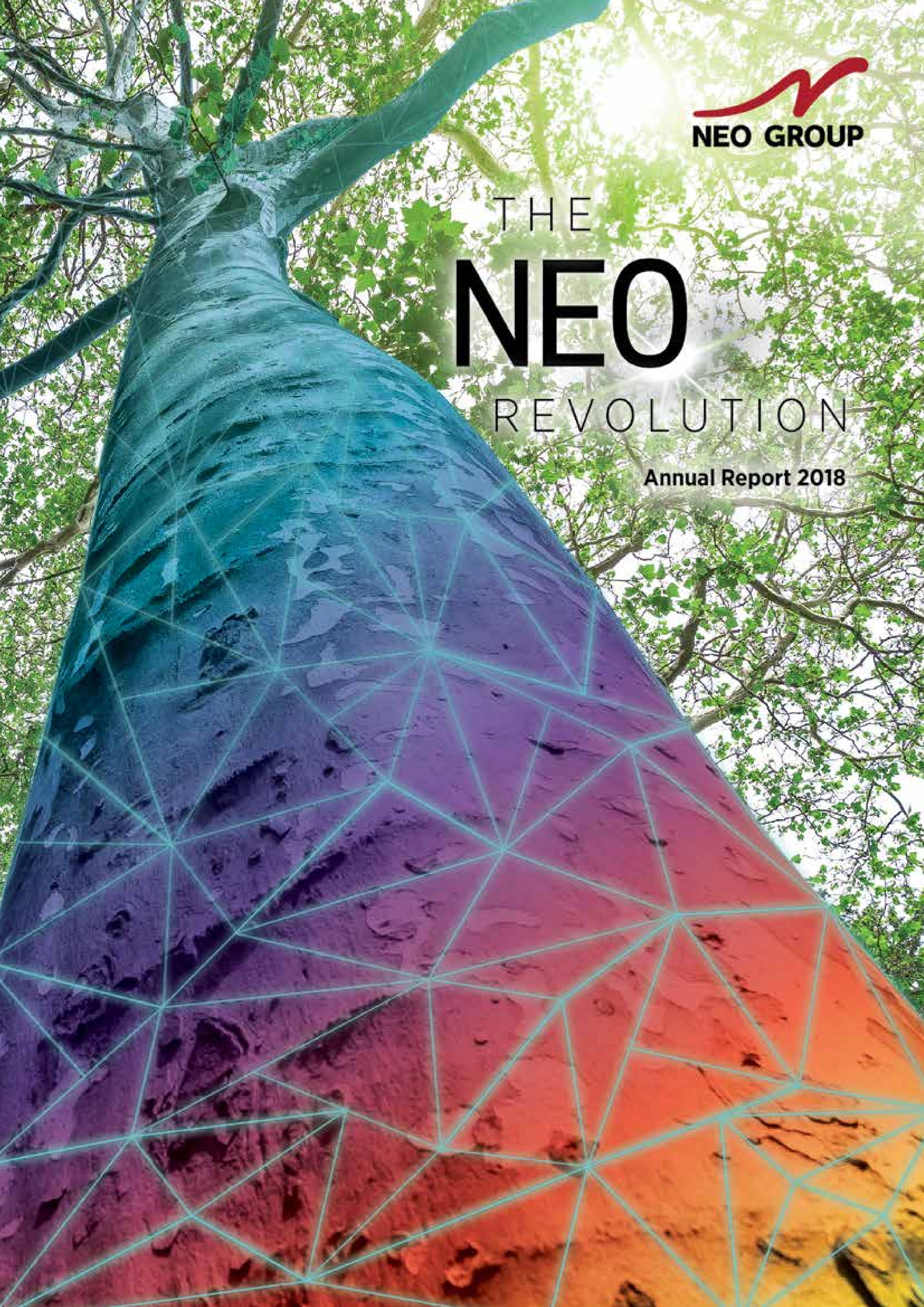


NEO GROUP

THE NEO REVOLUTION

Annual Report 2018

NURTURING DIVERSITY

EMBRACING INNOVATION

OPTIMISING POTENTIAL

CORPORATE PROFILE

Neo Group Limited ("**Neo Group**", or together with its subsidiaries, the "**Group**") is Singapore's leading catering group backed by an integrated value chain and strong track record accumulated over 26 years. Listed on SGX since July 2012, Neo Group provides customers with end-to-end food and catering solutions through a comprehensive suite of capabilities and service offerings under four main business segments – Food Catering, Food Manufacturing, Food Retail, and Supplies and Trading. Its unique value proposition and strong commitment to constantly innovate and remain at the forefront of adopting cutting-edge technologies and automation has allowed Neo Group to cement its position as **Singapore's Number One Events Caterer**[1].

Neo Group supplies a large variety of quality food and buffets appealing to various market segments through its strong portfolio of brands – including "Neo Garden", "Deli Hub", "Orange Clove", "Best Catering", "Gourmetz", "Kim Paradise", "Savoury Catering", "umisushi", "issho", "Joo Chiat Kim Choo" and "DoDo". The Group now owns a food retail network spanning more than 20 outlets islandwide.

Through its subsidiaries, the Group's trading network spans over 30 countries worldwide, while its operations in Singapore are supported by East and West central kitchens, manufacturing facilities, warehouses and over 1,400 dedicated employees.

