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 Third Quarter Ended 31 December 2016

PART I – INFORMATION REQUIRED FOR THE THIRD 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		
	3Q[1] 2016/2017 (Unaudited) $'000	3Q 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %	9M[2] 2016/2017 (Unaudited) $'000	9M 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %
Revenue	46,658	37,815	23.4%	114,091	89,861	27.0%
Other items of income						
Interest income	2	2	N.M.	7	5	40.0%
Other income	475	4,771	-90.0%	3,256	5,982	-45.6%
Items of expense						
Purchases and consumables used	(23,628)	(16,506)	43.1%	(51,272)	(36,451)	40.7%
Changes in inventories	42	78	-46.2%	74	78	-5.1%
Delivery expenses	(836)	(1,096)	-23.7%	(2,407)	(2,803)	-14.1%
Employee benefits expense	(11,595)	(7,901)	46.8%	(32,854)	(23,596)	39.2%
Depreciation and amortisation expenses	(2,187)	(1,788)	22.3%	(6,419)	(4,771)	34.5%
Advertising expenses	(1,476)	(2,018)	-26.9%	(4,292)	(4,749)	-9.6%
Operating lease expenses	(1,747)	(1,841)	-5.1%	(5,503)	(4,784)	15.0%
Utilities	(1,200)	(1,189)	0.9%	(3,581)	(3,034)	18.0%
Other expenses	(7,711)	(5,160)	49.4%	(12,825)	(9,709)	32.1%
Finance costs	(501)	(563)	-11.0%	(1,612)	(1,188)	35.7%
(Loss)/Profit before income tax	(3,704)	4,604	N.M.	(3,337)	4,841	N.M.
Income tax credit/(expense)	2,501	(501)	N.M.	2,383	(945)	N.M.
(Loss)/Profit for the financial period	(1,203)	4,103	N.M.	(954)	3,896	N.M.
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences arising from translation of foreign operation	118	(13)	N.M.	355	503	-29.4%
Gain/(Loss) on fair value changes of available-for-sale financial asset	23	-	N.M.	(238)	-	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	141	(13)	N.M.	117	503	-76.7%
Total comprehensive income for the financial period	(1,062)	4,090	N.M.	(837)	4,399	N.M.

[1] "3Q" denotes financial period from 1 October to 31 December
[2] "9M" denotes financial period from 1 April to 31 December
[3] "N.M." denotes not meaningful

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

	Group			Group		
	3Q 2016/2017 (Unaudited) $'000	3Q 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %	9M 2016/2017 (Unaudited) $'000	9M 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %
Profit/(Loss) attributable to:						
Owners of the parent	125	4,837	-97.4%	564	5,103	-88.9%
Non-controlling interests	(1,328)	(734)	80.9%	(1,518)	(1,207)	25.8%
	(1,203)	4,103	N.M.	(954)	3,896	N.M.
Total comprehensive income attributable to:						
Owners of the parent	213	4,830	-95.6%	521	5,379	-90.3%
Non-controlling interests	(1,275)	(740)	72.3%	(1,358)	(980)	38.6%
	(1,062)	4,090	N.M.	(837)	4,399	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		
	3Q 2016/2017 (Unaudited) $'000	3Q 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %	9M 2016/2017 (Unaudited) $'000	9M 2015/2016 (Unaudited) $'000	Increase/ (Decrease) %
Interest income	2	2	N.M.	7	5	40.0%
Dividend income	-	-	N.M.	11	18	-38.9%
Fair value gain on derivative financial instruments	-	-	N.M.	23	-	N.M.
Gain from bargain purchase on acquisition of subsidiaries	-	4,255	-100.0%	-	4,255	-100.0%
Gain on disposal of assets classified as held for sale	-	-	N.M.	1,817	672	170.4%
Government grants	158	156	1.3%	515	414	24.4%
Rental income	142	133	6.8%	499	245	103.7%
Utilities income	1	-	N.M.	1	3	-66.7%
Bad third parties trade receivables written off	(1)	(3)	-66.7%	(4)	(3)	33.3%
Depreciation of property, plant and equipment	(2,045)	(1,748)	17.0%	(6,100)	(4,655)	31.0%
Depreciation of investment properties	(20)	(6)	233.3%	(58)	(17)	241.2%
Amortisation of intangible assets	(122)	(34)	258.8%	(261)	(99)	163.6%
Foreign exchange loss, net	(81)	-	N.M.	(401)	-	N.M.
Loss on disposal of property, plant and equipment	(5,161)	-	N.M.	(4,989)	(5)	N.M.
Plant and equipment written off	(13)	(45)	-71.1%	(18)	(48)	-62.5%
Finance costs	(501)	(563)	-11.0%	(1,612)	(1,188)	35.7%

