
UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2015

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income or 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 ("**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 has 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.

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 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 Thong Siek Acquisition 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.

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

	Group Second Quarter Ended 30 September		Increase / (Decrease) %	Group Six (6) Months Ended 30 September		Increase / (Decrease) %
	2015 (Unaudited)	2014 (Unaudited)		2015 (Unaudited)	2014 (Unaudited)	
	\$'000	\$'000		\$'000	\$'000	
Revenue	31,313	16,584	88.8%	52,046	29,409	77.0%
Other items of income						
Interest income	2	2	0.0%	3	9	(66.7%)
Other income	390	802	(51.4%)	1,211	953	27.1%
Items of expense						
Purchases and consumables used	(12,513)	(5,305)	135.9%	(19,945)	(9,304)	114.4%
Changes in inventories	222	116	91.4%	-	284	N.M. ¹
Delivery expenses	(992)	(495)	100.4%	(1,707)	(908)	88.0%
Employee benefits expense	(9,221)	(5,372)	71.6%	(15,695)	(10,296)	52.4%
Depreciation and amortisation expenses	(1,629)	(910)	79.0%	(2,983)	(1,634)	82.6%
Advertising expenses	(1,807)	(654)	176.3%	(2,731)	(1,297)	110.6%
Operating lease expenses	(1,727)	(1,141)	51.4%	(2,944)	(2,119)	38.9%
Utilities	(1,159)	(327)	254.4%	(1,845)	(683)	170.1%
Other expenses	(2,413)	(1,301)	85.5%	(4,549)	(2,472)	84.0%
Finance costs	(458)	(94)	387.2%	(625)	(160)	290.6%
Profit before income tax	8	1,905	(99.6%)	236	1,782	(86.8%)
Income tax expense	(357)	(371)	(3.8%)	(444)	(386)	15.0%
(Loss)/Profit for the financial period	(349)	1,534	N.M.	(208)	1,396	N.M.
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences arising from translation of foreign operations	477	-	N.M.	517	-	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	477	-	N.M.	517	-	N.M.
Total comprehensive income for the financial period	128	1,534	(91.7%)	309	1,396	(77.9)%

¹ "N.M." denotes not meaningful.

	Group Second Quarter Ended 30 September		Increase / (Decrease) %	Group Six (6) Months Ended 30 September		Increase / (Decrease) %
	2015 (Unaudited)	2014 (Unaudited)		2015 (Unaudited)	2014 (Unaudited)	
	\$'000	\$'000		\$'000	\$'000	
Profit/(Loss) attributable to:						
Owners of the parent	73	1,534	(95.2%)	265	1,396	(81.0%)
Non-controlling interests	(422)	-	N.M.	(473)	-	N.M.
	<u>(349)</u>	<u>1,534</u>	N.M.	<u>(208)</u>	<u>1,396</u>	N.M.
Total comprehensive income attributable to:						
Owners of the parent	343	1,534	(77.6%)	557	1,396	(60.1%)
Non-controlling interests	(215)	-	N.M.	(248)	-	N.M.
	<u>128</u>	<u>1,534</u>	(91.7%)	<u>309</u>	<u>1,396</u>	(77.9%)

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1(a)(ii) Notes to the income statements

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

	Group Second Quarter Ended 30 September			Increase / (Decrease) %	Group Six (6) Months Ended 30 September			Increase / (Decrease) %
	2015 (Unaudited)	2014 (Unaudited)			2015 (Unaudited)	2014 (Unaudited)		
	\$'000	\$'000			\$'000	\$'000		
Interest income	2	3	(33.3%)	3	9	(66.7%)		
Dividend income	11	11	0.0%	18	34	(47.1%)		
Gain on disposal of asset classified as held for sale	-	-	-	672	-	N.M.		
Government grants	215	160	34.4%	276	181	52.5%		
Rental income	50	43	16.3%	97	85	14.1%		
Utilities income	-	2	N.M.	3	3	0.0%		
Allowance for impairment loss on third parties trade receivables	-	(13)	N.M.	-	(13)	N.M.		
Bad third parties trade receivables written back	-	1	N.M.	-	1	N.M.		
Depreciation of property, plant and equipment	(1,577)	(873)	80.6%	(2,907)	(1,574)	84.7%		
Depreciation of investment properties	(9)	(20)	(55.0%)	(11)	(27)	(59.3%)		
Amortisation of intangible assets	(43)	(17)	152.9%	(65)	(33)	97.0%		
Gain/(Loss) on disposal of property, plant and equipment	-	456	N.M.	(5)	456	N.M.		
Plant and equipment written off	-	(12)	N.M.	(3)	(24)	(87.5%)		
Finance costs	(458)	(94)	387.2%	(625)	(160)	290.6%		