[1] *Euromonitor International Report, 'Overview of Events Catering Services in Singapore', dated April 2018*

CONTENTS

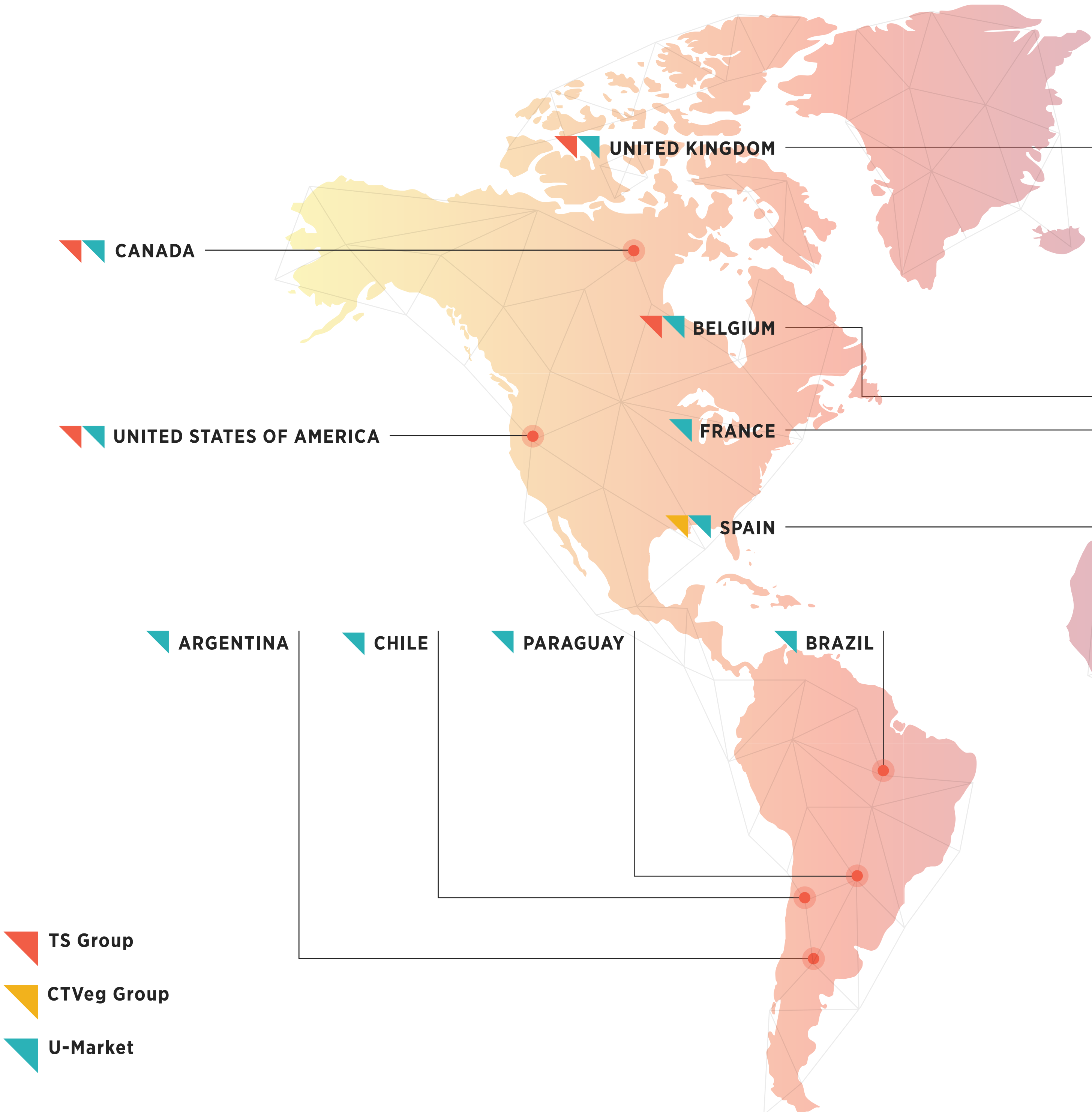
TRANSFORMING WITH TECHNOLOGICAL ADVANCEMENTS ...