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 As at		Company As at	
	31/12/2016 (Unaudited) $'000	**31/3/2016 (Audited) $'000**	**31/12/2016 (Unaudited) $'000**	**31/3/2016 (Audited) $'000**
ASSETS				
Current assets				
Inventories	7,272	9,044	-	-
Trade and other receivables	24,335	16,491	3,748	6,551
Prepayments	566	759	10	11
Cash and cash equivalents	10,982	12,176	261	378
	43,155	38,470	4,019	6,940
Assets classified as held for sale	-	1,043	-	-
Total current assets	43,155	39,513	4,019	6,940
Non-current assets				
Property, plant and equipment	74,546	75,884	11	14
Investment properties	2,728	2,787	-	-
Intangible assets	9,427	9,608	5	10
Investments in subsidiaries	-	-	25,769	21,351
Other receivables	227	197	2,211	2,211
Available-for-sale financial asset	392	630	392	630
Total non-current assets	87,320	89,106	28,388	24,216
TOTAL ASSETS	**130,475**	**128,619**	**32,407**	**31,156**
EQUITY				
Capital and reserves				
Share capital	7,899	7,899	7,899	7,899
Merger reserves	(326)	(326)	-	-
Fair value adjustment account	(238)	-	(238)	-
Foreign currency translation reserve	345	150	-	-
Retained earnings	21,979	22,874	2,380	3,748
Equity attributable to owners of the parent	29,659	30,597	10,041	11,647
Non-controlling interests	6,047	5,660	-	-
TOTAL EQUITY	35,706	36,257	10,041	11,647

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

	Group		Company	
	As at		As at	
	31/12/2016	31/3/2016	31/12/2016	31/3/2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	$'000	$'000	$'000	$'000
LIABILITIES				
Current liabilities				
Trade and other payables	17,893	19,298	3,479	5,083
Provisions	447	400	-	-
Bank borrowings	32,994	30,883	-	-
Finance lease payables	1,759	2,012	-	-
Derivative financial liabilities	-	82	-	-
Income tax payable	609	1,520	23	23
Total current liabilities	53,702	54,195	3,502	5,106
Non-current liabilities				
Other payables	1,255	-	18,864	14,403
Bank borrowings	34,701	30,995	-	-
Finance lease payables	2,338	2,494	-	-
Deferred tax liabilities	2,773	4,678	-	-
Total non-current liabilities	41,067	38,167	18,864	14,403
TOTAL LIABILITIES	94,769	92,362	22,366	19,509
TOTAL EQUITY AND LIABILITIES	**130,475**	**128,619**	**32,407**	**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 31/12/2016 (Unaudited) $'000		As at 31/03/2016 (Audited) $'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	10,930	22,064	13,840	17,043
Finance lease payables	1,759	-	2,012	-
Amount repayable after one year	**As at 31/12/2016 (Unaudited) $'000**		**As at 31/03/2016 (Audited) $'000**	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Bank borrowings	34,701	-	30,765	230
Finance lease payables	2,338	-	2,494	-

Details of any collateral:

As at 31 December 2016, the Group's borrowings comprised bank borrowings and finance lease payables.

Bank borrowings

Bank borrowings of $10.93 million repayable within one year or less or on demand, and $34.70 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 $22.06 million repayable within one year or less or on demand are unsecured.