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1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

1(b)(i) Statements of Financial Position

	Group		Company	
	As at		As at	
	30/09/2015 (Unaudited) \$'000	31/03/2015 (Audited) \$'000	30/09/2015 (Unaudited) \$'000	31/03/2015 (Audited) \$'000
Non-current assets				
Property, plant and equipment	58,214	36,014	10	13
Investment properties	1,053	1,064	-	-
Intangible assets	282	362	13	11
Goodwill	6,754	-	-	-
Investments in subsidiaries	-	-	16,486	6,586
Other receivables	197	197	-	-
Available-for-sale financial asset	671	671	671	671
Total non-current assets	67,171	38,308	17,180	7,281
Current assets				
Inventories	6,018	1,542	-	-
Trade and other receivables	15,222	5,649	2,986	5,915
Prepayments	592	561	43	9
Cash and cash equivalents	8,162	7,600	829	678
	29,994	15,352	3,858	6,602
Assets classified as held for sale	-	788	-	-
Total current assets	29,994	16,140	3,858	6,602
Current liabilities				
Trade and other payables	16,624	7,009	7,675	4,137
Provisions	321	313	-	-
Bank borrowings	23,805	5,256	-	-
Finance lease payables	729	578	-	-
Income tax payable	1,126	1,402	23	23
Total current liabilities	42,605	14,558	7,698	4,160
Net current (liabilities) / assets	(12,611)	1,582	(3,840)	2,442
Non-current liabilities				
Other payables	-	-	4,839	-
Bank borrowings	26,519	14,962	-	-
Finance lease payables	496	342	-	-
Deferred tax liabilities	1,107	407	-	-
Total non-current liabilities	28,122	15,711	4,839	-
Net assets	26,438	24,179	8,501	9,723

	Group		Company	
	As at		As at	
	30/09/2015 (Unaudited) \$'000	31/03/2015 (Audited) \$'000	30/09/2015 (Unaudited) \$'000	31/03/2015 (Audited) \$'000
Capital and reserves				
Share capital	7,299	6,399	7,299	6,399
Merger reserves	(326)	(326)	-	-
Fair value adjustment account	(230)	(230)	(230)	(230)
Retained earnings	17,078	18,336	1,432	3,554
Foreign currency translation reserves	284	-	-	-
Equity attributable to owners of the parent	24,105	24,179	8,501	9,723
Non-controlling interests	2,333	-	-	-
Total equity attributable to owners	26,438	24,179	8,501	9,723

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

Amount repayable in one year or less, or on demand

Amount repayable in one year or less, or on demand	As at 30/09/2015 (Unaudited) \$'000		As at 31/03/2015 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	19,805	4,000	1,874	3,382
Finance lease payables	729	-	578	-

Amount repayable after one year

Amount repayable after one year	As at 30/09/2015 (Unaudited) \$'000		As at 31/03/2015 (Audited) \$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings	26,519	-	14,581	381
Finance lease payables	496	-	342	-

Details of any collateral:

As at 30 September 2015, the Group's borrowings comprised of bank borrowings and finance lease payables.

Bank borrowings

Bank borrowings of \$19.81 million repayable within one year or less or on demand, and \$26.52 million repayable after one year were both secured by the legal mortgage in favour of the banks over the following properties at:

- 8A Admiralty Street #06-01 and #06-02, 5 units of leasehold properties at Enterprise Road, 1 factory building at 14 Senoko Way, 1 factory building at 8 Jalan Istimewa 8, Johor, Malaysia and land held for development at 30B Quality Road.