FINANCIAL SECTION

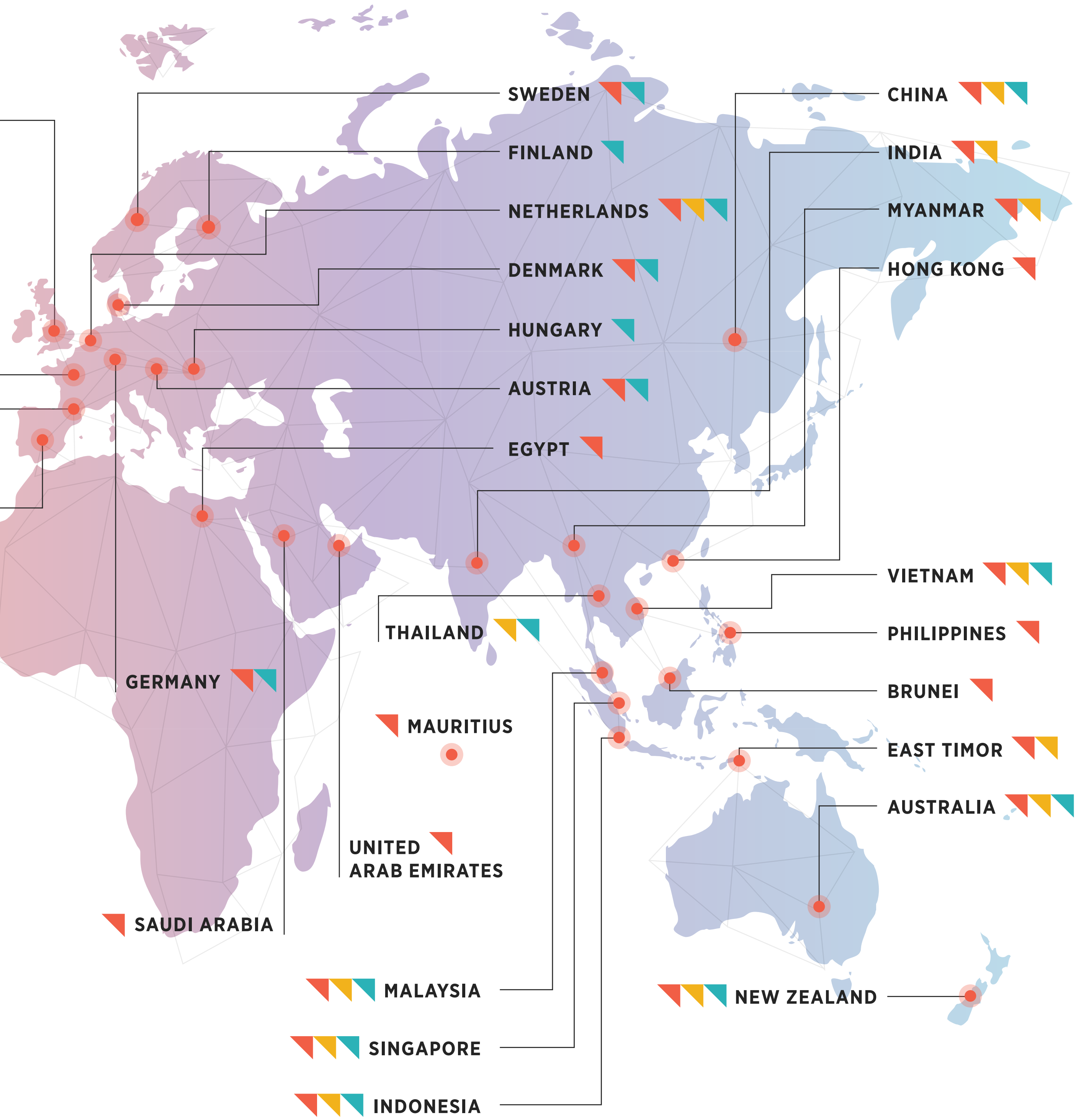
GLOBAL TRADING NETWORK

By providing a larger consumer base through which it can cross-sell its F&B products, it provides us the opportunity to increase Neo Group's sales and presence into new markets.

With a wider array of suppliers to source its raw materials from, Neo Group's extensive global supply chain network is instrumental in optimising the company's sourcing processes and minimising its operational costs.



OVER 30 COUNTRIES



NURTURING DIVERSITY

Many Brands for Diverse Needs

We continue to expand our product offerings and diversify our customer base so as to achieve sustainable growth. Through broadening businesses like Gourmetz and Kim Paradise that do not experience seasonality, we continue to leverage on our multi-brand strategy to further increase our market share.

CHAIRMAN'S STATEMENT

REVENUE INCREASED 10% TO A RECORD

S$178.2 MILLION

NEO KAH KIAT, PBM
FOUNDER, CHAIRMAN AND CEO

DEAR VALUED SHAREHOLDERS,

Change is the only constant and it is important that we respond quickly to business conditions nowadays in order to stay relevant. As a progressive company, it is our responsibility to make sure we understand what our customers want and be there for them. Our priorities on food safety and quality have contributed to our success over the years but as the spirit of Neo Group goes, "**Never give up, challenge yourself!**"

WE ARE ALWAYS LOOKING AT WHAT'S NEXT.

BUILDING A LEGACY

Our intention to build not just a business, but a legacy is clear. In today's corporate world, disruption is a constant threat to businesses but we are taking the necessary steps to make sure that Neo Group goes on for generations. We may not have invented catering or any of the businesses we are now in, but we continuously re-invent ourselves to push the boundaries.

THE NEO REVOLUTION

With the Neo Revolution, everyone at Neo Group is encouraged to think digital and we aim to emerge as a smart company, doing things better and faster. A committee has also been set up to architect the transformation roadmap for the Group. In summary, we have identified technology, infrastructure and culture as three key areas to focus on as we take measurable steps towards achieving our goals.

Transforming with technology advancements

In order to improve our operational processes, we continue to invest in automation and technology. The buzz around the Internet of Things, Integrated Computing and Artificial Intelligence is more than just hype as we are working towards introducing these measures to our systems. With the push towards Industry 4.0, which is the trend of automation and data exchange, there are many areas we can tap on to value-add to our customers. Data analytics, for instance can help us understand what our customers want so we can better serve them. In terms of our output, our lean processes are able to create greater value with less resources. A good example is that our kitchens are moving towards paperless systems, yet processes have become more reliable and efficient.

CHAIRMAN'S STATEMENT

Building a holistic infrastructure

The advancement in technology has allowed us to digitally integrate our various business segments. We partnered GUI Solutions to develop our own IT system which has improved communication and processes as a whole for the Group. It is important to have a holistic infrastructure to realise our ambition to be a fully integrated food solutions provider. With the various subsidiaries that we own, we now have the capabilities in-house to source, procure, pack, manufacture and distribute. This effectively cuts out the involvement of middlemen so our customers get the best value for their money.

Nurturing an inclusive culture

While technology and infrastructure are factors that ensure business sustainability, we also believe in having a strong company culture to grow our legacy. We "Begin with Love" at the start of each year, a charity drive where we donate the revenue received from our four leading catering brands, Neo Garden, Orange Clove, Deli Hub and Best Catering, on 1 January to chosen charities. The idea that "giving is the expressway to success" is what we hope to develop within the Group with the Neo SEED Fund. A little goes a long way indeed as we encourage staff to donate 1% of their salary monthly to the fund. Apart from monetary contributions, we also have volunteers committing their time to support people around them and participation in meaningful campaigns such as our biannual blood donation drive. I am pleased to share that to date, more than 50 charities have benefited from our causes in one way or another. Extending beyond charity work with our Zero Error Transformation, we encourage everyone to strive for the highest levels of accuracy and standards in all aspects of their work.

Understanding the Neo Revolution is important as we align the strategies to our goal of building a legacy, one which promises food safety, quality, consistency, speed and good service level.

FOUNDATION THAT MAKES THE DIFFERENCE

With clear strategies in mind, we can now focus on some of the developments under our various business segments that made a difference and will continue to create value for the Group.

Food Catering

We have been the No. 1 events caterer for seven consecutive years since 2011 and we are pleased to share that we grew our market share to 14.9%[1] in 2017. For the sixth consecutive year, we broke the Singapore Book of Records with almost 2,000 catering orders served in a day, feeding some 60,000 guests. This is equivalent to a buffet being produced in every 20 seconds, a remarkable achievement indeed!

