

Unaudited Financial Statements and Dividend Announcement for the Six-Month Period Ended 30 September 2017

PART I – INFORMATION REQUIRED FOR THE SECOND 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

	Group			Group		
	2Q ¹ 2017/2018	2Q 2016/2017	Increase/ (Decrease)	1H ² 2017/2018	1H 2016/2017	Increase/ (Decrease)
	(Unaudited) \$'000	(Unaudited) \$'000	%	(Unaudited) \$'000	(Unaudited) \$'000	%
Revenue	45,285	35,507	27.5%	85,928	67,433	27.4%
Other items of income						
Interest income	98	2	N.M. ³	131	5	N.M.
Other income	430	2,391	-82.0%	918	2,964	-69.0%
Items of expense						
Purchases and consumables used	(23,241)	(14,305)	62.5%	(42,434)	(27,643)	53.5%
Changes in inventories	(3)	219	N.M.	(339)	31	N.M.
Delivery expenses	(685)	(757)	-9.5%	(1,394)	(1,570)	-11.2%
Employee benefits expense	(12,005)	(10,565)	13.6%	(23,466)	(21,259)	10.4%
Depreciation and amortisation expenses	(2,203)	(2,084)	5.7%	(4,376)	(4,232)	3.4%
Advertising expenses	(978)	(1,305)	-25.1%	(1,813)	(2,816)	-35.6%
Operating lease expenses	(2,554)	(1,884)	35.6%	(4,939)	(3,756)	31.5%
Utilities	(1,376)	(1,223)	12.5%	(2,683)	(2,381)	12.7%
Other expenses	(2,930)	(2,552)	14.8%	(5,839)	(5,298)	10.2%
Finance costs	(676)	(555)	21.8%	(1,199)	(1,111)	7.9%
(Loss)/Profit before income tax	(838)	2,889	N.M.	(1,505)	367	N.M.
Income tax (expense)/credit	(48)	1	N.M.	(188)	(118)	59.3%
(Loss)/Profit for the financial period	(886)	2,890	N.M.	(1,693)	249	N.M.
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences arising from translation of foreign operation	(6)	96	N.M.	(72)	237	N.M.
Gain on fair value changes of available-for-sale financial asset	18	(261)	N.M.	68	(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	12	(165)	N.M.	(4)	(24)	-83.3%
Total comprehensive income for the financial period	(874)	2,725	N.M.	(1,697)	225	N.M.

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 2017/2018	2Q 2016/2017	Increase/	1H 2017/2018	1H 2016/2017	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
(Loss)/Profit attributable to:						
Owners of the parent	(546)	2,951	N.M.	(1,198)	439	N.M.
Non-controlling interests	(340)	(61)	457.4%	(495)	(190)	160.5%
	<u>(886)</u>	<u>2,890</u>	N.M.	<u>(1,693)</u>	<u>249</u>	N.M.
Total comprehensive income						
Owners of the parent	(531)	2,742	N.M.	(1,170)	308	N.M.
Non-controlling interests	(343)	(17)	N.M.	(527)	(83)	534.9%
	<u>(874)</u>	<u>2,725</u>	N.M.	<u>(1,697)</u>	<u>225</u>	N.M.

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

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

	Group			Group		
	2Q 2017/2018	2Q 2016/2017	Increase/	1H 2017/2018	1H 2016/2017	Increase/
	(Unaudited)	(Unaudited)	(Decrease)	(Unaudited)	(Unaudited)	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income	98	2	N.M.	131	5	N.M.
Dividend income	11	-	N.M.	45	11	309.1%
Fair value gain on derivative financial instruments	-	-	N.M.	-	23	-100.0%
Gain on disposal of assets classified as held for sale	-	1,817	-100.0%	-	1,817	-100.0%
Government grants	86	174	-50.6%	246	357	-31.1%
Rental income	124	210	-41.0%	253	357	-29.1%
Bad third parties trade receivables written off	(3)	(1)	200.0%	(3)	(3)	N.M.
Depreciation of property, plant and equipment	(2,119)	(1,984)	6.8%	(4,206)	(4,055)	3.7%
Depreciation of investment properties	(11)	(19)	-42.1%	(23)	(38)	-39.5%
Amortisation of intangible assets	(73)	(81)	-9.9%	(147)	(139)	5.8%
Foreign exchange loss, net	(3)	(126)	-97.6%	(111)	(320)	-65.3%
Gain on disposal of plant and equipment	-	31	-100.0%	-	172	-100.0%
Plant and equipment written off	(21)	(5)	320.0%	(26)	(5)	420.0%
Finance costs	(676)	(555)	21.8%	(1,199)	(1,111)	7.9%