The remaining bank borrowings of \$4.00 million repayable within one year or less or on demand repayable after one year were unsecured.

Finance lease payables

The Group's obligations under finance leases of \$0.73 million repayable within one year or less and \$0.50 million repayable after one year were secured by the lessor's title to 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 Second Quarter Ended 30 September		Group Six (6) Months Ended 30 September	
	2015	2014	2015	2014
	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000
Operating activities				
Profit before income tax	8	1,905	236	1,782
Adjustments for:				
Allowance for impairment loss on third parties trade receivables	-	(13)	-	(13)
Depreciation and amortisation expenses	1,629	910	2,983	1,634
Gain on disposal of asset classified as held for sale	-	-	(672)	-
Bad third parties trade receivables written-back	-	1	-	1
Interest expense	458	94	625	160
Interest income	(2)	(3)	(3)	(9)
(Gain)/Loss on disposal of property, plant and equipment	-	(456)	5	(456)
Plant and equipment written off	-	12	3	24
Dividend income	(11)	(11)	(18)	(34)
Operating cash flows before working capital changes	2,082	2,439	3,159	3,089
Working capital changes:				
Inventories	(1,533)	(424)	(658)	(659)
Trade and other receivables	(3,790)	(2,316)	(3,131)	(3,001)
Prepayments	(93)	37	190	95
Trade and other payables	3,444	3,957	(140)	5,025
Provisions	-	26	-	75
Cash generated from/(absorbed by) operations	110	3,721	(580)	4,624
Income taxes paid	(719)	(390)	(720)	(1,054)
Net cash (used in) / from operating activities	(609)	3,331	(1,300)	3,570
Investing activities				
Acquisitions of subsidiaries, net of cash acquired	-	-	(6,547)	-
Purchase of property, plant and equipment	(1,052)	(5,239)	(2,236)	(6,984)
Purchase of intangible assets	(4)	(6)	(21)	(151)
Proceeds from disposal of asset classified as held for sale	-	901	1,460	901
Interest received	2	9	3	9
Dividend income	11	11	18	34
Net cash used in investing activities	(1,043)	(4,324)	(7,323)	(6,191)

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	Group Second Quarter Ended 30 September		Group Six (6) Months Ended 30 September	
	2015 (Unaudited) \$'000	2014 (Unaudited) \$'000	2015 (Unaudited) \$'000	2014 (Unaudited) \$'000
	Financing activities			
Drawdown of bank borrowings	12,800	2,000	23,800	4,000
Repayment of bank borrowings	(8,906)	(1,231)	(11,740)	(1,551)
Repayment of finance lease payables	(466)	869	(745)	771
Dividends paid	(1,523)	(2,174)	(1,523)	(2,174)
Interest paid	(443)	(94)	(606)	(160)
Net cash from / (used in) financing activities	1,462	(630)	9,186	886
Net change in cash and cash equivalents	(190)	(1,624)	563	(1,735)
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	-	(1)	-
Cash and cash equivalents at beginning of financial period	8,312	8,298	7,559	8,409
Cash and cash equivalents at end of financial period	8,121	6,674	8,121	6,674

Cash and cash equivalents comprise:

	Group As at	
	30/09/2015 (Unaudited) \$'000	30/09/2014 (Unaudited) \$'000
Cash on hand and at bank	8,121	6,674
Fixed deposits	41	51
Cash and cash equivalents as per statement of financial position	8,162	6,725
Less: Fixed deposits pledged	(41)	(51)
Cash and cash equivalents as per consolidated statement of cash flows	8,121	6,674

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/(Loss) for the financial period	-	-	-	-	192	192	(51)	141
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	22	-	22	18	40
Total comprehensive income for the financial period	-	-	-	22	192	214	(33)	181
Transactions with non-controlling interests								
Acquisition of subsidiaries	900	-	-	-	-	900	2,573	3,473
Total transactions with non-controlling interests	900	-	-	-	-	900	2,573	3,473
Balance at 30 June 2015	7,299	(326)	(230)	22	18,528	25,293	2,540	27,833
Profit/(Loss) for the financial period	-	-	-	-	73	73	(422)	(349)
Other comprehensive income:								
Exchange differences arising from translation of foreign operations	-	-	-	262	-	262	215	477
Total comprehensive income for the financial period	-	-	-	262	73	335	(207)	128