Our approach to adopt a multi-brand strategy saw us adding Kim Paradise and Savoury Catering to our existing portfolio of brands over the last 12 months. This not only brought new teams of talent onboard but also presented more options for customers, corporate-focused menus from Orange Clove, mass-market spreads from Neo Garden or childcare, student care & elderly care catering from Gourmetz.

Kim Paradise is a new family member of Neo Group that is helmed by Madam Kim. Madam Kim has 25 years of experience in home-cooked food and she holds true to her unwavering belief that "Good food comes from a Good heart with Great passion". Kim Paradise is an extension of her promise to high-quality food standards and dedication to creations. She continuously innovates to provide new menu items in Healthy Meal sets & Confinement Packages for everyone. Kim Paradise aims to be the largest Tingkat provider in Singapore.

Our wide offering across the brands now makes it possible for us to serve customers with different budgets, from the mass-market to high-end themed corporate events. The diversity of customers also improves utilisation of our existing facilities beyond seasonal peaks as we continue to secure more contracts from schools and institutions that earn us recurring income.

We continue to make new investments yearly to automate processes and improve operational efficiencies. Automation helps ensure consistency with the quality of food and addresses manpower issues, which is a challenge industry-wide. We are now able to ensure that our most important resource, talent, can manage higher value-work while our operations at our kitchens are optimised to generate greater dollar value output per square foot.

Food Manufacturing

With a stable infrastructure in place that manages sourcing, processing, cold room storage to logistics, we turned the segment profitable. This is just the beginning as we will continue to make the necessary investments in advanced machineries to improve our processes. I am pleased to share that under my leadership and together with my team, we had successfully executed our restructuring plans for the Food Manufacturing business and brought it from a loss before income tax of S$5.8 million in FY2017 to a profit before income tax of S$1.5 million in FY2018. I am proud of this achievement, and with all the nuts and bolts in place, we are ready to take this business to new heights!

[1] *Euromonitor International Report, 'Overview of Events Catering Services in Singapore', dated April 2018*

With an established homegrown brand name like DoDo and Thong Siek, the next step is to focus efforts on growing this business overseas. With a distribution network in more than 20 countries presently, we will target growth in existing geographies, such as the U.S., where we see opportunities to penetrate deeper into the markets and further grow our export sales. We are also planning to set up marketing offices in the U.S. to improve customer relationships and grow clientele in various cities.

Food Retail

With over 20 outlets covering brands such as umisushi, Joo Chiat Kim Choo and issho across Singapore, the segment increases our overall brand awareness and outreach to our customers. We are continuing to review the performance of each outlet and will make the necessary strategic decision to maximise returns. In the near-term, the intention is to explore launching more innovative retail concepts to strengthen our current portfolio of brands.

Supplies and Trading

This segment is core to our business infrastructure as we import most of our own raw materials, giving us increased control over quality and costs. We have reviewed the business and the direction is to reduce trading transactions for low-margin trading items, while increasing higher margin sales through the business-to-business and business-to-consumer markets. With the initiatives and plans we have, we are confident to turnaround this segment in the next 12 months.

STAYING ON COURSE

We continue to deliver on our promise to be profitable and grow our sales yearly. Revenue increased 10.0% year-on-year (yoy) to a record S$178.2 million for the financial year ended 31 March 2018 (FY2018) while net profit more than doubled to S$3.0 million.

Among the business segments, our Food Catering business reported the highest profitability, with profit before income tax (PBT) of S$6.7 million while revenue grew 4.6% yoy to S$66.0 million for FY2018 led by growing income from Gourmetz, which specialises in eldercare and childcare catering. More notably, our Food Manufacturing business turned around with a PBT of S$1.5 million compared to a loss of S$5.8 million a year ago while revenue is up 2.9% yoy to S$49.4 million.

We took a deliberate approach to review our Food Retail business to optimise its operational and financial performance. While revenue declined 10.9% to S$16.8 million, due to closure of non-performing outlets, improvement of systems and streamlining of menus, we turned profitable from a S$0.8 million loss the year before. Lastly, our Supplies and Trading business, led by U-Market, reported a S$3.3 million loss for FY2018 due to weak market sentiment for meat trading. We recognise the concern and you can be assured that the necessary integration and streamlining efforts are in-place to effect a turnaround. We expect more positive results over the next 12 months.

LOOKING AHEAD

Building upon the current robust operational and financial fundamentals,

WE NOW HAVE A PLATFORM FOR NEO REVOLUTION TO TAKE THINGS TO THE NEXT LEVEL AS WE LOOK TO GROW THE LEGACY.

Our strategies have been clearly mapped out above and it will be a combination of organic and inorganic growth opportunities to take us forward. We are disciplined in our approach when it comes to reviewing acquisitions so that we only take on companies that are earnings-accretive, profitable, cash flow positive, have value-added capabilities and high growth potential.

It is important to look forward yet inward at the same time. As such, we will continue to review our existing businesses, particularly companies we acquired previously to align their operational and financial performances with our expectations.

