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 2015

PART I – INFORMATION REQUIRED FOR 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.

On 14 May 2015, Neo Group Limited (the "**Company**") announced the incorporation of Thong Siek Holdings Pte. Ltd. ("**TSH**") and the proposed acquisition by TSH (the "**Thong Siek Acquisition**") of the entire issued share capital of (i) Thong Siek Food Industry Pte. Ltd., (ii) Dodo Marketing Pte. Ltd., (iii) TSF Engineering Pte. Ltd. and (iv) TS Food Industry Sdn Bhd (collectively, the "**Thong Siek Group**"). On 12 June 2015, the Company announced the completion of the Thong Siek Acquisition by TSH and that TSH had become a 55%-owned subsidiary of the Company henceforth. Accordingly, for the purpose of this announcement, the financial information of the Thong Siek Group has been included in the consolidated financial statements of the Company and its subsidiaries (the "**Group**") with effect from June 2015.

On 3 November 2015, the Company announced the proposed acquisition of 90% interest in the issued and paid-up share capital of CT Vegetables & Fruits Pte Ltd ("**CT Vegetables**"). On 5 November 2015, the proposed acquisition of CT Vegetables and its subsidiaries (the "**CT Vegetables Acquisition**") was completed and CT Vegetables became a 90%-owned subsidiary of the Company henceforth. Accordingly, for the purpose of this announcement, the financial information of CT Vegetables has been included in the consolidated financial statements of the Group with effect from November 2015. In arriving at the fair value uplift arising from the properties from the CT Vegetables Acquisition, the management of the Company has *inter alia* taken into consideration the valuation reports relating to the properties held by CT Vegetables issued by independent valuers for financing and other purposes and such valuation may be subject to further subsequent adjustments if deem appropriate.

In preparing this announcement, the management of the Company has assessed the fair values of the net identifiable assets and liabilities of the Thong Siek Group and CT Vegetables on a provisional basis and which are subject to changes. 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 of the Thong Siek Group and CT Vegetables to assess the fair values 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.

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

	Group 3rd Quarter ended 31 December 2015 (Unaudited) $'000	Group 3rd Quarter ended 31 December 2014 (Unaudited) $'000	Increase/ (Decrease) %	Group 9 Months ended 31 December 2015 (Unaudited) $'000	Group 9 Months ended 31 December 2014 (Unaudited) $'000	Increase/ (Decrease) %
Revenue	37,815	18,222	107.5%	89,861	47,631	88.7%
Other items of income						
Interest income	2	-	N.M.	5	10	-50.0%
Other income	4,771	159	2900.6%	5,982	1,113	437.5%
Items of expense						
Purchases and consumables used	(16,506)	(5,356)	208.2%	(36,451)	(14,660)	148.6%
Changes in inventories	78	45	73.3%	78	329	-76.3%
Delivery expenses	(1,096)	(626)	75.1%	(2,803)	(1,534)	82.7%
Employee benefits expense	(7,901)	(5,820)	35.8%	(23,596)	(16,116)	46.4%
Depreciation and amortisation expenses	(1,788)	(1,099)	62.7%	(4,771)	(2,733)	74.6%
Advertising expenses	(2,018)	(899)	124.5%	(4,749)	(2,196)	116.3%
Operating lease expenses	(1,841)	(1,181)	55.9%	(4,784)	(3,300)	45.0%
Utilities	(1,189)	(392)	203.3%	(3,034)	(1,075)	182.2%
Other expenses	(5,160)	(1,253)	311.8%	(9,709)	(3,727)	160.5%
Finance costs	(563)	(114)	393.9%	(1,188)	(274)	333.6%
Profit before income tax	4,604	1,686	173.1%	4,841	3,468	39.6%
Income tax expense	(501)	(339)	47.8%	(945)	(725)	30.3%
Profit for the financial period	4,103	1,347	204.6%	3,896	2,743	42.0%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences arising from translation of foreign operation	(13)	-	N.M.	503	-	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	(13)	-	N.M.	503	-	N.M.
Total comprehensive income for the financial period	4,090	1,347	203.6%	4,399	2,743	60.4%
Profit/(Loss) attributable to:						
Owners of the parent	4,837	1,347	259.1%	5,103	2,743	86.0%
Non-controlling interests	(734)	-	N.M.	(1,207)	-	N.M.
	4,103	1,347	204.6%	3,896	2,743	42.0%
Total comprehensive income attributable to:						
Owners of the parent	4,830	1,347	258.6%	5,379	2,743	96.1%
Non-controlling interests	(740)	-	N.M.	(980)	-	N.M.
	4,090	1,347	203.6%	4,399	2,743	60.4%

"N.M." denotes not meaningful.