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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
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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2014	6,399	(326)	(207)	-	16,708	22,575
Loss for the financial period	-	-	-	-	(138)	(138)
Total comprehensive income for the financial period	-	-	-	-	(138)	(138)
Distribution to owners of the parent:						
Dividends	-	-	-	-	(2,174)	(2,174)
Total transactions with owners of the parent	-	-	-	-	(2,174)	(2,174)
Balance at 31 March 2015	6,399	(326)	(207)	-	14,396	20,263

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Group

	Share capital \$'000	Merger reserves \$'000	Fair value adjustment account \$'000	Foreign currency translation reserves \$'000	Retained earnings \$'000	Total equity attributable to owners of the parent \$'000
Profit for the financial period	-	-	-	-	1,534	1,534
Total comprehensive income for the financial period	-	-	-	-	1,534	1,534
Distribution to owners of the parent:						
Dividends	-	-	-	-	(1,512)	(1,512)
Total transactions with owners of the parent	-	-	-	-	(1,512)	(1,512)
Balance at 30 September 2015	6,399	(326)	(207)	-	14,418	20,284

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

Company	Share	Fair value	Retained	Total equity
	capital	adjustment	earnings	attributable
	\$'000	\$'000	\$'000	to owners
				\$'000
Balance at 1 April 2015	6,399	(230)	3,554	9,723
Loss for the financial period	-	-	(337)	(337)
Total comprehensive income for the financial period	-	-	(337)	(337)
Transactions with owners:				
Share issued for acquisition of subsidiaries	900	-	-	900
Total transactions with owners	900	-	-	900
Balance at 30 June 2015	7,299	(230)	3,217	10,286
Loss for the financial period	-	-	(262)	(262)
Total comprehensive income for the financial period	-	-	(262)	(262)
Distribution to owners of the parent:				
Dividends	-	-	(1,523)	(1,523)
Total transactions with owners of the parent	-	-	(1,523)	(1,523)
Balance at 30 September 2015	7,299	(230)	(1,432)	8,501

Company	Share	Fair value	Retained	Total equity
	capital	adjustmen	earnings	attributable
	\$'000	t	\$'000	to owners
		\$'000		\$'000
Balance at 1 April 2014	6,399	(207)	2,741	8,933
Profit for the financial period	-	-	566	566
Total comprehensive income for the financial period	-	-	566	566
Distribution to owners of the parent:				
Dividends	-	-	(2,174)	(2,174)
Total transactions with owners of the parent	-	-	(2,174)	(2,174)
Balance at 30 June 2014	6,399	(207)	1,133	7,325
Profit for the financial period	-	-	1,523	1,523
Total comprehensive income for the financial period	-	-	1,523	1,523
Distribution to owners of the parent:				
Dividends	-	-	(1,512)	(1,512)
Total transactions with owners of the parent	-	-	(1,512)	(1,512)
Balance at 30 September 2014	6,399	(207)	1,144	7,336

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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
Balance at 30 September 2015	145,000,000	7,299,133

As at 30 September 2015, the Company had an issued and paid-up share capital of S\$7,299,133 comprising 145,000,000 ordinary shares in issue. As at 30 September 2015, the Company did not have any outstanding options, warrants or other instrument convertible into securities of the Company. As at 30 September 2015, the Company did not hold any treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current period and as at the end of the immediately preceding year.