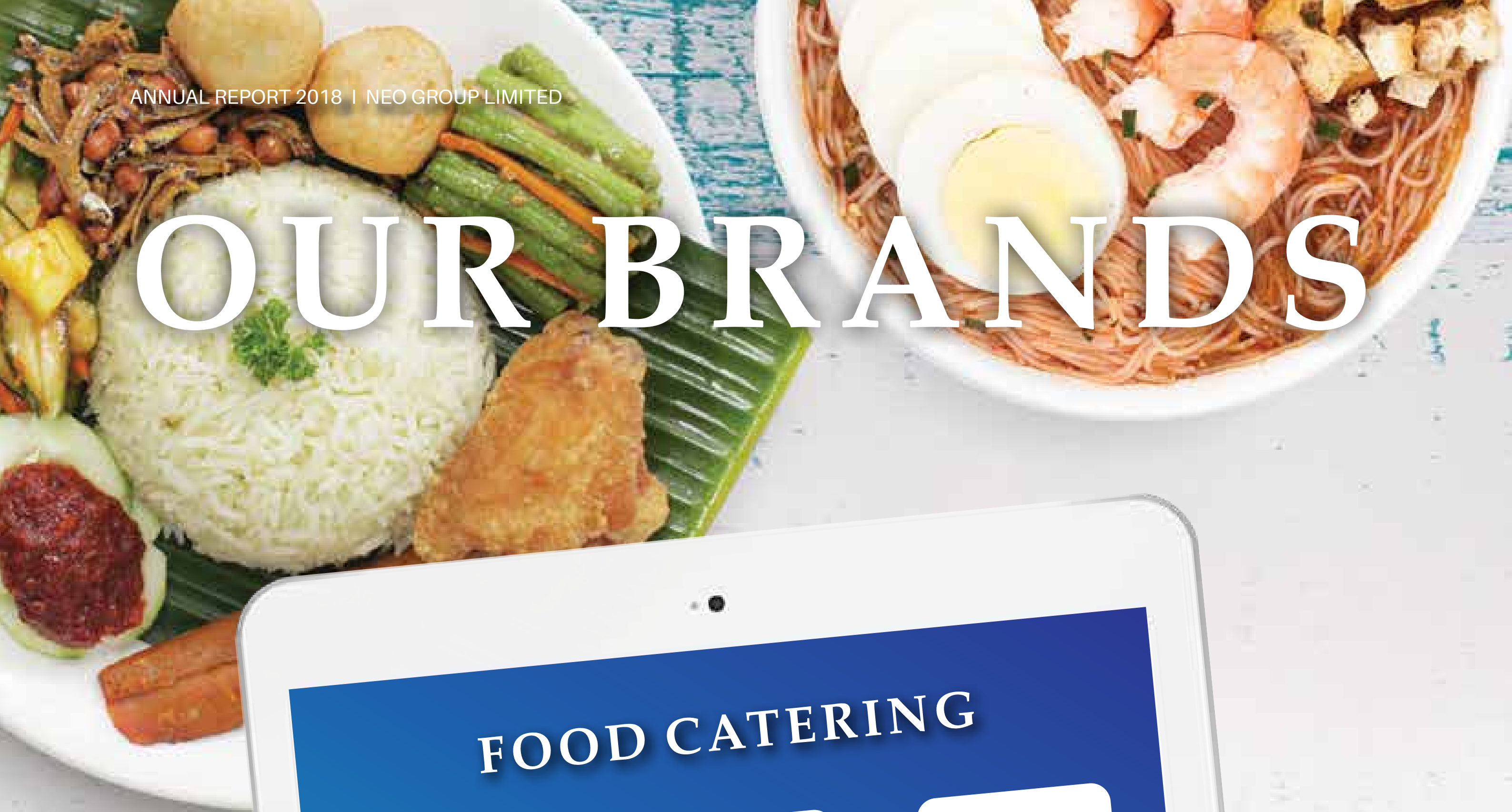
APPRECIATION

We got to where we are today with the dedication and commitment from all our Neo warriors. On behalf of the Board and management, I thank each and everyone. With a vision to build a legacy, it starts from taking small steps together. Since November last year, we started our “30,000-step” walks every month and “10,000-step” walks on Mondays and Wednesdays to promote healthy living and aim to bring everyone in the Neo family closer.

I am also extremely grateful for the support from our customers, business partners, suppliers and most importantly, our faithful shareholders. The Board has proposed a final cash dividend of 1.00 Singapore cent per share for FY2018 to reward shareholders and we hope to achieve greater heights together.

NEO KAH KIAT, PBM

Founder, Chairman and CEO



OUR BRANDS

FOOD CATERING

NEO GARDEN CATERING

The preferred household caterer has enjoyed strong brand recognition for consistent food quality.

DELI HUB CATERING

Deli Hub offers halal-certified menus catering to events of varying scale.

ORANGE CLOVE CATERING

Orange Clove has established a strong foothold in the corporate catering segment.

KIM PARADISE

Kim Paradise specialises in home-meal delivery (tingkat) services, focusing on confinement and healthy meals that promote "wellness and healing".

GOURMETZ

Gourmetz serves the childcare, student care and elderly care segments.

SCAN TO FIND OUT MORE!

FOOD MANUFACTURING

TS GROUP

Established in 1976, TS Group is Singapore's largest fishball manufacturer, distributor and retailer of quality surimi-based (minced fish paste) seafood products in Singapore.

SCAN TO FIND OUT MORE!

DODO™ - SINCE 1976 -

So Good! So Enjoy!

OUR BRANDS

FOOD RETAIL

UMISUSHI

The umisushi chain serves a variety of Japanese food at great convenience and affordable prices.

KANG KAR

Kang Kar Noodles offers value-for-money traditional minced fish noodles, a healthier choice compared to minced meat noodles.

DODO EXPRESS

DoDo Express is a newly-launched grab-and-go concept that serves fresh and piping hot DoDo signature seafood items.

JOO CHIAT KIM CHOO

With a heritage of over 20 years, Joo Chiat Kim Choo offers rice dumplings distinguished by the use of the finest ingredients.

ISSHO

Issho serves authentic Japanese cuisine through an extensive menu, featuring fresh and high-quality ingredients flown in directly from Japan.

SCAN HERE FOR UMISUSHI PROMOTIONS!

SUPPLIES & TRADING

CTVEG GROUP

Established in 1991, CTVeg Group has grown rapidly over the last 25 years to establish itself as one of Singapore's largest fruits and vegetables traders.

HI-Q

Hi-Q is a manufacturer and supplier of all kinds of resins and plastic packaging products primarily used by businesses operating in the food industry.

U-MARKET PLACE ENTERPRISE

U-Market is in the business of importing and trading frozen meat products.