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	
	30/9/2017 (Unaudited) \$'000	31/3/2017 (Audited) \$'000	30/9/2017 (Unaudited) \$'000	31/3/2017 (Audited) \$'000
ASSETS				
Current assets				
Inventories	11,698	12,983	-	-
Trade and other receivables	20,801	21,663	3,319	2,861
Prepayments	645	323	26	9
Cash and cash equivalents	10,276	10,540	519	237
Total current assets	43,420	45,509	3,864	3,107
Non-current assets				
Property, plant and equipment	81,985	75,204	7	10
Investment properties	1,227	1,250	-	-
Intangible assets	14,048	13,948	10	9
Investments in subsidiaries	-	-	29,480	28,969
Other receivables	2,982	2,583	1,531	2,551
Available-for-sale financial asset	698	630	698	630
Total non-current assets	100,940	93,615	31,726	32,169
TOTAL ASSETS	144,360	139,124	35,590	35,276
EQUITY				
Capital and reserves				
Share capital	7,899	7,899	7,899	7,899
Merger and capital reserves	179	179	-	-
Fair value adjustment account	68	-	68	-
Foreign currency translation reserve	365	405	-	-
Retained earnings	22,021	24,678	1,253	2,519
Equity attributable to owners of the parent	30,532	33,161	9,220	10,418
Non-controlling interests	4,258	4,350	-	-
TOTAL EQUITY	34,790	37,511	9,220	10,418

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

	Group		Company	
	As at		As at	
	30/9/2017 (Unaudited) \$'000	31/3/2017 (Audited) \$'000	30/9/2017 (Unaudited) \$'000	31/3/2017 (Audited) \$'000
LIABILITIES				
Current liabilities				
Trade and other payables	24,567	22,416	3,345	2,133
Provisions	390	404	-	-
Bank borrowings	44,118	36,938	-	-
Finance lease payables	1,396	1,481	-	-
Income tax payable	295	355	23	23
Total current liabilities	70,766	61,594	3,368	2,156
Non-current liabilities				
Other payables	1,555	1,255	23,002	22,702
Bank borrowings	31,076	33,192	-	-
Finance lease payables	2,976	2,395	-	-
Deferred tax liabilities	3,197	3,177	-	-
Total non-current liabilities	38,804	40,019	23,002	22,702
TOTAL LIABILITIES	109,570	101,613	26,370	24,858
TOTAL EQUITY AND LIABILITIES	144,360	139,124	35,590	35,276

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

Amount repayable in one year or less, or on demand	As at 30/9/2017 (Unaudited) \$'000		As at 31/03/2017 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
	Bank borrowings	24,097	20,021	16,292
Finance lease payables	1,396	-	1,481	-
Amount repayable after one year	As at 30/9/2017 (Unaudited) \$'000		As at 31/03/2017 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
	Bank borrowings	30,934	142	32,885
Finance lease payables	2,976	-	2,395	-

Details of any collateral:

As at 30 September 2017, the Group's borrowings comprised of bank borrowings and finance lease payables.

Bank borrowings

Bank borrowings of \$24.10 million repayable within one year or less or on demand, and \$30.93 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) 22 Senoko Way;
- (viii) 475 Tampines Street 44 #01-129; and
- (ix) 8 Jalan Istimewa 8, Johor, Malaysia.

The remaining bank borrowings of \$20.02 million repayable within one year or less or on demand are unsecured, and \$0.14 million repayable after one year are unsecured.

Finance lease payables

The Group's obligations under finance leases of \$1.40 million repayable within one year or less or on demand, and \$2.98 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 Flow