	Company As at	
	30/09/2015	31/03/2015
Total number of issued shares excluding treasury shares	145,000,000	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 Second Quarter Ended 30 September		Group Six (6) Months Ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to owners of the parent (\$'000)	73	1,534	265	1,396
Weighted average number of ordinary shares ⁽¹⁾	144,606,557	144,000,000	144,606,557	144,000,000
Basic and diluted EPS based on actual/weighted average number of ordinary shares (cents) ⁽²⁾	0.05	1.07	0.18	0.97

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.
- (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
(a) current period reported on; and
(b) immediately preceding financial year

Net asset value ("NAV")	Group As at		Company As at	
	30/09/2015 (Unaudited)	31/03/2015 (Audited)	30/09/2015 (Unaudited)	31/03/2015 (Audited)
NAV (\$'000)	26,438	24,179	8,501	9,723
Number of ordinary shares	145,000,000	144,000,000	145,000,000	144,000,000
NAV per ordinary share (cents)	18.23	16.79	5.86	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

2Q2016 compared to 2Q2015

Revenue

For the second quarter ended 30 September 2015 ("2Q2016"), the Group registered \$31.31 million in revenue as compared to \$16.58 million in the previous corresponding quarter ended 30 September 2014 ("2Q2015"). The increase was approximately \$14.73 million or 88.8%.

Food catering business revenue increased by \$3.73 million or 31.1% from \$12.02 million in 2Q2015 to \$15.76 million in 2Q2016. The increase was mainly attributable to effective marketing efforts of broadcast and print advertising, as well as promotions introduced to celebrate SG50 during 2Q2016.

Food retail business revenue increased marginally by \$0.05 million or 1.1% from \$4.46 million in 2Q2015 to \$4.51 million in 2Q2016. This was mainly attributable to the operating challenges in the F&B sector as well as the increasing variety of food choices in the Singapore market. The recent cases relating to infection of the Group B Streptococcus (GBS) bacteria and the prolonged spell of haze led to a drop in footfalls on the Group's outlets. However, this was partially mitigated by the growth in the delivery sales.

Food manufacturing business also contributed revenue of \$11.50 million in 2Q2016.

Other income

Other income was \$0.39 million in 2Q2016 as compared to \$0.80 million in 2Q2015. Other income decreased by \$0.41 million or 51.4% which mainly arose from a gain on disposal of property in 2Q2015 which did not recur.

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Purchases and consumables used

Purchases and consumables used increased by \$7.20 million or 135.9% to \$12.51 million in 2Q2016 from \$5.31 million in 2Q2015. The increase was mainly due to the consolidation of costs incurred by the Group's newly acquired food manufacturing business.

The increase in food catering business's purchases and consumables used was generally in line with the increase in its revenue.

Delivery expenses

Delivery expenses increased by \$0.49 million or 100.4% to \$0.99 million in 2Q2016 as compared to \$0.50 million in 2Q2015. The increase was mainly due to the consolidation of logistics expenses incurred by the Group's newly acquired food manufacturing business.

Employee benefits expense

Employee benefits expense increased by \$3.85 million or 71.6% to \$9.22 million in 2Q2016 as compared to \$5.37 million in 2Q2015. This was mainly due to the consolidation of employee benefits expense from the Group's newly acquired food manufacturing business.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by \$0.72 million or 79.0% from \$0.91 million in 2Q2015 to \$1.63 million in 2Q2016. This was mainly attributable to the additions on renovation for leasehold properties at Enterprise Road and the acquisition of plant and machinery during 2Q2016.

Advertising expenses

Advertising expenses increased by \$1.16 million or 176.3% from \$0.65 million in 2Q2015 to \$1.81 million in 2Q2016. This was mainly due to expenses incurred for the various marketing promotional tools used to create a constant interaction with the targeted customers during 2Q2016.

Operating lease expenses

Operating lease expenses increased by \$0.59 million or 51.4% from \$1.14 million in 2Q2015 to \$1.73 million in 2Q2016. This was mainly due to the expenses incurred by the Group's newly acquired food manufacturing business.

Utilities

Utilities increased by approximately \$0.83 million or 254.4% from \$0.33 million in 2Q2015 to \$1.16 million in 2Q2016. The increase was mainly due to higher electricity tariff contract which was committed by the Group's newly acquired food manufacturing business.

Other expenses and finance costs

Other expenses increased by \$1.11 million or 85.5% from \$1.30 million in 2Q2015 to \$2.41 million in 2Q2016. 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 business.