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

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

	Group 3rd Quarter ended 31 December			Group 9 Months ended 31 December		
	2015 (Unaudited)	2014 (Unaudited)	Increase/ (Decrease)	2015 (Unaudited)	2014 (Unaudited)	Increase/ (Decrease)
	$'000	$'000	%	$'000	$'000	%
Interest income	2	-	N.M.	5	10	-50.0%
Dividend income	-	-	N.M.	18	34	-47.1%
Bargain purchase gain on acquisition of CT Vegetables and its subsidiaries	4,255	-	N.M.	4,255	-	N.M.
Gain on disposal of asset classified as held for sale	-	-	N.M.	672	-	N.M.
Government grants	156	24	550.0%	414	205	102.0%
Rental income	133	59	125.4%	245	144	70.1%
Utilities income	-	2	-100.0%	3	5	-40.0%
Allowance for impairment loss on third parties trade receivables	-	-	N.M.	-	(13)	-100.0%
Bad third parties trade receivables written back	-	-	N.M.	-	1	-100.0%
Bad third parties trade receivables written off	(3)	-	N.M.	(3)	-	N.M.
Depreciation of property, plant and equipment	(1,752)	(1,060)	65.3%	(4,655)	(2,634)	76.7%
Depreciation of investment properties	(2)	(12)	-83.3%	(17)	(39)	-56.4%
Amortisation of intangible assets	(34)	(27)	25.9%	(99)	(60)	65.0%
(Loss)/Gain on disposal of property, plant and equipment	-	(10)	-100.0%	(5)	446	-101.1%
Plant and equipment written off	(45)	(3)	1400.0%	(48)	(27)	77.8%
Finance costs	(563)	(114)	393.9%	(1,188)	(274)	333.6%

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	
	31/12/2015 (Unaudited) $'000	31/3/2015 (Audited) $'000	31/12/2015 (Unaudited) $'000	31/3/2015 (Audited) $'000
Non-current assets				
Property, plant and equipment	76,563	36,014	16	13
Investment properties	2,473	1,064	-	-
Other intangible assets	287	362	13	11
Goodwill	6,477	-	-	-
Investments in subsidiaries	-	-	22,076	6,586
Other receivables	197	197	497	-
Available-for-sale financial asset	671	671	671	671
Total non-current assets	86,668	38,308	23,273	7,281
Current assets				
Inventories	8,512	1,542	-	-
Trade and other receivables	19,510	5,649	3,088	5,915
Prepayments	338	561	7	9
Cash and cash equivalents	7,495	7,600	2,948	678
	35,855	15,352	6,043	6,602
Assets classified as held for sale	-	788	-	-
Total current assets	35,855	16,140	6,043	6,602
Current liabilities				
Trade and other payables	20,066	7,009	7,095	4,137
Provisions	421	313	-	-
Bank borrowings	28,954	5,256	-	-
Finance lease payables	1,076	578	-	-
Income tax payable	1,190	1,402	23	23
Total current liabilities	51,707	14,558	7,118	4,160
Net current (liabilities)/assets	(15,852)	1,582	(1,075)	2,442
Non-current liabilities				
Other payables	-	-	12,939	-
Bank borrowings	35,174	14,962	-	-
Finance lease payables	774	342	-	-
Deferred tax liabilities	2,439	407	-	-
Total non-current liabilities	38,387	15,711	12,939	-
Net assets	**32,429**	**24,179**	**9,259**	**9,723**

1(b)(i) Statements of Financial Position

	Group As at		Company As at	
	31/12/2015 (Unaudited) $'000	31/3/2015 (Audited) $'000	31/12/2015 (Unaudited) $'000	31/3/2015 (Audited) $'000
Capital and reserves				
Share capital	7,899	6,399	7,899	6,399
Merger reserves	(326)	(326)	-	-
Fair value adjustment account	(230)	(230)	(230)	(230)
Foreign currency translation reserve	277	-	-	-
Retained earnings	21,915	18,336	1,590	3,554
Equity attributable to owners of the parent	29,535	24,179	9,259	9,723
Non-controlling interests	2,894	-	-	-
Total equity	**32,429**	**24,179**	**9,259**	**9,723**

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

Amount repayable in one year or less, or on demand	As at 31/12/2015 (Unaudited) $'000		As at 31/03/2015 (Audited) $'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	22,954	6,000	1,874	3,382
Finance lease payables	1,076	-	578	-

Amount repayable after one year	As at 31/12/2015 (Unaudited) $'000		As at 31/03/2015 (Audited) $'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	35,174	-	14,581	381
Finance lease payables	774	-	342	-

Details of any collateral:

As at 31 December 2015, the Group's borrowings comprised bank borrowings and finance lease payables.

Bank borrowings

Bank borrowings of $22.95 million repayable within one year or less or on demand, and $35.17 million repayable after one year were both secured by the legal mortgage in favour of the banks over the following properties at:

(i) 8A Admiralty Street #06-01 and #06-02; (ii) 50 Tuas Avenue 11 #02-12; (iii) 16 Jalan Kilang Timor #03-07; (iv) 5 units of leasehold properties at Enterprise Road; (v) 1 factory building at 14 Joo Koon Circle; (vi) 1 factory building at 14 Senoko Way; and (vii) land held for development at 30B Quality Road in Singapore, and 1 factory building at 8 Jalan Istimewa 8, Johor, Malaysia.