	Group		Group	
	2Q 2017/2018	2Q 2016/2017	1H 2017/2018	1H 2016/2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$'000	\$'000	\$'000	\$'000
Operating activities				
(Loss)/Profit before income tax	(838)	2,889	(1,505)	367
Adjustments for:				
Bad third parties trade receivables written off	3	1	3	3
Depreciation and amortisation expenses	2,203	2,084	4,376	4,232
Dividend income	(11)	-	(45)	(11)
Fair value gain on derivative financial instruments	-	-	-	(23)
Gain on disposal of assets classified as held for sale	-	(1,817)	-	(1,817)
Interest expense	676	555	1,199	1,111
Interest income	(98)	(2)	(131)	(5)
Gain on disposal of plant and equipment	-	(31)	-	(172)
Plant and equipment written off	21	5	26	5
Operating cash flows before working capital changes	1,956	3,684	3,923	3,690
Working capital changes:				
Inventories	5,070	1,149	1,423	3,124
Trade and other receivables	2,116	1,111	821	462
Prepayments	(149)	384	(290)	186
Trade and other payables	(1,272)	(5,097)	(1,126)	(2,528)
Provisions	(16)	(21)	(14)	36
Derivative financial instruments	-	-	-	(59)
Cash generated from operations	7,705	1,210	4,737	4,911
Income tax paid	(296)	(583)	(288)	(615)
Net cash from operating activities	7,409	627	4,449	4,296
Investing activities				
Acquisition of a subsidiary, net of cash acquired	-	-	102	-
Purchase of property, plant and equipment	(4,543)	(1,593)	(7,531)	(17,861)
Purchase of intangible assets	(167)	-	(187)	(8)
Proceeds from disposal of assets classified as held for sale	-	2,860	-	2,860
Proceeds from disposal of plant and equipment	36	53	71	268
Interest received	98	2	131	5
Dividend received	11	-	45	11
Net cash (used in)/from investing activities	(4,565)	1,322	(7,369)	(14,725)

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

	Group		Group	
	2Q 2017/2018	2Q 2016/2017	1H 2017/2018	1H 2016/2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$'000	\$'000	\$'000	\$'000
Financing activities				
Drawdown of bank borrowings	15,309	6,758	30,278	24,117
Issuance of ordinary shares to non-controlling interests in a subsidiary	-	1,500	-	1,500
Loan from a related party	1,297	-	1,297	-
Repayment of bank borrowings	(15,036)	(4,701)	(26,509)	(13,250)
Repayment of finance lease payables	(492)	(605)	(1,051)	(1,227)
Dividends paid	(1,459)	(1,459)	(1,459)	(1,459)
Interest paid	(676)	(573)	(1,199)	(1,111)
Net cash (used in)/from financing activities	(1,057)	920	1,357	8,570
Net change in cash and cash equivalents	1,787	2,869	(1,563)	(1,859)
Effect of foreign exchange rate changes on cash and cash equivalents	(7)	-	5	3
Cash and cash equivalents at beginning of financial period	5,828	6,041	9,166	10,766
Cash and cash equivalents at end of financial period	7,608	8,910	7,608	8,910
Cash and cash equivalents comprise:			Group	
			As at	
			30/9/2017	30/9/2016
			(Unaudited)	(Unaudited)
			\$'000	\$'000
Cash on hand and at bank			9,899	10,113
Fixed deposits			377	377
Cash and cash equivalents as per statement of financial position			10,276	10,490
Less: Fixed deposits pledged			(226)	(226)
Less: Bank overdraft			(2,442)	(1,354)
Cash and cash equivalents as per consolidated statement of cash flows			7,608	8,910

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 and capital 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
(Unaudited)								
Balance at 1 April 2017	7,899	179	-	405	24,678	33,161	4,350	37,511
Loss for the financial period	-	-	-	-	(1,198)	(1,198)	(495)	(1,693)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	(40)	-	(40)	(32)	(72)
Gain on fair value changes of available-for-sale financial asset	-	-	68	-	-	68	-	68
Total comprehensive income for the financial period	-	-	68	(40)	(1,198)	(1,170)	(527)	(1,697)
Transactions with non-controlling interests:								
Acquisition of subsidiary	-	-	-	-	-	-	435	435
Total transactions with non-controlling interests	-	-	-	-	-	-	435	435
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)
Balance at 30 September 2017	7,899	179	68	365	22,021	30,532	4,258	34,790

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

Group	Share capital \$'000	Merger and capital 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
(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
Transactions with non-controlling interests:								
Issue of ordinary shares to non-controlling interests in subsidiaries	-	-	-	-	-	-	1,500	1,500
Total transactions with non-controlling interests	-	-	-	-	-	-	1,500	1,500
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)
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

Company	Share capital \$'000	Fair value adjustment account \$'000	Retained earnings \$'000	Total equity attributable to owners \$'000
(Unaudited)				
Balance at 1 April 2017	7,899	-	2,519	10,418
Profit for the financial period	-	-	193	193
Other comprehensive income:				
Gain on fair value changes of available-for-sale financial asset	-	68	-	68
Total comprehensive income for the financial period	-	68	193	261
Distribution to owners:				
Dividends	-	-	(1,459)	(1,459)
Total transactions with owners	-	-	(1,459)	(1,459)
Balance at 30 September 2017	7,899	68	1,253	9,220
(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)
Transactions with 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

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

There has been no change in the Company's share capital for the six-month period ended 30 September 2017. There were no outstanding convertibles, treasury shares or subsidiary holdings held by the Company as at 30 September 2017 and 30 September 2016.