Finance costs increased by approximately \$0.37 million or 387.2% from \$0.09 million in 2Q2015 to \$0.46 million in 2Q2016 mainly due to the increase in working capital loan to refinance the Group's newly acquired food manufacturing business with a cheaper bridging loan, and to fund the purchase of materials and consumables in 2Q2016.

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Profit before income tax

The Group's profit before income tax decreased by \$1.90 million from a profit of \$1.91 million in 2Q2015 to \$8,000 in 2Q2016. The decrease in profit before income tax was mainly due to the increase in expenses, such as professional and legal fees, training expenses, IT expenses, and consolidation of the expenses from Group's newly acquired food manufacturing business and weak performance in food retail business.

Income tax expense

The income tax expense of the Group increased by \$0.01 million or 3.8% from \$0.37 million in 2Q2015 to \$0.36 million in 2Q2016 primarily due to income tax expense was not provided by non-profitable businesses.

Loss for the financial period

As a result of the above, the food catering business remained profitable. However, the recent Group's newly acquired food manufacturing business remained loss making while the Group continues to fine-tune its business strategies and explore opportunities to capitalise on the Group's newly acquired food manufacturing business.

The Group's profit attributable to the owners of the parent decreased by \$1.46 million from \$1.53 million in 2Q2015 to \$0.07 million in 2Q2016, while the net loss attributable to non-controlling interests was \$0.42 million in 2Q2016.

1H2016 compared to 1H2015

Revenue

For the six (6) months ended 30 September 2015 ("1H2016"), the Group's revenue increased by \$22.64 million or 77.0% to \$52.05 million as compared to \$29.41 million in the six (6) months ended 30 September 2014 ("1H2015"). The increase was mainly contributed by the Group's newly acquired food manufacturing business.

Food catering business revenue increased by \$6.64 million or 31.6% from \$21.0 million in 2Q2015 to \$27.6 million in 2Q2016. The increase was mainly attributable to effective marketing efforts of broadcast and print advertising, as well as promotions introduced to celebrate SG50.

Food retail business revenue increased marginally by \$0.67 million or 8.2% from \$8.22 million in 2Q2015 to \$8.90 million in 2Q2016. This was mainly attributable to the operating challenges in the F&B sector. The recent cases relating to infection of the Group B Streptococcus (GBS) bacteria and the prolonged spell of haze led to a drop in footfalls on the Group's outlets. However, this was partially mitigated by the growth in the delivery sales.

Food manufacturing business also contributed revenue of \$15.04 million in 1H2016.

Other income

Other income increased by \$0.26 million or 27.1% from \$0.95 million in 1H2015 to \$1.21 million in 1H2016. The increase was mainly due to the gain on disposal of property.

Purchases and consumables used

Purchases and consumables used increased by approximately \$10.65 million or 114.4% to \$19.95 million in 1H2016 from \$9.30 million in 1H2015. The increase was mainly due to the consolidation of costs incurred by the Group's newly acquired food manufacturing business.

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Delivery expenses

Delivery expenses increased by \$0.80 million or 88.0% to \$1.71 million in 1H2016 as compared to \$0.91 million in 1H2015. The overall increase was due to the additional logistic expenses to support the increase in orders from 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 business.

Employee benefits expense

Employee benefits expense increased by \$5.40 million or 52.4% to \$15.70 million in 1H2016 as compared to \$10.30 million in 1H2015. This was mainly due to the consolidation of expenses from the Group's newly acquired food manufacturing business, as well as planned addition of headcounts in the various divisions to support the business integration.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by \$1.35 million or 82.6% from \$1.63 million in 1H2015 to \$2.98 million in 1H2016. This was mainly attributable to the renovation for leasehold properties at Enterprise Road and the acquisition of plant and machinery.

Advertising expenses

Advertising expenses increased by \$1.43 million or 110.6% from \$1.30 million in 1H2015 to \$2.73 million in 1H2016. This was mainly due to overall expenses incurred for the various marketing promotional tools used to create a constant interaction with targeted customers, including the Group's newly acquired food manufacturing business during 1H2016.