The remaining bank borrowings of $6.00 million repayable within one year or less or on demand repayable after one year were unsecured.

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

Finance lease payables

The Group's obligations under finance leases of $1.08 million repayable within one year or less or on demand, and $0.77 million repayable after one year were secured by the leased assets.

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

1(c) Consolidated Statement of Cash Flows

	Group 3rd Quarter ended 31 December		Group 9 Months ended 31 December	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	$'000	$'000	$'000	$'000
Operating activities				
Profit before income tax	4,604	1,686	4,841	3,468
Adjustments for:				
Depreciation and amortisation expenses	1,788	1,099	4,771	2,733
Allowance for impairment loss on third parties trade receivables written back	-	-	-	13
Bad third parties trade receivables written back	-	-	-	(1)
Bad third parties trade receivables written off	3	-	3	-
Bargain purchase gain on acquisition of CT Vegetables and its subsidiaries	(4,255)	-	(4,255)	-
Gain on disposal of assets classified as held for sale	-	-	(672)	-
Interest expense	563	114	1,188	274
Interest income	(2)	-	(5)	(10)
Loss/(Gain) on disposal of plant and equipment	-	10	5	(446)
Plant and equipment written off	45	3	48	27
Dividend income	-	-	(18)	(34)
Operating cash flows before working capital changes	2,746	2,912	5,906	6,024
Working capital changes:				
Inventories	(2,430)	(27)	(3,088)	(793)
Trade and other receivables	(3,482)	(44)	(6,613)	(2,003)
Prepayments	215	(433)	405	(401)
Trade and other payables	1,926	1,426	1,786	3,449
Provisions	13	371	13	(33)
Cash (absorbed by)/generated from operations	(1,012)	4,205	(1,591)	6,243
Income taxes paid	(406)	(43)	(1,127)	(320)
Net cash (used in)/from operating activities	(1,418)	4,162	(2,718)	5,923

1(c) Consolidated Statement of Cash Flows

	Group 3rd Quarter ended 31 December 2015 (Unaudited) $'000	Group 3rd Quarter ended 31 December 2014 (Unaudited) $'000	Group 9 Months ended 31 December 2015 (Unaudited) $'000	Group 9 Months ended 31 December 2014 (Unaudited) $'000
Investing activities				
Acquisitions of subsidiaries, net of cash acquired	(3,066)	-	(9,613)	-
Purchase of property, plant and equipment	(2,712)	(5,020)	(4,948)	(9,408)
Purchase of intangible assets	(39)	(12)	(60)	(162)
Proceeds from disposal of property, plant and equipment	-	-	-	900
Proceeds from disposal of assets classified as held for sale	-	-	1,460	-
Interest received	2	-	5	9
Dividend income	-	-	18	33
Net cash used in investing activities	(5,815)	(5,032)	(13,138)	(8,628)
Financing activities				
Fixed deposits pledged with bank	10	-	10	-
Drawdown of bank borrowings	12,705	6,860	36,505	6,860
Repayment of bank borrowings	(5,249)	(4,411)	(16,989)	(907)
Repayment of finance lease payables	(365)	(682)	(1,110)	(318)
Dividends paid	-	-	(1,523)	(3,687)
Interest paid	(558)	(114)	(1,164)	(274)
Net cash from financing activities	6,543	1,653	15,729	1,674
Net change in cash and cash equivalents	(690)	783	(127)	(1,031)
Effect of foreign exchange rate changes on cash and cash equivalents	33	-	32	-
Cash and cash equivalents at beginning of financial period	8,121	8,088	7,559	9,902
Cash and cash equivalents at end of financial period	**7,464**	**8,871**	**7,464**	**8,871**

Cash and cash equivalents comprise:	Group As at 31/12/2015 (Unaudited) $'000	Group As at 31/12/2014 (Unaudited) $'000
Cash on hand and at bank	7,464	8,871
Fixed deposits	31	49
Cash and cash equivalents as per statement of financial position	**7,495**	**8,920**
Less: Fixed deposits pledged	(31)	(49)
Cash and cash equivalents as per consolidated statement of cash flows	**7,464**	**8,871**

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
Balance at 1 April 2015	6,399	(326)	(230)	-	18,336	24,179	-	24,179
Profit for the financial period	-	-	-	-	265	265	(473)	(208)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	284	-	284	233	517
Total comprehensive income for the financial period	-	-	-	284	265	549	(240)	309
Transactions with non-controlling interests:								
Acquisition of subsidiaries	900	-	-	-	-	900	2,573	3,473
Total transactions with non-controlling interests	900	-	-	-	-	900	2,573	3,473
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)
Balance at 30 September 2015	**7,299**	**(326)**	**(230)**	**284**	**17,078**	**24,105**	**2,333**	**26,438**