SCAN TO FIND OUT MORE!

NKK IMPORT & EXPORT TRADING

Specialising in wholesale and distribution of food products, equipment and packaging, NKK Import & Export Trading is Neo Group's sourcing arm.

OTHER BUSINESSES

CHOZ CONFECTIONERY

Choz Confectionery is a popular and established brand for babies' full-month and wedding favours.

SCAN HERE FOR CHOZ PROMOTIONS!

I DO FLOWERS & GIFTS

I Do Flowers & Gifts is spearheaded by an industry veteran of over 20 years' experience and supported by dedicated floral designers.

SCAN TO FIND OUT MORE!

MILESTONES

1992

Neo Group's Founder, Chairman & CEO Mr Neo Kah Kiat started Neo Garden in a humble shared kitchen in Joo Chiat (2,000 sq ft) with just 8 employees.

1994

The Group shifted from the East to a coffee shop in Jurong West (4,000 sq ft).

2004

To cope with the growing business, the Group shifted to 6A Wan Lee Road (7,600 sq ft), an expanded premise, and set up the Group's first halal-certified catering brand, Deli Hub.

2007

The Group started its first Japanese quick and convenient dining concept, umisushi at Eunos MRT station. Today, it has around 20 outlets islandwide.

2008

Orange Clove, an East-West fusion catering brand, was set up to cater to the mid to high tier market segment.

2010

NKK Import & Export Trading was set up to source ingredients directly from distributors for better quality & cost control.

2011

The Group marked another milestone, acquiring 30B Quality Road (122,000 sq ft) for further development.

2012

The Group achieved another milestone with its listing on SGX Catalist in July.

2013

The Group's operations, corporate headquarters and central kitchen were consolidated at 1 Enterprise Road (75,000 sq ft).

2014

Best Catering, NANAMI UDON, issho, Choz Confectionery and I DO Flowers & Gifts were added to the Group's portfolio of brands.

2015

TS Group and CTVeg Group joined Neo Group.

2016

Gourmetz was established to capture the childcare, student care and elderly care market.

2017

Hi-Q & U-Market (including Joo Chiat Kim Choo as its brand), joined the Group.

2018

Kim Paradise was established and aims to be the largest tingkat provider in Singapore. Savoury Catering was established to provide Peranakan meal options.

AWARDS & ACCOLADES

SINGAPORE QUALITY AWARD
2017

SINGAPORE CHAMPIONS OF GOOD
2017

SINGAPORE BOOK OF RECORDS
"Largest Events Caterer" and "Highest Number of Events Catered by a Company in One Day"
2018, 2017, 2016, 2015, 2014 & 2013

EUROMONITOR INTERNATIONAL
Number 1 Events Caterer in Singapore
2018, 2017, 2016, 2014

AGRI-FOOD & VETERINARY AUTHORITY OF SINGAPORE
AVA Grade A
2017, 2016

AVA Food Safety Excellence Award (Gold)
2015

SINGAPORE 1000 COMPANY – PUBLIC LISTED COMPANIES
2017, 2015

INFLUENTIAL BRANDS TOP BRAND
Caterer Category
2016, 2015 & 2014

SINGAPORE SERVICE CLASS
2016

ISO 22000
Food Safety Management
2016

360 BREAKTHROUGH AWARD
Titanium Award
2016

SPIRIT OF ENTERPRISE AWARDS
Nexia TS Entrepreneur of the Year
2016

EXCELLENT SERVICE AWARD
8 Star Award, 30 Gold Awards, 45 Silver Awards
2016, 2015, 2014

SINGAPORE QUALITY CLASS STAR
2016, 2015

SINGAPORE PRESTIGE BRAND AWARD
Overall Winner, Established Brands
2015, 2013 & 2012

Promising Brands
2014

Hall of Fame
2015, 2013

WORLD GOURMET SUMMIT AWARDS OF EXCELLENCE
Outstanding Caterer of the Year
2015

EY ENTREPRENEUR OF THE YEAR AWARD
Food & Beverage Category
2015

SINGAPORE BUSINESS REVIEW
Listed Companies Award for Innovation in Food Services
2015

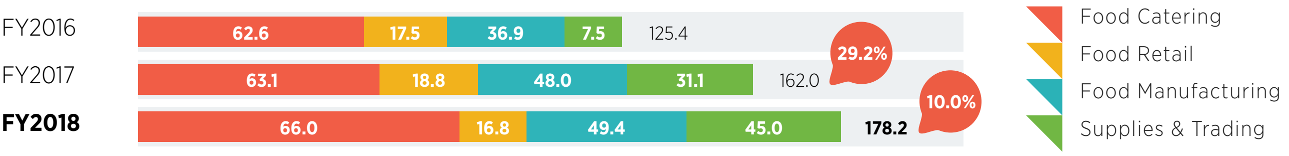
ASIA PACIFIC ENTREPRENEURSHIP AWARDS (OUTSTANDING CATEGORY)
2015

SIAS INVESTORS' CHOICE AWARDS
Most Transparent Company (Catalist)
2015, 2014

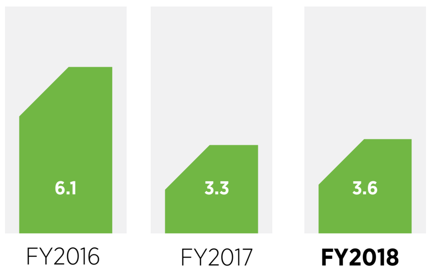
EPICUREAN STAR AWARD SINGAPORE
Best Caterer
2014

FINANCIAL HIGHLIGHTS

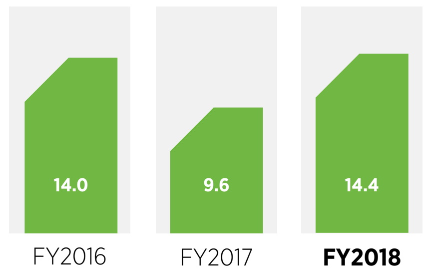
REVENUE (S$'M)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (S$'M)