Finance lease payables

The Group's obligations under finance leases of $1.76 million repayable within one year or less or on demand, and $2.34 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	
	3Q 2016/2017 (Unaudited) $'000	**3Q 2015/2016 (Unaudited) $'000**	**9M 2016/2017 (Unaudited) $'000**	**9M 2015/2016 (Unaudited) $'000**
Operating activities				
(Loss)/Profit before income tax	(3,704)	4,604	(3,337)	4,841
Adjustments for:				
Depreciation and amortisation expenses	2,187	1,788	6,419	4,771
Bad third parties trade receivables written off	1	3	4	3
Fair value gain on derivative financial instruments	-	-	(23)	-
Gain from bargain purchase on acquisition of subsidiaries	-	(4,255)	-	(4,255)
Gain on disposal of assets classified as held for sale	-	-	(1,817)	(672)
Interest expense	501	563	1,612	1,188
Interest income	(2)	(2)	(7)	(5)
Loss on disposal of plant and equipment, net	5,161	-	4,989	5
Plant and equipment written off	13	45	18	48
Dividend income	-	-	(11)	(18)
Operating cash flows before working capital changes	4,157	2,746	7,847	5,906
Working capital changes:				
Inventories	(1,443)	(2,430)	1,681	(3,088)
Trade and other receivables	(8,509)	(3,481)	(8,047)	(6,613)
Prepayments	7	215	193	405
Trade and other payables	3,090	1,926	562	1,786
Provisions	11	13	47	13
Derivative financial instruments	-	-	(59)	-
Cash (absorbed by)/generated from operations	(2,687)	(1,011)	2,224	(1,591)
Income tax paid	183	(406)	(432)	(1,127)
Net cash (used in)/from operating activities	(2,504)	(1,417)	1,792	(2,718)
Investing activities				
Acquisitions of subsidiaries, net of cash acquired	-	(3,066)	-	(9,613)
Purchase of property, plant and equipment	(1,096)	(2,712)	(18,957)	(4,948)
Purchase of intangible assets	(73)	(39)	(81)	(60)
Proceeds from disposal of property, plant and equipment	10,177	-	10,445	-
Proceeds from disposal of assets classified as held for sale	-	-	2,860	1,460
Interest received	2	2	7	5
Dividend income	-	-	11	18
Net cash from/(used in) investing activities	9,010	(5,815)	(5,715)	(13,138)

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

	Group		Group	
	3Q 2016/2017 (Unaudited) $'000	3Q 2015/2016 (Unaudited) $'000	9M 2016/2017 (Unaudited) $'000	9M 2015/2016 (Unaudited) $'000
Financing activities				
Fixed deposits pledged with bank	-	10	-	10
Issuance of ordinary shares to non-controlling interests in a subsidiary	245	-	1,745	-
Drawdown of bank borrowings	12,758	12,705	36,875	36,505
Repayment of bank borrowings	(17,234)	(5,249)	(30,484)	(16,989)
Repayment of finance lease payables	(531)	(365)	(1,758)	(1,110)
Dividends paid	-	-	(1,459)	(1,523)
Interest paid	(501)	(558)	(1,612)	(1,164)
Net cash (used in)/from financing activities	(5,263)	6,543	3,307	15,729
Net change in cash and cash equivalents	1,243	(690)	(616)	(127)
Effect of foreign exchange rate changes on cash and cash equivalents	(7)	33	(4)	32
Cash and cash equivalents at beginning of financial period	8,910	8,121	10,766	7,559
Cash and cash equivalents at end of financial period	**10,146**	**7,464**	**10,146**	**7,464**

Cash and cash equivalents comprise:	Group As at	
	31/12/2016 (Unaudited) $'000	30/9/2015 (Unaudited) $'000
Cash on hand and at bank	10,605	7,464
Fixed deposits	377	31
Cash and cash equivalents as per statement of financial position	**10,982**	**7,495**
Less: Fixed deposits pledged	(226)	(31)
Less: Bank overdraft	(610)	-
Cash and cash equivalents as per consolidated statement of cash flows	**10,146**	**7,464**

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/(loss) for the financial period	-	-	-	-	564	564	(1,518)	(954)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	195	-	195	160	355
Loss on fair value changes of available-for-sale financial asset	-	-	(238)	-	-	(238)	-	(238)
Total comprehensive income for the financial period	-	-	(238)	195	564	521	(1,358)	(837)
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	-	-	-	-	-	-	1,745	1,745
Total transactions with non-controlling interests	-	-	-	-	-	-	1,745	1,745
Balance at 31 December 2016	**7,899**	**(326)**	**(238)**	**345**	**21,979**	**29,659**	**6,047**	**35,706**