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
Profit for the financial period	-	-	-	-	4,837	4,837	(734)	4,103
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	(7)	-	(7)	-	(7)
Total comprehensive income for the financial period	-	-	-	(7)	4,837	4,830	(734)	4,096
Transactions with non-controlling interests:								
Acquisition of subsidiaries	600	-	-	-	-	600	1,295	1,895
Total transactions with non-controlling interests	600	-	-	-	-	600	1,295	1,895
Balance at 31 December 2015	**7,899**	**(326)**	**(230)**	**277**	**21,915**	**29,535**	**2,894**	**32,429**

Group	Share capital	Merger reserves	Fair value adjustment account	Foreign currency translation reserves	Retained earnings	Total equity attributable to owners of the parent
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2014	6,399	(326)	(207)	-	16,708	22,574
Profit for the financial period	-	-	-	-	1,396	1,396
Total comprehensive income for the financial period	-	-	-	-	1,396	1,396
Distribution to owners of the parent:						
Dividends	-	-	-	-	(3,686)	(3,686)
Total transactions with owners of the parent	-	-	-	-	(3,686)	(3,686)
Balance at 30 September 2014	**6,399**	**(326)**	**(207)**	**-**	**14,418**	**20,284**
Profit for the financial period	-	-	-	-	1,347	1,347
Total comprehensive income for the financial period	-	-	-	-	1,347	1,347
Balance at 31 December 2014	**6,399**	**(326)**	**(207)**	**-**	**15,765**	**21,631**

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

Company	Share capital $'000	Fair value adjustment account $'000	Retained earnings $'000	Total equity attributable to owners $'000
Balance at 1 April 2015	6,399	(230)	3,554	9,723
Loss for the financial period	-	-	(599)	(599)
Total comprehensive income for the financial period	-	-	(599)	(599)
Transactions with owners:				
Share issued for acquisition of subsidiaries	900	-	-	900
Dividends distributed	-	-	(1,523)	(1,523)
Total transactions with owners	900	-	(1,523)	(623)
Balance at 30 September 2015	**7,299**	**(230)**	**1,432**	**8,501**
Profit for the financial period	-	-	158	158
Total comprehensive income for the financial period	-	-	158	158
Transactions with owners:				
Share issued for acquisition of subsidiaries	600	-	-	600
Total transactions with owners	600	-	-	600
Balance at 31 December 2015	**7,899**	**(230)**	**1,590**	**9,259**
Balance at 1 April 2014	6,399	(207)	2,495	8,687
Profit for the financial period	-	-	1,768	1,768
Total comprehensive income for the financial period	-	-	1,768	1,768
Distribution to owners:				
Dividends	-	-	(3,686)	(3,686)
Total transactions with owners	-	-	(3,686)	(3,686)
Balance at 30 September 2014	**6,399**	**(207)**	**577**	**6,769**
Loss for the financial period	-	-	(102)	(102)
Total comprehensive income for the financial period	-	-	(102)	(102)
Balance at 31 December 2014	**6,399**	**(207)**	**475**	**6,667**

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

	Number of Ordinary Shares	Issued and Paid-up $
Balance at 1 April 2015	144,000,000	6,399,133
Issue of ordinary shares pursuant to the completion of the Thong Siek Acquisition in June 2015	1,000,000	900,000
Issue of ordinary shares pursuant to the completion of the CT Vegetables Acquisition in November 2015	907,100	600,000
Balance at 31 December 2015	**145,907,100**	**7,899,133**

As at 31 December 2015, the Company had an issued and paid-up share capital of S$7,899,133 comprising 145,907,100 ordinary shares in issue. As at 1 April 2015 and 31 December 2015, 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	
	31/12/2015	**31/03/2015**
Total number of issued shares excluding treasury shares	145,907,100	144,000,000

There were no treasury shares as at the end of the current period and as at the end of the immediately preceding year.

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

Not applicable

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

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

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

Not applicable

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

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

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

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

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

Earnings per share ("EPS")	**Group**		**Group**	
	3rd Quarter ended 31 December		**9 Months ended 31 December**	
	2015	**2014**	**2015**	**2014**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Profit attributable to owners of the parent ($'000)	4,837	1,347	5,102	2,743
Weighted average/Actual number of ordinary shares [(1)]	144,926,199	144,000,000	144,926,199	144,000,000
Basic and diluted EPS based on weighted average/actual number of ordinary shares (cents) [(2)]	3.34	0.94	3.52	1.90

Notes:

(1) Basic EPS is computed by dividing the profit attributable to owners of the parent in each financial period by the weighted average number of issued ordinary shares outstanding during the respective financial period. In June 2015, the Company issued 1,000,000 new ordinary shares in its capital pursuant to the Thong Siek Acquisition and in November 2015, the Company issued 907,100 new ordinary shares in its capital pursuant to the CT Vegetables Acquisition.