EBITDA (S$'M)



	FY2016	FY2017	**FY2018**
INCOME STATEMENT (S$'M)			
Revenue	125.4	162.0	**178.2**
Profit/(Loss) Before Income Tax	5.2	(1.1)	**3.3**
Net Profit Attributable to Owners of the Parent (PATMI)	6.1	3.3	**3.6**
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	14.0	9.6	**14.4**
BALANCE SHEET (S$'M)			
Total Assets	128.6	139.1	**147.3**
Total Liabilities	92.4	101.6	**107.9**
Total Shareholders' Equity	30.6	33.2	**35.3**
Cash and Cash Equivalents at End of Financial Year	12.2	10.5	**13.7**
CASH FLOW (S$'M)			
Net Cash from Operating Activities	2.9	6.7	**17.6**
Capital Expenditure	(6.7)	(23.8)	**(14.4)**
KEY RATIOS			
Revenue Growth (%)	62.0	29.2	**10.0**
Net Profit (Decline)/Growth (%)	(18.1)	(46.2)	**132.4**
Net Gearing (times)[1]	1.77	1.91	**1.81**
Return on Shareholders' Equity (%)	19.8	9.8	**10.3**
Return on Total Assets (%)	4.7	2.3	**2.5**
PER SHARE INFORMATION (CENTS)			
Earnings Per Share	4.18[2]	2.24[3]	**2.49[3]**
Net Asset Value Per Share	20.97	22.73	**24.22**
MARKET CAPITALISATION (S$'M)			
Market Capitalisation[4]	96.3	84.6	**89.7**

[1] *Net Gearing is computed by dividing net debt by equity attributable to owners of the parent.*

[2] *Based on 145,170,084 weighted average number of ordinary shares.*

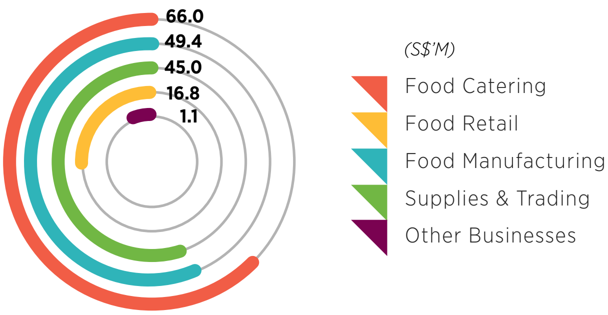
[3] *Based on 145,907,100 actual number of ordinary shares.*

[4] *As at the end of the financial year.*

BUSINESS REVIEW

Neo Group continues its growth trajectory into the new fiscal year, with a double-digit topline growth of 10.0% recorded for FY2018. This represents a revenue figure of S$178.2 million for FY2018, as compared to S$162.0 million reported for FY2017.

The higher topline was lifted by improved revenue contributions across most business segments, save for the Food Retail business which had initiated closure of non-performing outlets and streamlined menu offerings, in order to turn around this loss-making segment.



The Group's net profit after income tax surged 132.4% to S$3.0 million for FY2018 compared to S$1.3 million for FY2017, due to an improvement in our Food Catering, Food Manufacturing and Food Retail operations. The decrease of S$2.1 million in Other Income for FY2018, mainly due to the absence of one-off gain on disposal of assets classified as held for sale of S$1.8 million and a decrease in rental income of S$0.3 million for FY2017, was offset by a decrease of S$4.0 million in Other Expenses for FY2018, largely due to the absence of one-off loss on disposal of 14 Senoko Way of S$5.2 million for FY2017. EBITDA grew strongly to S$14.4 million for FY2018 as compared to S$9.6 million last year for similar reasons and in part due to reduction in our advertising and promotional activities conducted during the year.

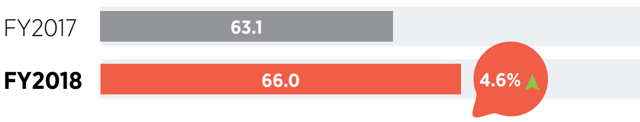
[1] *Euromonitor International Report, 'Overview of Events Catering Services in Singapore', dated April 2018*

The Group's balance sheet strengthened significantly, with cash and cash equivalents of S$13.7 million as at 31 March 2018, compared to S$10.5 million a year ago. FY2018 earnings per share grew to 2.49 Singapore cents from 2.24 Singapore cents in FY2017 while net asset value per share rose to 24.22 Singapore cents per share from 22.73 Singapore cents across the same comparative periods.

FOOD CATERING

Food Catering, the Group's largest revenue contributor by business segment, recorded a figure of S$66.0 million for FY2018, a 4.6% increase from S$63.1 million in the last financial year. The increase was mainly due to growing recurring income streams from its elder-care and childcare catering subsidiary, Gourmetz Pte. Ltd. ("**Gourmetz**").

FOOD CATERING REVENUE (S$'M)

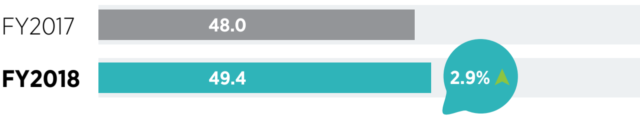


The Food Catering business had also improved its profit before income tax by 3.6% yoy to S$6.7 million for FY2018. The profit growth was boosted by our strong performance in the last quarter of FY2018 where the Group achieved a new record of almost 2,000 orders for the first day of Chinese New Year this year. The additional income streams from different catering brands as well as various cost controls within the segment also contributed to the solid performance.

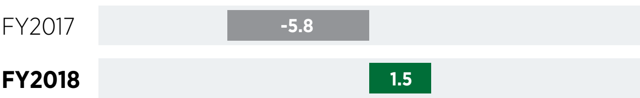
To maintain its leading position as Singapore's No. 1 Events Caterer[1], the Group intends to develop new product offerings and leverage on its diverse range of brands for cross-selling opportunities. This, coupled with the Group's focus of strengthening its recurring income streams through Gourmetz and newly established subsidiaries, Kim Paradise Pte. Ltd. and Savoury Catering Pte. Ltd., should help Food Catering to continue sustained growth.