Operating lease expenses

Operating lease expenses increased by \$0.82 million or 38.9% from \$2.12 million in 1H2015 to \$2.94 million in 1H2016. This was mainly due to the consolidation of lease expenses incurred by the Group's newly acquired food manufacturing business, and the new retail outlets.

Utilities

Utilities increased by approximately \$1.17 million or 170.1% from \$0.68 million in 1H2015 to \$1.85 million in 1H2016. The increase was mainly due to a higher electricity tariff contract which was committed by the food manufacturing business.

Other expenses and finance costs

Other expenses increased by \$2.08 million or 84.0% from \$2.47 million in 1H2015 to \$4.55 million in 1H2016. 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 business.

Finance costs increased by \$0.47 million or 290.6% from \$0.16 million in 1H2015 to \$0.63 million in 1H2016 mainly due to the increase in working capital loan to refinance the Group's newly acquired food manufacturing business with a cheaper bridging loan, and to fund the purchase of materials and consumables.

Profit before income tax

The Group's profit before income tax decreased by \$1.54 million from \$1.78 million in 1H2015 to \$0.24 million in 1H2016. The decrease in profit before income tax was mainly due to the increase in professional and legal fees incurred for the merger and acquisition transactions, training expenses, IT

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expenses, consolidation of results from the Group's newly acquired food manufacturing business, as well as the weak performance in the food retail business.

Income tax expense

The income tax expense of the Group increased by \$0.05 million or 15.0% from \$0.39 million in 1H2015 to \$0.44 million in 1H2016 primarily due to the Group's profitable businesses which was not offset by the other loss-making segments.

Loss for the financial period

As a result of the above, the food catering business remained profitable. However, the losses at the Group's newly acquired food manufacturing business and the weak performance in the food retail business impacted the Group's bottom line negatively. The Group will continue to integrate the Group's newly acquired food manufacturing business and works towards enhancing the value creations to enhance the stakeholder's value.

The Group's profit attributable to the owners of the parent decreased by \$1.13 million from \$1.40 million in 1H2015 to \$0.27 million in 1H2016, while the net loss attributable to non-controlling interests was \$0.47 million.

8(b) Statement of Financial Position

Non-current assets

The Group's non-current assets increased substantially by \$28.86 million from \$38.31 million as at 31 March 2015 to \$67.17 million as at 30 September 2015 primarily due to Thong Siek Acquisition of \$22.03 million and recognition of goodwill from Thong Siek Acquisition's of \$6.75 million.

Current assets

The Group's current assets increased by \$14.64 million from \$15.35 million as at 31 March 2015 to \$29.99 million as at 30 September 2015. The Group's inventories increased by approximately \$4.48 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 \$9.57 million was mainly due to the longer credit terms granted to customers from the food manufacturing business. Cash and cash equivalents increased by \$0.56 million.

The Group's assets classified as held for sale with a total carrying amount of \$0.79 million was disposed to a third party in April 2015 for cash consideration of \$1.46 million.

Current liabilities

The Group's current liabilities increased by \$28.05 million from \$14.56 million as at 31 March 2015 to \$42.61 million as at 31 March 2015. This was mainly attributable to an increase of \$18.55 million in current bank borrowings due to drawdown of a term loan to finance Thong Siek Acquisition and plant and machinery purchased an increase of \$9.62 million in trade and other payables as well as an increase of \$0.15 million in finance lease payables. Current income tax payable decreased by approximately \$0.28 million due to payment of prior year provision of income tax.

Non-current liabilities

The Group's non-current liabilities increased by \$12.41 million from \$15.71 million as at 31 March 2015 to \$28.12 million as at 30 September 2015 primarily due to the drawdown of an acquisition loan to finance Thong Siek Acquisition, finance lease to acquire the motor vehicles, and plant and machinery during 1H2016.

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As at 30 September 2015, the Group was in a net current liability position of \$12.61 million mainly due to the effects of the Thong Siek Acquisition.