(2) Diluted EPS is the same as the basic EPS for all the periods under review as the Company did not have any outstanding instruments convertible into rights to 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 the issuer at the end of:**
   (a) current period reported on; and
   (b) immediately preceding financial year

Net asset value ("NAV")	**Group**		**Company**	
	as at		**as at**	
	31/12/2015 (Unaudited)	**31/3/2015 (Audited)**	**31/12/2015 (Unaudited)**	**31/3/2015 (Audited)**
NAV ($'000)	32,429	24,179	9,259	9,723
Number of ordinary shares	145,907,100	144,000,000	145,907,100	144,000,000
NAV per ordinary share (cents)	22.23	16.79	6.35	6.75

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

   (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

   (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

8(a). Review of Financial Performance

3Q 2016 compared to 3Q 2015

Revenue

For the quarter ended 31 December 2015 ("**3Q 2016**"), the Group registered $37.82 million in revenue as compared to $18.22 million in the previous corresponding quarter ended 31 December 2014 ("**3Q 2015**"). The increase was approximately $19.59 million or 107.5%.

Food catering business revenue increased by $4.13 million or 30.1% from $13.72 million in 3Q 2015 to $17.85 million in 3Q 2016. The increase was mainly attributable to effective marketing efforts of broadcast and print advertising, as well as promotions introduced to celebrate SG50 during 3Q 2016.

Food retail business revenue increased by $0.15 million or 3.4% from $4.27 million in 3Q 2015 to $4.42 million in 3Q 2016. The F&B sector continued to be operationally challenging for the Group during 3Q 2016 with the adverse news coverage relating to Group B Streptococcus ("**GBS**") bacteria infection. This was however mitigated by the growth in delivery sales.

Food manufacturing business contributed revenue of $12.24 million in 3Q 2016.

The maiden revenue contribution from the food trading business following the CT Vegetables Acquisition was $2.92 million in 3Q 2016.

Other business segments revenue increased by $0.15 million or 65.2% from $0.23 million in 3Q 2015 to $0.38 million in 3Q 2016.

Other income

Other income was $4.77 million in 3Q 2016 as compared to $0.16 million in 3Q 2015. The increase of approximately $4.61 million or 2,900.6% was mainly due to a fair value uplift of properties from the CT Vegetables Acquisition.

Purchases and consumables used

Purchases and consumables used increased by approximately $11.15 million or 208.2% to $16.51 million in 3Q 2016 from $5.36 million in 3Q 2015. The increase was due to an increase in higher food prices and consumables expenses as a result of the consolidation of costs incurred by the food manufacturing and food trading businesses after the acquisitions were completed in June 2015 and November 2015 respectively.

The increase in food catering business's purchases and consumables used was mainly due to the increase in its revenue.

Delivery expenses

Delivery expenses increased by $0.47 million or 75.1% to $1.10 million in 3Q 2016 as compared to $0.63 million in 3Q 2015. This arose from additional logistics expenses to support the increase in orders from the food catering business, the delivery business in food retail, the consolidation of logistics expenses incurred by the Group's newly acquired food manufacturing and food trading businesses.

Employee benefits expense

Employee benefits expense increased by $2.08 million or 35.8% to $7.90 million in 3Q 2016 as compared to $5.82 million in 3Q 2015. This was mainly due to the consolidation of employee benefits expense from the Group's newly acquired food manufacturing and food trading businesses.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $0.69 million or 62.7% from $1.10 million in 3Q 2015 to $1.79 million in 3Q 2016. This was mainly attributable to the consolidation of depreciation and amortisation expenses from the Group's newly acquired food manufacturing and food trading businesses.

Advertising expenses

Advertising expenses increased by $1.12 million or 124.5% from $0.90 million in 3Q 2015 to $2.02 million in 3Q 2016. This was mainly due to expenses incurred for the various marketing promotional tools used to create a constant interaction with the targeted customers during 3Q 2016.

Operating lease expenses

Operating lease expenses increased by $0.66 million or 55.9% from $1.18 million in 3Q 2015 to $1.84 million in 3Q 2016. This was mainly due to the consolidation of operating lease expenses from the Group's newly acquired food manufacturing and food trading businesses.

Utilities

Utilities increased by approximately $0.80 million or 203.3% from $0.39 million in 3Q 2015 to $1.19 million in 3Q 2016. The increase was mainly due to the consolidation of utilities expenses from the Group's newly acquired food manufacturing and food trading businesses, as well as a higher electricity tariff contracts which were committed by the food manufacturing business and food trading business.

Other expenses and finance costs

Other expenses increased by $3.91 million or 312.8% from $1.25 million in 3Q 2015 to $5.16 million in 3Q 2016. This was largely attributable to the increase in professional and legal fees, courses and training expenses, credit card charges, low value assets items expensed off, IT expenses, upkeep of motor vehicles expenses and the expenses incurred by the Group's newly acquired food manufacturing and food trading businesses.