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	
	30/9/2017	31/3/2017
Total number of issued shares excluding treasury shares	145,907,100	145,907,100

There were no treasury shares as at 30 September 2017 and 31 March 2017.

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

Not applicable as the Company did not hold any treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company did not hold any subsidiary holdings.

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 statements for the financial year ended 31 March 2017.

In preparing this announcement, the management of the Company has assessed the fair value of the net identifiable assets and liabilities of Hi-Q Plastic Industries Sdn Bhd on a provisional basis and are subject to change. In accordance with *FRS 103 Business Combinations*, the Group is required to perform a purchase price allocation exercise within 12 months after completion of the acquisition to assess the fair value of the net identifiable assets and liabilities purchased by the Group, and the excess of the consideration transferred over such fair values will be recorded as actual goodwill in the Group's statement of financial position which is subject to impairment test annually or more frequent if there are indicators of impairment.

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 2017. 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	
	1H 2017/2018 (Unaudited)	1H 2016/2017 (Unaudited)
(Loss)/Profit attributable to owners of the parent (\$'000)	(1,198)	439
Actual number of ordinary shares ⁽¹⁾	145,907,100	145,907,100
Basic and diluted EPS based on actual number of ordinary shares (cents) ⁽²⁾	(0.82)	0.30

Notes:

- (1) Basic EPS is computed by dividing the (loss)/profit attributable to owners of the parent in each financial period by the actual number of issued ordinary shares outstanding during the respective financial period.
- (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	
	30/9/2017 (Unaudited)	31/3/2017 (Audited)	30/9/2017 (Unaudited)	31/3/2017 (Audited)
NAV (\$'000)	30,532	33,161	9,220	10,418
Number of ordinary shares	145,907,100	145,907,100	145,907,100	145,907,100
NAV per ordinary share (cents)	20.93	22.73	6.32	7.14

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 Financial Performance

For management reporting purposes, the Group is organised into business units based on its services, and has five reportable operating segments as follows:

- (i) “Food Catering business” – Provides events catering services under five catering brands to corporate, community or private functions. Food Catering business segment also provides daily meal delivery services to families, Halal-certified food as well as catering for last minute events or emergency orders.
- (ii) “Food Retail business” – Operates a chain of food retail outlets specialising in Japanese cuisine.
- (iii) “Food Manufacturing business” – Manufactures, distributes and retails surimi-based seafood products and the “DoDo” brand of fishballs.
- (iv) “Supplies and Trading business” – Supplies food ingredients used in Food Catering business and Food Retail business and the supply of food products for third parties’ catering business. Supplies and Trading business segment also imports, exports and wholesale fruits, vegetables and frozen meat to a wide customer base.
- (v) “Other businesses” – Involves in the design, marketing and distribution of floral arrangements, gifts and hampers and manufacturing of bread, cakes and confectionery.

2Q 2017/2018 compared to 2Q 2016/2017

The Group registered \$45.29 million in revenue for the quarter ended 30 September 2017 (“**2Q 2017/2018**”) as compared to \$35.51 million in the previous corresponding quarter ended 30 September 2016 (“**2Q 2016/2017**”). The increase was approximately \$9.78 million or 27.5%.

Food Catering business revenue decreased marginally by \$0.29 million or 1.9% from \$15.34 million in 2Q 2016/2017 to \$15.05 million in 2Q 2017/2018.

Food Retail business revenue decreased by \$0.71 million or 14.4% from \$4.97 million in 2Q 2016/2017 to \$4.26 million in 2Q 2017/2018. This was mainly attributable to the closure of non-performing outlets.

Food Manufacturing business revenue increased by \$0.31 million or 2.8% from \$11.08 million in 2Q 2016/2017 to \$11.39 million in 2Q 2017/2018. The increase was mostly due to the rebranding and marketing effort for our product offerings during 2Q 2017/2018.