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	-	-	-	-	5,103	5,103	(1,207)	3,896
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	277	-	277	233	510
Total comprehensive income for the financial period	-	-	-	277	5,103	5,380	(974)	4,406
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	1,500	-	-	-	-	1,500	3,868	5,368
Total transactions with non-controlling interests	1,500	-	-	-	-	1,500	3,868	5,368
Balance at 31 December 2015	**7,899**	**(326)**	**(230)**	**277**	**21,915**	**29,535**	**2,894**	**32,429**

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	-	-	91	91
Other comprehensive income:				
Loss on fair value changes of available-for-sale financial asset	-	(238)	-	(238)
Total comprehensive income for the financial period	-	(238)	91	(147)
Distribution to owners:				
Dividends	-	-	(1,459)	(1,459)
Total transactions with owners	-	-	(1,459)	(1,459)
Balance at 31 December 2016	**7,899**	**(238)**	**2,380**	**10,041**
(Unaudited)				
Balance at 1 April 2015	6,399	(230)	3,554	9,723
Loss for the financial period	-	-	(441)	(441)
Total comprehensive income for the financial period	-	-	(441)	(441)
Transactions with owners:				
Share issued for acquisition of subsidiaries	1,500	-	-	1,500
Dividends	-	-	(1,523)	(1,523)
Total transactions with owners	1,500	-	(1,523)	(23)
Balance at 31 December 2015	**7,899**	**(230)**	**1,590**	**9,259**

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 31 December 2016	145,907,100	7,899,133

As at 31 December 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	
	31/12/2016	**31/3/2016**
Total number of issued shares excluding treasury shares	145,907,100	145,907,100

There were no treasury shares as at 31 December 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 31 December 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	
	3Q 2016/2017 (Unaudited)	3Q 2015/2016 (Unaudited)	9M 2016/2017 (Unaudited)	9M 2015/2016 (Unaudited)
Profit attributable to owners of the parent ($'000)	125	4,837	564	5,103
Actual/Weighted average number of ordinary shares [(1)]	145,907,100	144,926,199	145,907,100	144,926,199
Basic and diluted EPS based on actual/weighted average number of ordinary shares (cents) [(2)]	0.09	3.34	0.39	3.52

Notes:

(1) Basic EPS is computed by dividing the profit attributable to owners of the parent in each financial period by the actual/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	
	31/12/2016 (Unaudited)	31/3/2016 (Audited)	31/12/2016 (Unaudited)	31/3/2016 (Audited)
NAV ($'000)	29,659	30,597	10,041	11,647
Number of ordinary shares	145,907,100	145,907,100	145,907,100	145,907,100
NAV per ordinary share (cents)	20.33	20.97	6.88	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

3Q 2016/2017 compared to 3Q 2015/2016

Revenue

For the quarter ended 31 December 2016 ("**3Q 2016/2017**"), the Group registered $46.66 million in revenue as compared to $37.82 million in the previous corresponding quarter ended 31 December 2015 ("**3Q 2015/2016**"). The increase was approximately $8.84 million or 23.4%.

Food catering business revenue decreased by $1.16 million or 6.5% from $17.95 million in 3Q 2015/2016 to $16.79 million in 3Q 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 $0.24 million or 5.5% from $4.40 million in 3Q 2015/2016 to $4.64 million in 3Q 2016/2017. This was mainly attributable to the opening of new outlets that are strategically located as well as new initiatives and promotions launched during this quarter.

Food manufacturing business revenue increased by $0.36 million or 2.9% from $12.24 million in 3Q 2015/2016 to $12.60 million in 3Q 2016/2017. The increase was mainly due to successfully launched of new product offerings during this quarter.

Food trading business revenue increased by $1.74 million or 59.6% from $2.92 million in 3Q 2015/2016 to $4.66 million in 3Q 2016/2017. As the acquisition was only completed in November 2015, food trading business contributed 2 months revenue in 3Q 2015/2016 compared to 3 months revenue in 3Q 2016/2017.