Finance costs increased by approximately $0.45 million or 393.9% from $0.11 million in 3Q 2015 to $0.56 million in 3Q 2016 mainly due to the increase in bank borrowings to fund the acquisition of subsidiaries, plant and equipment, and purchase of materials and consumables in 3Q 2016.

Profit before income tax

The Group's profit before income tax increased by $2.91 million or 173.1% from a profit of $1.69 million in 3Q 2015 to a profit of $4.60 million in 3Q 2016. The increase in profit before income tax was mainly due to the gain relating to a fair value uplift of $4.26 million arising from the properties from the CT Vegetables Acquisition.

The gain was offset by an increase in professional and legal fees incurred for the merger and acquisition transactions, consolidation of loss arising from the Group's newly acquired food manufacturing business, as well as the food retail business.

Income tax expense

The income tax expense of the Group increased by $0.16 million or 47.8% from $0.34 million in 3Q 2015 to $0.50 million in 3Q 2016 because of the tax provided on profitable businesses offset by those non-profitable businesses.

Profit for the financial period

The food catering business remained profitable in 3Q 2016. However, the non-profitable food retail business and food manufacturing business impacted the Group's bottom line negatively. This was mitigated by the fair value uplift of the properties from the CT Vegetables Acquisition.

As a result of the above, the Group's profit after income tax and attributable to the owners of the parent increased by $3.49 million or 259.1% from a profit of $1.35 million in 3Q 2015 to a profit of $4.84 million in 3Q 2016, while the net loss attributable to non-controlling interests was $0.73 million.

9M 2016 compared to 9M 2015

Revenue

For the nine (9) months ended ended 31 December 2015 ("**9M 2016**"), the Group registered $89.86 million in revenue as compared to $47.63 million in the previous corresponding financial period ended 31 December 2014 ("**9M 2015**"). The increase was approximately $42.23 million or 88.7% and was mainly contributed by the Group's newly acquired food manufacturing and food trading businesses.

Food catering business revenue increased by $10.77 million or 31.0% from $34.72 million in 9M 2015 to $45.49 million in 9M 2016. The increase was mainly attributable to effective marketing efforts of broadcast and print advertising, as well as promotions introduced to celebrate SG50 during the financial period.

Food retail business revenue increased by $0.75 million or 6.0% from $12.50 million in 9M 2015 to $13.24 million in 9M 2016. This was despite the operational challenges in the F&B sector. The adverse news coverage relating to GBS bacteria infection and the prolonged spell of haze led to a drop in footfalls on the Group's retail outlets. This was however, partially mitigated by the growth in delivery sales.

Food manufacturing business contributed revenue of $27.28 million in 9M 2016.

The maiden revenue contribution from food trading business following the CT Vegetables Acquisition was $2.92 million in 9M 2016.

Other business segments revenue increased by $0.51 million or 121.4% from $0.42 million in 9M 2015 to $0.93 million in 9M 2016.

Other income

Other income was $5.98 million in 9M 2016 as compared to $1.11 million in 9M 2015. It increased by approximately $4.87 million or 437.5% which arose from a fair value uplift of properties from the CT Vegetables Acquisition and gain on disposal of a property.

Purchases and consumables used

Purchases and consumables used increased by approximately $21.79 million or 148.6% to $36.45 million in 9M 2016 from $14.66 million in 9M 2015. The increase was due to an increase in higher food prices and consumables expenses as a result of the consolidation of costs incurred by the food manufacturing and food trading businesses after the acquisitions were completed in June 2015 and November 2015 respectively.

Delivery expenses

Delivery expenses increased by $1.27 million or 82.7% to $2.80 million in 9M 2016 as compared to $1.53 million in 9M 2015. The overall increase was due to the additional logistics expenses to support the increase in orders from the food catering business and the delivery business in food retail, including the consolidation of logistics expenses incurred by the Group's newly acquired food manufacturing and food trading businesses.

Employee benefits expense

Employee benefits expense increased by $7.48 million or 46.4% to $23.60 million in 9M 2016 as compared to $16.12 million in 9M 2015. This was mainly due to the consolidation of employee benefits expense from the Group's newly acquired food manufacturing and food trading businesses, as well as planned addition of headcount in the various divisions to support the business integration and expansion.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $2.04 million or 74.6% from $2.73 million in 9M 2015 to $4.77 million in 9M 2016. This was mainly attributable to the consolidation of depreciation and amortisation expenses from the Group's newly acquired food manufacturing and food trading businesses and renovation for leasehold properties at Enterprise Road and the acquisition of plant and machinery.

Advertising expenses

Advertising expenses increased by $2.55 million or 116.3% from $2.20 million in 9M 2015 to $4.75 million in 9M 2016. This was mainly due to expenses incurred for the various marketing promotional tools used to create a constant interaction with the targeted customers during 9M 2016, and the inclusion of expenses relating to the Group's newly acquired food manufacturing business for which there was no comparative figures in 9M 2015.