Supplies and Trading business revenue increased significantly by \$10.47 million or 270.5% from \$3.87 million in 2Q 2016/2017 to \$14.34 million in 2Q 2017/2018. This was mainly attributable to the revenue contributed by the recently acquired subsidiaries, U-Market Place Enterprise Pte. Ltd, in January 2017 as well as maiden revenue contributed by Hi-Q Plastic Industries Sdn Bhd from April 2017.

Other businesses revenue decreased by \$0.01 million or 0.8% from \$0.25 million in 2Q 2016/2017 to \$0.24 million in 2Q 2017/2018.

Other income was \$0.43 million in 2Q 2017/2018 as compared to \$2.39 million in 2Q 2016/2017. It decreased by approximately \$1.96 million or 82.0% mainly due to the absence of one-off gain on disposal of assets classified as held for sale of \$1.82 million during 2Q 2016/2017.

Our percentage increment of 62.5% in purchases and consumables used was higher than the revenue growth of 27.5% primarily due to the business expansion in our Supplies and Trading business with lower gross margin as compared to our other business segments with higher gross margin. This is in line with the increment in our Group’s revenue which was mainly contributed by Supplies and Trading business.

2Q 2017/2018 compared to 2Q 2016/2017 (Continued)

Employee benefits expense increased by \$1.44 million or 13.6% to \$12.01 million in 2Q 2017/2018 as compared to \$10.57 million in 2Q 2016/2017. This was mainly due to the consolidation of the new headcount for the newly acquired subsidiary, U-Market Place Enterprise Pte. Ltd., and newly setup catering subsidiary, Gourmetz Pte. Ltd., with employee benefits expense of \$0.75 million and \$0.34 million respectively during 2Q 2017/2018.

Advertising expenses decreased by \$0.33 million or 25.1% to \$0.98 million in 2Q 2017/2018 as compared to \$1.31 million in 2Q 2016/2017 was mainly attributable to the reduction in our advertising and promotional activities during 2Q 2017/2018.

Operating lease expenses increased by \$0.67 million or 35.6% to \$2.55 million in 2Q 2017/2018 as compared to \$1.88 million in 2Q 2016/2017 was mainly due to the business expansion in Supplies and Trading business which led to the increase in trading transactions and usage for third party cold-room during 2Q 2017/2018.

The Group reported a net loss of \$0.87 million in 2Q 2017/2018 as compared to a net profit of \$2.73 million in 2Q 2016/2017. The decrease in net profit was largely due to the absence of one-off gain on disposal of assets classified as held for sale of \$1.82 million during 2Q 2016/2017.

As a result of the above review, the loss attributable to the owners of the parent was recorded at \$0.53 million in 2Q 2017/2018, while loss attributable to non-controlling interests was recorded at \$0.34 million in 2Q 2017/2018.

Our earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) decreased by \$3.49 million from \$5.53 million in 2Q 2016/2017 to \$2.04 million in 2Q 2017/2018.

1H 2017/2018 compared to 1H 2016/2017

The Group registered \$85.93 million in revenue for the financial period ended 30 September 2017 (“**1H 2017/2018**”) as compared to \$67.43 million in the previous corresponding financial period ended 30 September 2016 (“**1H 2016/2017**”). The increase was approximately \$18.50 million or 27.4%.

Food Catering business revenue increased marginally by \$0.31 million or 1.2% from \$27.16 million in 1H 2016/2017 to \$27.47 million in 1H 2017/2018. The increase was mainly due to the strengthening of our recurring income stream from elder-care and childcare market segment by Gourmetz Pte. Ltd., our catering subsidiary incorporated in November 2016.

Food Retail business revenue decreased by \$1.39 million or 14.2% from \$9.81 million in 1H 2016/2017 to \$8.42 million in 1H 2017/2018. This was mainly attributable to the closure of non-performing outlets.

Food Manufacturing business revenue increased by \$0.86 million or 3.9% from \$21.94 million in 1H 2016/2017 to \$22.80 million in 1H 2017/2018. The increase was mostly due to the rebranding and marketing effort for our product offerings during 1H 2017/2018.

Supplies and Trading business revenue increased significantly by \$18.70 million or 231.5% from \$8.07 million in 1H 2016/2017 to \$26.77 million in 1H 2017/2018. This was mainly attributable to the revenue contributed by the recently acquired subsidiaries, U-Market Place Enterprise Pte. Ltd., in January 2017 as well as maiden revenue contributed by Hi-Q Plastic Industries Sdn Bhd from April 2017.