Food and catering supplies business revenue increased by $7.57 million from $0.11 million in 3Q 2015/2016 to $7.68 million in 3Q 2016/2017. The increase was mainly due to the commencement of food and catering supplies business supplying to and trading frozen meat with a local third party customer during this quarter.

Other income

Other income was $0.48 million in 3Q 2016/2017 as compared to $4.77 million in 3Q 2015/2016. It decreased by approximately $4.29 million or 90.0% mainly due to the absence of one-off provisional gain from bargain purchase on acquisition of subsidiaries of $4.26 million during this quarter.

Purchases and consumables used

Purchases and consumables used increased by approximately $7.12 million or 43.1% to $23.63 million in 3Q 2016/2017 from $16.51 million in 3Q 2015/2016. The increase was mainly due to increase in food prices and consumables expenses as a result of the new frozen meat trading in food and catering supplies business as well as consolidation of costs incurred by the food trading business after the acquisition was completed in November 2015. Generally, the food and catering supplies and food trading business have a lower gross profit margin compared to the food catering business and food retail business, thus the percentage increase in purchases and consumables used was higher than the percentage increase in revenue.

Delivery expenses

Delivery expenses decreased by $0.26 million or 23.7% to $0.84 million in 3Q 2016/2017 as compared to $1.10 million in 3Q 2015/2016. This was due to a reduction in the usage of outsourced drivers for the food retail business.

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

Employee benefits expense

Employee benefits expense increased by $3.70 million or 46.8% to $11.60 million in 3Q 2016/2017 as compared to $7.90 million in 3Q 2015/2016. This was due to an increase in headcount for the operations in preparing for the upcoming festive peak season as well as additional staffs being employed for our newly setup catering subsidiary to serve a new market segment in December 2016.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $0.40 million or 22.3% from $1.79 million in 3Q 2015/2016 to $2.19 million in 3Q 2016/2017. This was mainly attributable to the completed construction of cold-room on the new property at 22 Senoko Way and additions to other plant and machinery during the quarter.

Advertising expenses

Advertising expenses decreased by $0.54 million or 26.9% from $2.02 million in 3Q 2015/2016 to $1.48 million in 3Q 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 decreased by $0.09 million or 5.1% from $1.84 million in 3Q 2015/2016 to $1.75 million in 3Q 2016/2017 mainly due to the termination of third party cold-room rental for food manufacturing business.

Utilities

Utilities increased by approximately $0.01 million or 0.9% from $1.19 million in 3Q 2015/2016 to $1.20 million in 3Q 2016/2017. The increase was mainly attributable to an increase in the electricity usage for the cold-room at 22 Senoko Way.

Other expenses

Other expenses increased by $2.55 million or 49.4% from $5.16 million in 3Q 2015/2016 to $7.71 million in 3Q 2016/2017. The increase was mainly due to a one-off loss on disposal of property at 14 Senoko Way of $5.20 million during the quarter. Other than the one-off loss on disposal, the remaining other expenses were attributable to 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 decreased by approximately $0.06 million or 11.0% from $0.56 million in 3Q 2015/2016 to $0.50 million in 3Q 2016/2017 mainly due to the settlement of bank borrowings upon the disposal of 14 Senoko Way and the application of the remaining net proceeds from the disposal to pare down our bank borrowings during the quarter.

(Loss)/Profit before income tax

The Group reported a loss before income tax of $3.70 million in 3Q 2016/2017 as compared to a profit before tax of $4.60 million in 3Q 2015/2016. The loss before income tax was mainly attributable to a one-off loss on disposal of property at 14 Senoko Way of $5.20 million during the quarter as compared to a one-off provisional gain from bargain purchase on acquisition of subsidiaries of $4.26 million in the previous corresponding quarter.

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

Income tax credit/(expense)

The income tax of the Group recorded a credit of $2.50 million in 3Q 2016/2017 primarily due to a reversal of deferred tax of $1.90 million as a result of the disposal of property at 14 Senoko Way as well as income tax refund of $0.89 million from Inland Revenue Authority of Singapore ("IRAS") being over-provision of income tax expense in prior financial year.