Operating lease expenses

Operating lease expenses increased by $1.49 million or 45.0% from $3.30 million in 9M 2015 to $4.79 million in 9M 2016. This was mainly due to the consolidation of operating lease expenses from the Group's newly acquired food manufacturing and food trading businesses, and the new retail outlets.

Utilities

Utilities increased by approximately $1.96 million or 182.2% from $1.08 million in 9M 2015 to $3.03 million in 9M 2016. The increase was mainly due to the consolidation of utilities expenses from the Group's newly acquired food manufacturing and food trading businesses, as well as a higher electricity tariff contracts which were committed by the food manufacturing business and food trading business.

Other expenses and finance costs

Other expenses increased by $5.98 million or 160.3% from $3.73 million in 9M 2015 to $9.71 million in 9M 2016. This was largely attributable to the increase in professional and legal fees, courses and training expenses, credit card charges, low value assets items expensed off, IT expenses and the expenses incurred by the Group's newly acquired food manufacturing and food trading businesses.

Finance costs increased by approximately $0.91 million or 333.6% from $0.27 million in 9M 2015 to $1.19 million in 9M 2016 mainly due to the increase in bank borrowings to fund the acquisition of subsidiaries, plant and equipment, and purchase of materials and consumables in 9M 2016.

Profit before income tax

The Group's profit before income tax increased by $1.37 million or 39.6% from a profit of $3.47 million in 9M 2015 to a profit of $4.84 million in 9M 2016. The increase in profit before income tax was mainly due to a fair value uplift of $4.26 million arising from the properties from the CT Vegetables Acquisition, which was offset by an increase in professional and legal fees incurred for the merger and acquisition transactions, consolidation of results from the the non-profitable food manufacturing business, as well as food retail business.

Income tax expense

The income tax expense of the Group increased marginally by $0.22 million or 30.3% from $0.73 million in 9M 2015 to $0.95 million in 9M 2016 because of the tax provided on profitable businesses offset by those non-profitable businesses.

Profit for the financial period

The food catering business remained profitable in 9M 2016. However, the non-profitable food retail business and food manufacturing business impacted the Group's bottom line negatively. This was mitigated by the fair value uplift of the properties from the CT Vegetables Acquisition.

As a result of the above, the Group's profit after income tax and attributable to the owners of the parent increased by $2.36 million or 86.0% from a profit of $2.74 million in 9M 2015 to a profit of $5.10 million in 9M 2016, while the net loss attributable to non-controlling interests was $1.21 million.

The Group will continue to integrate the newly acquired food manufacturing and food trading businesses to yield synergies and work towards enhancing stakeholders' value.

8(b). Review of Financial Position

Non-current assets

The Group's non-current assets increased substantially by $48.36 million from $38.31 million as at 31 March 2015 to $86.67 million as at 31 December 2015 primarily due to the non-current assets of $38.12 million from the acquisition of new subsidiaries and a goodwill recorded of $6.50 million.

Current assets

The Group's current assets increased by $19.72 million from $16.14 million as at 31 March 2015 to $35.86 million as at 31 December 2015. The Group's inventories increased by approximately $6.97 million due to the higher inventory held in both the food and catering supplies business and the food manufacturing business. The increase in trade and other receivables of approximately $13.86 million resulted from the longer credit terms granted in the food manufacturing business, as well as more deposits for outlets, hostel, and utilities. Prepayments decreased by $0.22 million to $0.34 million, while cash and cash equivalents decreased marginally by $0.11 million to $7.50 million.

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

Current liabilities

The Group's current liabilities increased by $37.15 million from $14.56 million as at 31 March 2015 to $51.71 million as at 31 December 2015. This was mainly attributable to the drawdown of bank borrowings to finance the acquisition of subsidiaries and plant and machinery, an increase of $13.06 million in trade and other payables, as well as an increase of $0.50 million in finance lease payables. Income tax payable decreased marginally by $0.21 million due to payment of prior year provision of income tax.

Non-current liabilities

The Group's non-current liabilities increased by $22.68 million from $15.71 million as at 31 March 2015 to $38.39 million as at 31 December 2015 primarily due to the drawdown of bank borrowings to finance the acquisition of subsidiaries and motor vehicles, and plant and machinery during the financial period.

Net current liability position

As at 31 December 2015, the Group was in a net current liability position of $15.85 million mainly due to the effects of the Thong Siek Acquisition and losses in the retail business. The Group had incurred short-term bank borrowings of $5.73 million to refinance Thong Siek's working capital loan, and drawn down additional working capital loan to fund the Group's raw material purchases.