The Group had incurred short-term bank borrowings of \$5.73 million to refinance the Thong Siek's working capital loan, and the Group had drawn down additional working capital loan to fund the materials purchases. The Group was impacted by the higher working capital requirements of the Thong Siek Group, particularly the level of inventories required to be maintained and the collection period of receivables as compared to the payment period of payables which resulted in the Group incurring overall negative cash flows from its operating activities in 1H2016.

The Directors intend to tighten financial management of the Group, with a view to reduce gearing and improve the Group's overall financial position. In this regard, the Group intends to / is exploring opportunities to dispose certain of its non-core properties to raise cash proceeds for repayment of its bank borrowings.

Taking into consideration the Group's intended disposal of certain of its properties and based on the Group's internal budget and cash flows planning], the Directors believe that the Group will be able to meet its short-term obligations as and when they fall due. Barring unforeseen circumstances, the Directors further believe that the Group's negative working capital position as at 30 September 2015 will be overcome in the longer term as the Group realises the benefits of the Thong Siek Acquisition.

8(c) Consolidated Statement of Cash Flows

The Group's net cash flows used in operating activities of \$1.30 million during 1H2016 mainly due to operating cash flows before working capital changes of \$3.16 million and a net working capital outflow of \$3.74 million, and payment of income taxes of \$0.72 million.

The increase in net working capital was mainly due to the increase in inventories of approximately \$0.66 million and the increase in trade and other receivables of \$3.13 million, a decrease in prepayment of approximately \$0.19 million and the decrease in trade and other payables of approximately \$0.14 million.

The Group's net cash flows used in investing activities of \$7.32 million during 1H2016 were mainly attributable to Thong Siek Acquisition of \$6.55 million, acquisition of plant and equipment of \$3.29 million and capital expenditure on accounting software of \$0.02 million, which is netted with proceeds from disposal of property, plant and equipment.

The Group's net cash flows used in financing activities of \$9.19 million during 1H2016 were mainly due to the drawdown from bank borrowing of \$23.80 million, repayment of bank borrowings and finance lease payables of \$12.49 million, dividends payment of \$1.52 million and interest payment of \$0.61 million.

As a result of the above, the net decrease in cash and cash equivalents during 1H2016 was \$0.56 million.

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

Please refer to paragraph 10 below.

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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 the Group operates in is expected to be challenging in the next 12 months due to slower economic growth and this could translate into weaker purchasing power, rising manpower costs, raw material costs and rental costs from the retail outlets.

The Food Catering Business remains focused on executing its core strategies to grow through better product offerings and customer's experience to drive revenue growth and profit margin, including better manpower and materials cost control.

The Food Retail Business continues to work hard to manage the challenging operating conditions due to stiff competition, tight labour market and rising material cost.

The Group aims to achieve back-end integration and synergy with Thong Siek Acquisition with a view of achieving value creation through productivity enhancement, new market developments, procurement efficiencies and economies of scale.

The Group would continue to look for suitable acquisitions, joint ventures and strategic alliances that complement its suite of capabilities to strengthen its value chain and solidify its market leadership position in Singapore.

Barring unforeseen circumstances and subject to the Group being able to successfully execute the integration of its new acquisitions, the Group is expected to be profitable for the full financial year ending 31 March 2016.

11. Dividend

a. Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

b(i). Amount per share

None

b(ii). 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

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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 <u>Rule 920</u>) \$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than \$100,000) \$'000
Neo Kah Kiat		
(i) Office premise lease expense	46.9	-
(ii) GUI Solutions Pte Ltd		
- Cost of goods and services purchased	117.2	-
- Rental and utilities income	12.0	-
Neo Kah Kiat and Liew Oi Peng		
(i) Office premise lease expense	99.4	-
(ii) Twinkle Investment Pte Ltd		
- Office premise lease expense	46.0	-
- Rental of yacht	120.0	-

Note:

The Group has not obtained any general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules.

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 financial results for the six months ended 30 September 2015 to be false or misleading in any material aspect.

Neo Kah Kiat
Chairman and Chief Executive Officer

Liew Oi Peng
Executive Director

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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)

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
14 November 2015

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, telephone: +65 6337 5115.

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