(Loss)/Profit for the financial period

As a result of the above review, the Group reported a loss for the financial period of $1.20 million in 3Q 2016/2017 as compared to a profit of $4.10 million in 3Q 2015/2016. The loss for the financial period was mainly attributable to a one-off loss on disposal of property net of reversal of deferred tax of $3.30 million during the quarter as compared to a one-off provisional gain from bargain purchase on acquisition of subsidiaries of $4.26 million in the previous corresponding quarter. The profit attributable to the owners of the parent decreased by $4.71 million or 97.4% from $4.84 million in 3Q 2015/2016 to $0.13 million in 3Q 2016/2017, while net loss attributable to non-controlling interests increased by $0.60 million or 80.9% from $0.73 million to $1.33 million.

9M 2016/2017 compared to 9M 2015/2016

Revenue

For the nine months financial period ended 31 December 2016 ("**9M 2016/2017**"), the Group registered $114.09 million in revenue as compared to $89.86 million in the previous corresponding nine months ended 31 December 2015 ("**9M 2015/2016**"). The increase was approximately $24.23 million or 27.0%.

Food catering business revenue decreased by $1.65 million or 3.6% from $45.60 million in 9M 2015/2016 to $43.95 million in 9M 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 $1.27 million or 9.6% from $13.18 million in 9M 2015/2016 to $14.45 million in 9M 2016/2017. This was mainly attributable to the opening of new outlets that are strategically located as well as new initiatives and promotions launched during this period.

Food manufacturing business revenue increased by $7.26 million or 26.6% from $27.28 million in 9M 2015/2016 to $34.54 million in 9M 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.

Food trading business contributed revenue of $12.37 million in 9M 2016/2017 as compared to $2.92 million in 9M 2015/2016. As the acquisition was only completed in November 2015, there is no comparative revenue from April to October 2015.

Food and catering supplies business revenue increased by $7.80 million from $0.25 million in 9M 2015/2016 to $8.05 million in 9M 2016/2017. The increase was mainly due to the commencement of food and catering supplies business supplying to and trading frozen meat with a local third party customer during this period.

Other income

Other income was $3.26 million in 9M 2016/2017 as compared to $5.98 million in 9M 2015/2016. It decreased by approximately $2.72 million or 45.6% mainly due to the absence of one-off provisional gain from bargain purchase on acquisition of subsidiaries of $4.26 million during this quarter, offset by an increase in gain on disposal of assets classified as held for sale of $1.15 million, increase in government grants received of $0.10 million and increase in rental income of $0.25 million.

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

Purchases and consumables used

Purchases and consumables used increased by approximately $14.82 million or 40.7% to $51.27 million in 9M 2016/2017 from $36.45 million in 9M 2015/2016. The increase was mainly due to increase in food prices and consumables expenses as a result of the new frozen meat trading in food and catering supplies business as well as consolidation of costs incurred by the food trading business after the acquisition were completed in November 2015. Generally, the food and catering supplies and food trading business have a lower gross profit margin compared to the food catering business and food retail business, thus the percentage increase in purchases and consumables used was higher than the percentage increase in revenue.

Delivery expenses

Delivery expenses decreased by $0.39 million or 14.1% to $2.41 million in 9M 2016/2017 as compared to $2.80 million in 9M 2015/2016. This was due to a reduction in the usage of outsourced drivers for the food retail business.

Employee benefits expense

Employee benefits expense increased by $9.25 million or 39.2% to $32.85 million in 9M 2016/2017 as compared to $23.60 million in 9M 2015/2016. This was mainly due to the introduction of employee benefits expense incurred from food manufacturing business and food trading business which only consolidated for 7 months and 2 months employee benefits expense respectively during 9M 2015/2016.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $1.65 million or 34.5% from $4.77 million in 9M 2015/2016 to $6.42 million in 9M 2016/2017. This was mainly attributable to the additional renovation for leasehold properties at Enterprise Road, completed construction of cold-room on the new property at 22 Senoko Way and additions to other plant and machinery during the financial period.

Advertising expenses

Advertising expenses decreased by $0.46 million or 9.6% from $4.75 million in 9M 2015/2016 to $4.29 million in 9M 2016/2017. This was mainly due to a reduction in advertising and promotional activities and sponsorship expenses during the current financial period.

Operating lease expenses

Operating lease expenses increased by $0.72 million or 15.0% from $4.78 million in 9M 2015/2016 to $5.50 million in 9M 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 food trading business, offset by the termination on third party cold-room rental for food manufacturing business.