Taking into consideration the Group's intended disposal of certain of its properties and based on the Group's internal budget and cash flow planning, the board of directors of the Company ("**Directors**") believe that the Group would be able to meet its short-term obligations as and when they fall due. In the short term, the net current liability position of the Group is expected to deteriorate further due to the Group's recent acquisition of a property at 22 Senoko Way. However, 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 Thong Siek Acquisition.

8(c). Review of Cash Flows

The Group's net cash used in operating activities in 9M 2016 of $2.72 million, mainly resulted from operating cash flows before working capital changes of $5.91 million offset by a decrease in net working capital of $7.50 million and payment of income taxes of $1.13 million.

The decrease in net working capital was mainly due to the increase in inventories of approximately $3.09 million, and the increase in trade and other receivables of approximately $6.61 million, which was offset by the decrease in prepayments of approximately $0.41 million, as well as the increase in trade and other payables of approximately $1.79 million.

The Group's net cash flows used in investing activities of $13.14 million during 9M 2016 were mainly attributable to the acquisition of subsidiaries and purchase of plant and equipment of $9.61 million and $4.95 million respectively, which was offset by the proceeds of $1.46 million from disposal of assets classified as held for sale.

The Group's net cash flows from financing activities of $15.73 million during 9M 2016 were mainly due to the drawdown from bank borrowings of $36.51 million, offset by the repayment of bank borrowings of $16.99 million, repayment of finance lease payables of $1.11 million, dividends paid of $1.52 million and interest payment of $1.16 million.

As a result of the above, the net decrease in cash and cash equivalents during 9M 2016 was $0.13 million.

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

The previous commentary relating to the Group's profitability for the full financial year ending 31 March 2016 ("**FY2016**") contained in Paragraph 10 of the Company's results announcement dated 14 November 2015 is no longer applicable and has been superseded by the commentary in Paragraph 10 of this announcement below.

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 Group expects the outlook of the catering industry to remain positive, albeit a challenging environment in the food and beverage industry due to increasing manpower costs, raw material costs and rental costs.

With strong market leadership and vertically-integrated value chain, the Group's food catering business is expected to continue growing. The Group is committed to continually improve and refresh its product offerings and customer experience. The Group has intensified marketing efforts in this segment to boost sales, leveraging on various SG50 celebrations in 2015, and is continuing its efforts to pursue corporate clients for a more sustainable income stream.

The Group's food retail business is in the midst of consolidating its retail network of 27 outlets islandwide as at 31 December 2015, while implementing new initiatives to increase efficiency and productivity in its retail stores, such as streamlining its menus, adopting the use of technology and closely monitoring raw materials costs to enhance operating margins. Concurrently, it is reviewing pricing strategies, product mix and concepts to better cater to customers' demands, as well as collaborating with external vendors to increase delivery sales.

Following the vertical expansion of the Group's value chain into food manufacturing and food trading, the Group intends to seek to achieve back-end integration with its newly-acquired businesses, in order to reap business synergies and margin efficiencies through economies of scale.

On 28 January 2016, the Company announced that the Group has acquired a property located at 22 Senoko Way, Singapore, for a purchase consideration of S$15.0 million. Please refer to the announcement for details.

Barring unforeseen circumstances and depending on how quickly the Group is able to successfully integrate its new acquisitions, the Directors believe that while the Group's food catering business is expected to remain profitable, the Group's overall financial performance for the full FY2016 may be adversely affected by losses incurred by its newly acquired food manufacturing business. Subject to review and depending on market conditions, the Group also expects to recognize an impairment loss relating to its available-for-sale financial assets (comprising securities quoted on the Singapore Exchange) in FY2016.

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 respect of this quarter.

13. Interested person transactions

The Group did not obtain any general mandate from shareholders for interested person transactions. The aggregate value of the interested person transactions entered into by the Group during 9M 2016 are set out below:

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) Office premise lease expense	72.9	-
(ii) GUI Solutions Pte Ltd		
- Cost of goods and services purchased	179.3	-
- Rental and utilities income	18.0	-
Neo Kah Kiat and Liew OiPeng		
(i) Office premise lease expense	153.8	-
(ii) Twinkle Investment Pte Ltd		
- Office premise lease expense	72.9	-
- Rental of yacht	180.0	-

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 the directors of Neo Group Limited (the "**Company**"), hereby confirm on behalf of the board of Directors that, to the best of the Directors' knowledge, nothing has come to the attention of the board of Directors which may render the unaudited consolidated financial statements of the Group for the nine (9) months ended 31 December 2015 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 officers (in the format set out in Appendix 7H) under Rule 720(1)

In view of the latest guideline in relation to Rule 702(1) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), the Company will procure signed undertakings from all its Directors and executive officers based on the latest revised form set out in Appendix 7H of the Catalist Rules on or before 30 April 2016, which will replace and supersede the undertakings previously signed by the Directors and executive officers as announced on 14 November 2015.

BY ORDER OF THE BOARD

Neo Kah Kiat
Chairman and Chief Executive Officer
4 February 2016

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the Catalist Rules. 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.