $4.49 million due to prompt payment to suppliers and payment of income taxes of $0.62 million which is offset by the net drawdown of current bank borrowings of $0.15 million.

Non-current liabilities

The Group's non-current liabilities increased by $12.34 million from $38.17 million as at 31 March 2016 to $50.51 million as at 30 September 2016 primarily due to the financing obtained for the acquisition of 22 Senoko Way, offset by the reclassification from non-current bank borrowings to current bank borrowings based on the repayment terms.

Net current liability position

As at 30 September 2016, the Group was in a net current liability position of $16.38 million, 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 the food retail business.

Taking into consideration that the Group's recent disposal of the 14 Senoko Way property as announced on 1 November 2016, intended disposal of certain other 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 results from new initiatives implemented to increase efficiency and productivity for the food retail business.

8(c). Consolidated Statement of Cash Flows

The Group's net cash generated from operating activities in 1H 2016/2017 of $4.30 million, mainly resulted from operating cash flows before working capital changes of $3.69 million and an increase in net working capital of $1.22 million, offset by the income tax paid of $0.62 million.

The increase in net working capital was mainly due to the decrease in inventories of approximately $3.12 million, decrease in trade and other receivables of approximately $0.46 million, and decrease in prepayments of approximately $0.19, offset by the decrease in trade and other payables of approximately $2.53 million.

The Group's net cash flows used in investing activities of $14.73 million during 1H 2016/2017 were mainly attributable to the purchase of property, plant and equipment of $17.86 million, offset by the proceeds of $2.86 million from disposal of assets classified as held for sale and $0.27 million from disposal of plant and equipment. The cash used in the purchase of property, plant and equipment was mainly attributable to the acquisition of the new property at 22 Senoko Way with purchase consideration of $15.00 million.

8(c). Consolidated Statement of Cash Flows (Continued)

The Group's net cash flows from financing activities of $8.57 million during 1H 2016/2017 were mainly due to the drawdown of bank borrowings of $24.12 million and contribution from the non-controlling shareholders of $1.50 million in respect of the ordinary shares issued in Thong Siek Holdings Pte Ltd, a 55%-owned subsidiary of the Company, which is offset by the repayment of bank borrowings of $13.25 million, repayment of finance lease payables of $1.23 million, dividends paid of $1.46 million and interest payment of $1.11 million.

As a result of the above, the net decrease in cash and cash equivalents during 1H 2016/2017 was $1.86 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 previous commentary relating to the Group's profitability for the full financial year ending 31 March 2017 ("**FY2017**") contained in Paragraph 10 of the Company's results announcement for 1Q 2016/2017 dated 4 August 2016 remains unchanged.

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 focus 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 the 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. The Group would also widen its product offering for the food manufacturing business. Meanwhile, the food trading business continues to grow and consistently contribute to the Group.

The Company has previously announced on 1 November 2016 that Thong Siek Holdings Pte. Ltd. ("**TSH**"), a 55%-owned subsidiary of the Company through Thong Siek Food Industry Pte. Ltd., a wholly-owned subsidiary of TSH has accepted an offer from Jurong Town Corporation in relation to the disposal of 14 Senoko Way (the "**Property**") for a cash consideration of $10.0 million (the "**Disposal**") and the Disposal was completed on 1 November 2016 (the "**Announcement**"). Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2016, the carrying amount of the Property as at 31 March 2016 was approximately $15,454,000 and the Disposal is expected to result in a loss on disposal of approximately $5,454,000. The net proceeds from the Disposal was approximately $3,518,000. Please refer to the Announcement for more details.

Barring any unforeseen circumstances, and depending on how quickly the Group is able to successfully integrate its new acquisitions, performance of the subsidiaries, as well as results arising from the food retail business review, the Company expects the Group's operations 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/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 Rule 920) $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Neo Kah Kiat		
(i) GUI Solutions Pte Ltd		
- Cost of goods and services purchased	121.8	-
- Rental and utilities income	12.0	-
(ii) Office premise lease expense[1]	48.6	-
Neo Kah Kiat and Liew Oi Peng		
(i) Office premise lease expense[2]	98.2	-
(ii) Rental of hostel for staff welfare	6.0	
(iii) Twinkle Investment Pte Ltd		
- Rental of yacht	120.0	-
- Office premise lease expense[3]	51.6	

Notes:

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

(1) The office premise lease expense paid to the Company's director, Neo Kah Kiat, in 1H 2016/2017 relates to #05-04 at Enterprise One amounting to approximately $48,600. As the terms of the tenancy agreement for the office premise were supported by independent valuations and with lease period of 3 years, the lease thereunder is not required to comply with Catalist Rule 906 in relation to the approval of the shareholders of the Company as exempted under Catalist Rule 916(1).

(2) The office premise lease expense paid to the Company's directors, Neo Kah Kiat and Liew Oi Peng, in 1H 2016/2017 relates to lease expense for #05-03 and #05-05 at Enterprise One amounting to approximately $98,200. As the terms of the tenancy agreements for the office premises were supported by independent valuations and with lease period of 3 years, the leases thereunder are not required to comply with Catalist Rule 906 in relation to the approval of the shareholders of the Company as exempted under Catalist Rule 916(1).

(3) The office premise lease expense paid to the Twinkle Investment Pte Ltd, which is jointly owned by Neo Kah Kiat and Liew Oi Peng, in 1H 2016/2017 relates to lease expense for #05-03 and #05-05 at Enterprise One amounting to approximately $51,600. As the terms of the tenancy agreement for the office premise were supported by independent valuations and with lease period of 3 years, the lease thereunder is not required to comply with Catalist Rule 906 in relation to the approval of the shareholders of the Company as exempted under Catalist Rule 916(1).

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 consolidated financial statements of the Group for the 6 months ended 30 September 2016 to be false or misleading in any material aspect.

Neo Kah Kiat	Liew Oi Peng
Chairman and Chief Executive Officer	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)

The Company hereby confirms that it has already procured undertakings from all of its Directors and executive officers in the format as set out in Appendix 7H of the Catalist Rules in accordance with Rule 720 (1) of the Catalist Rules.

BY ORDER OF THE BOARD

Neo Kah Kiat
Chairman and Chief Executive Officer
11 November 2016

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.