Other businesses revenue increased by \$0.02 million or 5.8% from \$0.45 million in 1H 2016/2017 to \$0.47 million in 1H 2017/2018.

Other income was \$0.92 million in 1H 2017/2018 as compared to \$2.96 million in 1H 2016/2017. It decreased by approximately \$2.04 million or 69.0% mainly due to the absence of one-off gain on disposal of assets classified as held for sale of \$1.82 million during 1H 2016/2017.

1H 2017/2018 compared to 1H 2016/2017 (Continued)

Our percentage increment of 53.5% in purchases and consumables used was higher than the revenue growth of 27.4% primarily due to the business expansion in our Supplies and Trading business with lower gross margin as compared to our other business segments with higher gross margin. This is in line with the increment in our Group's revenue which was mainly contributed by Supplies and Trading business.

Employee benefits expense increased by \$2.21 million or 10.4% to \$23.47 million in 1H 2017/2018 as compared to \$21.26 million in 1H 2016/2017. This was mainly due to the consolidation of the new headcount for the newly acquired subsidiary, U-Market Place Enterprise Pte. Ltd., and newly setup catering subsidiary, Gourmetz Pte. Ltd., with employee benefits expense of \$1.57 million and \$0.62 million respectively during 1H 2017/2018.

Advertising expenses decreased by \$1.01 million or 35.6% to \$1.81 million in 1H 2017/2018 as compared to \$2.82 million in 1H 2016/2017 was mainly attributable to the reduction in our advertising and promotional activities during 1H 2017/2018.

Operating lease expenses increased by \$1.18 million or 31.5% to \$4.94 million in 1H 2017/2018 as compared to \$3.76 million in 1H 2016/2017 was mainly due to the business expansion in Supplies and Trading business which led to the increase in trading transactions and usage for third party cold-room during 1H 2017/2018.

Due to the seasonality effect, the Group's performance would usually be more subdued during the first half as compared to second half of the financial year. The losses were mainly contributed by Supplies and Trading segment, as the acquisition of U-Market Place Enterprise Pte. Ltd. took place only in February 2017 and some time is required for its integration and turnaround. In addition, the Group reported a net loss of \$1.69 million in 1H 2017/2018 as compared to a net profit of \$0.25 million in 1H 2016/2017. The decrease in net profit was largely due to the absence of one-off gain on disposal of assets classified as held for sale of \$1.82 million during 1H 2016/2017.

As a result of the above review, the loss attributable to the owners of the parent was recorded at \$1.20 million in 1H 2017/2018, while loss attributable to non-controlling interests was recorded at \$0.50 million in 1H 2017/2018.

Our earnings before interest, tax, depreciation and amortisation ("**EBITDA**") decreased by \$1.64 million from \$5.71 million in 1H 2016/2017 to \$4.07 million in 1H 2017/2018.

Review of Financial Position

The Group's current assets decreased by \$2.09 million from \$45.51 million as at 31 March 2017 to \$43.42 million as at 30 September 2017. The Group's inventories and trade and other receivables decreased by \$1.28 million and \$0.86 million respectively mainly due to the improvement in inventory control as well as tightening in credit control for Supplies and Trading business. Prepayments increased by \$0.33 million to \$0.65 million, whilst cash and cash equivalents decreased by \$0.26 million to \$10.28 million.

The Group's non-current assets increased by \$7.32 million from \$93.62 million as at 31 March 2017 to \$100.94 million as at 30 September 2017 primarily due to the additions in property, plant and equipment of \$10.84 million which mainly attributable to the machinery and equipment acquired and renovation works done on the new property for Food Manufacturing business at 22 Senoko Way, as well as including a new property acquired by Hi-Q Plastic Industries Sdn Bhd in Johor, Malaysia with carrying amount of \$2.29 million. This is offset by the depreciation charged to property, plant and equipment of \$4.21 million for 1H 2017/2018.

The Group's current liabilities increased by \$9.18 million from \$61.59 million as at 31 March 2017 to \$70.77 million as at 30 September 2017. This was mainly attributable to increase in bank borrowings of \$7.18 million due mainly to the business expansion in Supplies and Trading business. The increase in trade and other payables of \$2.15 million was mainly due to the outstanding payable of \$1.83 million to the developer for the new property of Hi-Q Plastic Industries Sdn Bhd which will be financed by the bank term loan and was only completed in October 2017.