Utilities

Utilities increased by approximately $0.55 million or 18.0% from $3.03 million in 9M 2015/2016 to $3.58 million in 9M 2016/2017. The increase was mainly due to the consolidation of utilities from the food trading business and an increase in the electricity usage for the cold-room at 22 Senoko Way.

Other expenses

Other expenses increased by $3.12 million or 32.1% from $9.71 million in 9M 2015/2016 to $12.83 million in 9M 2016/2017. The increase was mainly due to a one-off loss on disposal of property at 14 Senoko Way of $5.20 million during the financial period. Other than the one-off loss on disposal, the remaining other expenses were attributable to credit card charges, professional and legal fees, repair and maintenance, upkeep of motor vehicles, insurance expenses and low value asset items expensed.

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

Finance costs

Finance costs increased by approximately $0.42 million or 35.7% from $1.19 million in 9M 2015/2016 to $1.61 million in 9M 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, offset by the settlement of bank borrowings for the disposal of 14 Senoko Way.

(Loss)/Profit before income tax

The Group reported a loss before income tax of $3.34 million in 9M 2016/2017 as compared to a profit before tax of $4.84 million in 9M 2015/2016. The loss before income tax was mainly attributable to a one-off loss on disposal of property at 14 Senoko Way of $5.20 million during the period as compared to a one-off provisional gain from bargain purchase on acquisition of subsidiaries of $4.26 million during the previous corresponding period.

Income tax credit/(expense)

The income tax of the Group recorded a credit of $2.38 million in 3Q 2016/2017 primarily due to a reversal of deferred tax of $1.90 million as a result of the disposal of property at 14 Senoko Way as well as income tax refund of $0.89 million from IRAS being over-provision of income tax expense in prior financial year.

(Loss)/Profit for the financial period

As a result of the above review, the Group reported a loss for the financial period of $0.95 million in 9M 2016/2017 compared to a profit of $3.90 million in 9M 2015/2016. The loss for the financial period was mainly attributable to a one-off loss on disposal of property net of reversal of deferred tax of $3.30 million during the financial period as compared to a one-off provisional gain from bargain purchase on acquisition of subsidiaries of $4.26 million during the previous corresponding financial period.

The profit attributable to the owners of the parent decreased by $4.54 million or 88.9% from $5.10 million in 9M 2015/2016 to $0.56 million in 9M 2016/2017, while net loss attributable to non-controlling interests increased by $0.31 million or 25.8% from $1.21 million to $1.52 million.

8(b). Review of Financial Position of the Group as at 31 December 2016

Current assets

The Group’s current assets increased by $3.65 million from $39.51 million as at 31 March 2016 to $43.16 million as at 31 December 2016. The Group’s inventories decreased by $1.77 million mainly due to the improvement in inventory control of food manufacturing business. The increase in trade and other receivables of approximately $7.85 million resulted from a longer debtor turnover days for frozen meat customer in our food and catering supplies business. Prepayments decreased marginally by $0.19 million to $0.57 million, and cash and cash equivalents decreased by $1.20 million to $10.98 million.

The Group’s assets classified as held for sale with a total carrying amount of $1.04 million as at 31 March 2016 related to the properties disposed off to third parties for a total cash consideration of $2.86 million during 2Q 2016/2017.

Non-current assets

The Group’s non-current assets decreased by $1.79 million from $89.11 million as at 31 March 2016 to $87.32 million as at 31 December 2016 primarily due to a net decrease in property, plant and equipment, investment properties and intangible assets of $1.57 million as well as a decrease in available-for-sale financial assets of $0.24 million due to a loss on fair value changes based on its quoted market price.

8(b). Review of Financial Position of the Group as at 31 December 2016 (Continued)

Non-current assets (Continued)

The net decrease in property, plant and equipment, investment properties and intangible assets was mainly due to the disposal of property at 14 Senoko Way with carrying amount of $15.20 million, depreciation and amortisation charges of $6.42 million for 9M 2016/2017, offset by the acquisition of new property at 22 Senoko Way of $15.00 million and other plant and equipment and intangible assets of approximately $5.31 million.