Review of Financial Position (Continued)

As at 30 September 2017, the Group was in a net current liability position of \$27.35 million, mainly due to the effects of drawdown of working capital and trade facilities from banks to support the operational expansion of Supplies and Trading business and Food Manufacturing business, integration and relocation costs for the new property at 22 Senoko Way, as well as a timing difference in current liability of the outstanding amount due to developer of \$1.83 million for Hi-Q Plastic Industries Sdn Bhd's new property which was pending for the final disbursement through bank term loan as at 30 September 2017. However, the Group's total assets exceeded its total liabilities by approximately \$34.79 million. In assessing whether the Group can meet its debts obligations as and when they fall due, the management had prepared cash flow forecasts which was approved by the Board of Directors of the Company ("**Board**"). The cash flows were derived from the financial budget where it indicates that the Group has sufficient cash and cash equivalents and adequate bank facilities to support the Group's operations and pay its debts as and when they fall due.

Barring unforeseen circumstances, the Board believes 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 as well as Supplies and Trading business, and results from the new initiatives implemented to increase efficiency and productivity for the Group.

Review of Cash Flows

The Group's net cash from operating activities in 1H 2017/2018 was \$4.45 million, mainly resulted from operating cash flows before working capital changes of \$3.92 million and a decrease in net working capital of \$0.81 million, which is offset by a net income tax paid of \$0.29 million.

The decrease in net working capital was mainly due to decrease in inventories of approximately \$1.42 million and trade and other receivables of approximately \$0.82 million. This is offset by a decrease in trade and other payables of approximately \$1.13 million and an increase in prepayments of approximately \$0.29 million.

The Group's net cash used in investing activities of \$7.37 million during 1H 2017/2018 was mainly due to the purchase of property, plant and equipment of \$7.53 million. The cash used in the purchase of property, plant and equipment was mainly attributable to the machinery and equipment acquired and renovation works done on the new property for Food Manufacturing business at 22 Senoko Way, as well as including a down payment of \$0.47 million for the new property of Hi-Q Plastic Industries Sdn Bhd in Johor, Malaysia.

The Group's net cash from financing activities of \$1.36 million during 1H 2017/2018 was mainly due to drawdown of bank borrowings of \$30.28 million and a loan from a related party of \$1.30 million. The cash inflow is offset by the repayment of bank borrowings of \$26.51 million, repayment of finance lease payables of \$1.05 million, dividends paid to the shareholders of \$1.46 million and interest payment of \$1.20 million.

As a result of the above, the net decrease in cash and cash equivalents during 1H 2017/2018 was \$1.56 million.

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

As per the previous commentary relating to the Group's profitability for the full financial year ending 31 March 2018 contained in Paragraph 10 of the Company's results announcement for the three-month period ended 30 June 2017 dated 8 August 2017 remain 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 Food Catering business would continue to focus on strengthening its recurring income streams and capturing a larger market share by pursuing more institutional catering, corporate clients and venue partnerships.

The Food Retail business is currently on the right track to turnaround its business positively.

The Food Manufacturing business constantly contributes positively to the Group as a result of enhanced cost efficiency and successful restructuring efforts, and the Group would continue to improve the operational efficiency as well as widen its product offerings for the Food Manufacturing business. Meanwhile, the Supplies and Trading business is undergoing a business review to enhance its performance.

Barring any unforeseen circumstances, the Company expects the Group's operations to remain profitable.

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

	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	128.9	-
- Rental and utilities income	12.0	-
(ii) Office premise lease expense ¹	49.2	-
Neo Kah Kiat and Liew Oi Peng		
(i) Office premise lease expense ²	97.5	-
(ii) Rental of hostel for staff welfare	6.0	-
(iii) Twinkle Investment Pte Ltd		
- Rental of yacht	120.0	-
- Office premise lease expense ³	51.1	-

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 2017/2018 relates to #05-04 at Enterprise One amounting to approximately \$49,200. 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 2017/2018 relates to lease expense for #05-03 and #05-05 at Enterprise One amounting to approximately \$97,500. 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 2017/2018 relates to lease expense for #05-06 at Enterprise One amounting to approximately \$51,100. 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 six-month period ended 30 September 2017 to be false or misleading in any material aspect.

Neo Kah Kiat
Chairman and Chief Executive Officer

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)

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
10 November 2017

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.