Current liabilities

The Group's current liabilities decreased by $0.50 million from $54.20 million as at 31 March 2016 to $53.70 million as at 31 December 2016. This was mainly attributable to a decrease in trade and other payables of $1.41 million, a decrease in income tax payable of $0.91 million and net repayment of current financial lease payables of $0.25 million, offset by the net drawdown of current bank borrowings of $2.11 million.

Non-current liabilities

The Group's non-current liabilities increased by $2.90 million from $38.17 million as at 31 March 2016 to $41.07 million as at 31 December 2016 primarily due to the financing obtained for the acquisition of new property at 22 Senoko Way, offset by the settlement of bank borrowings and reversal of deferred tax arising from the revaluation upon disposal of property at 14 Senoko Way as well as the reclassification from non-current bank borrowings to current bank borrowings based on their repayment terms.

Net current liability position

As at 31 December 2016, the Group was in a net current liability position of $10.55 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 of the Group's intended disposal of certain properties and 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 from operating activities in 9M 2016/2017 was $1.79 million, mainly resulted from operating cash flows before working capital changes of $7.85 million, offset by a decrease in net working capital of $5.62 million and a net income tax paid of $0.43 million.

The decrease in net working capital was mainly due to an increase in trade and other receivables of approximately $8.05 million. This is offset by a decrease in inventories of approximately $1.68 million, a decrease in prepayments of approximately $0.19, and an increase in trade and other payables of approximately $0.56 million.

The Group's net cash used in investing activities of $5.72 million during 9M 2016/2017 was mainly attributable to the purchase of property, plant and equipment of $18.96 million, offset by the proceeds of $10.45 million from disposal of property, plant and equipment and $2.86 million from disposal of assets classified as held for sale. The cash used in the purchase of property, plant and equipment was mainly attributable to the acquisition of new property at 22 Senoko Way with purchase consideration of $15.00 million, while the proceeds from the disposal of property at 14 Senoko Way was $10.00 million.

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

The Group's net cash from financing activities of $3.31 million during 9M 2016/2017 was mainly due to drawdown of bank borrowings of 36.88 million as well as 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 and $0.25 million in respect of the ordinary shares issued in Gourmetz Pte Ltd, a 51%-owned subsidiary of the Company. The net cash inflow is offset by the repayment of bank borrowings of $30.48 million, repayment of finance lease payables of $1.76 million, dividends paid of $1.46 million and interest payment of $1.61 million.

As a result of the above, the net decrease in cash and cash equivalents during 9M 2016/2017 was $0.62 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 announced on 1 November 2016 in relation to the financial effects for disposal of property at 14 Senoko Way, the disposal is expected to result in a one-off loss on disposal in 3Q 2016/2017. The expected one-off loss in the aforementioned announcement is in line with the actual results. In addition, 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 1H 2016/2017 dated 11 November 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. On 16 November 2016, the Group established a 51%-owned subsidiary, namely Gourmetz Pte. Ltd., which targets growing elder-care and childcare market segments and strengthens recurring income for food catering business.

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, and with the greater synergies from the newly acquired 75%-owned subsidiary, namely U-Market Place Enterprise Pte. Ltd., the Group seeks to achieve back-end integration with the potential of greater profitability and economies of scale. The food manufacturing business is currently on the right track to generate operating profit 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 food trading business is expected to continue to grow and consistently contribute to the Group.

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

11. **Dividend** (Continued)

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	166.2	-
- Rental and utilities income	18.0	-
(ii) Office premise lease expense[1]	75.2	-
Neo Kah Kiat and Liew Oi Peng		
(i) Office premise lease expense[2]	148.9	-
(ii) Rental of hostel for staff welfare	9.0	-
(iii) Twinkle Investment Pte Ltd		
- Rental of yacht	180.0	-
- Office premise lease expense[3]	78.5	-

13. Interested person transactions (Continued)

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 9M 2016/2017 relates to #05-04 at Enterprise One amounting to approximately $75,200. 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 9M 2016/2017 relates to lease expense for #05-03 and #05-05 at Enterprise One amounting to approximately $148,900. 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 9M 2016/2017 relates to lease expense for #05-06 at Enterprise One amounting to approximately $78,500. 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 9 months ended 31 December 2016 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
9 February 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.

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