FOOD MANUFACTURING

FOOD MANUFACTURING REVENUE (S$'M)



FOOD MANUFACTURING PROFIT BEFORE INCOME TAX (S$'M)



The Group's Food Manufacturing business continues to grow its topline, registering a 2.9% increase in segment revenue to S$49.4 million for FY2018 compared to S$48.0 million a year ago. The higher revenue was mainly due to increased export sales and some trading activities.

In addition to the increase in revenue, the Group had successfully executed its restructuring plans and turnaround initiatives, and brought its Food Manufacturing business from a loss before income tax of S$5.8 million for FY2017 to a profit before income tax of S$1.5 million for FY2018. This is a testament to the Group's capabilities in turning around a loss-making business that was acquired in June 2015.

Moving forward, with operations stabilised at its new facility at 22 Senoko Way, the Group will focus on export sales to drive growth for the Food Manufacturing business and will ramp up sales and marketing activities particularly in the U.S..

FOOD RETAIL

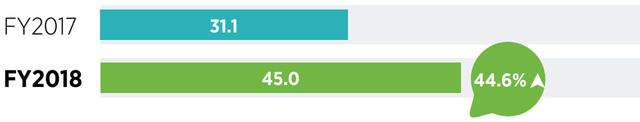
FOOD RETAIL REVENUE (S$'M)

The Group's Food Retail business recorded a 10.9% decrease in revenue to S$16.8 million for FY2018, due mainly to a conscious strategic decision to close non-performing outlets, improve systems and streamline menus. As a result of its adaptations, the Group's Food Retail business turned around from a loss before income tax of S$0.8 million for FY2017 to a profit before income tax of S$9,000 for FY2018.

In the near future, the Group plans to launch innovative new retail concept stores while continuing to review the performance of its various retail store locations islandwide.

SUPPLIES & TRADING

SUPPLIES & TRADING REVENUE (S$'M)



The Group's Supplies and Trading business recorded a 44.6% increase in revenue to S$45.0 million for FY2018, driven largely by contributions from U-Market Place Enterprise Pte. Ltd. ("**U-Market**") which was acquired in January 2017 and Hi-Q Plastic Industries Sdn. Bhd. ("**Hi-Q**") which was acquired in April 2017. The S$3.3 million loss before income tax incurred for FY2018 for this segment, was contributed by U-Market, due mainly to weak market sentiments for meat trading. Nevertheless, business integration efforts and streamlining of manpower have taken effect and is likely to see some positive results in FY2019.

CT Vegetables & Fruits Pte. Ltd. ("**CTVeg**") and Hi-Q continue to deliver profits to our Group. CTVeg supplies 100% of our Food Catering fruit and vegetables needs, while Hi-Q produces certain plastic food trays for our Food Catering and Food Retail businesses.

OTHER BUSINESSES

The Group's complementary Other Businesses – such as bespoke flowers and gifts specialist, I DO Flowers & Gifts Pte. Ltd., and Choz Confectionery Pte. Ltd. that provides modern and traditional confectionery and Nonya kuehs, amongst others – continue to support Neo Group's core businesses, allowing it to offer one-stop differentiated services along with its vertically-integrated value chain.

Revenue for the segment recorded S$1.1 million for FY2018, a marginal increment of S$0.03 million or 2.4% from FY2017 figures.

EMBRACING INNOVATION

Creating a Technological Future

A firm believer in constant innovation, we are amongst the first in Singapore to use specialised equipment and customised software to connect our sales, logistics and kitchen departments to increase efficiency and reduce food wastage. What's next for us? Leveraging on industry 4.0, we will invest in automation and data analytics and enhance our IT infrastructure, while building a company culture to care and share.

BOARD OF DIRECTORS

NEO KAH KIAT, PBM

Founder, Chairman and CEO

DATE OF FIRST APPOINTMENT AS A DIRECTOR
22 March 2012

DATE OF LAST RE-ELECTION AS DIRECTOR
28 July 2016

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
6 years

BOARD COMMITTEES SERVED ON
Nil

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
Nil

BACKGROUND AND WORKING EXPERIENCE

Mr Neo Kah Kiat is the Founding Chairman of Neo Group and an industry veteran with over two decades of leadership experience in catering and food and beverage ("F&B") management. He has been instrumental in leading and growing the Group into Singapore's largest catering provider and leading events caterer since 2011.

Mr Neo established Neo Garden Catering as a sole proprietorship in 1992 that successfully grew into an award-winning flagship brand. With his foresight and keen business acumen, Mr Neo developed more than 10 other brands serving different market segments, and brought the company to its initial listing on the SGX in 2012.

With a vision that is more than catering, Mr Neo has set out to build Neo Group into an integrated F&B company. Mr Neo believes in expediting the Group's growth by acquisitions. He led the Group's first major acquisition of Thong Siek Group in 2015 and successfully turned around the loss-making company within 24 months of acquisition. Neo Group has also acquired other companies including CT Vegetables & Fruits in 2015, U-Market Place Enterprise in January 2017 and Hi-Q Plastic Industries Sdn. Bhd. in April 2017.

Mr Neo was awarded the Public Service Medal (Pingat Bakti Masyarakat) on 9 August 2014; SOE-Nexia TS Entrepreneur of the Year Award in 2016; EY Entrepreneur of the Year Award (Food and Beverage) in 2015; Asia Pacific Entrepreneurship Award (Outstanding Category) in 2015; Entrepreneur of The Year Award in both the Top Entrepreneurs and Enterprise categories in 2012; Successful Entrepreneur Award (Platinum Category) by GRC Press Holdings in 2011; and Spirit of Enterprise Award in 2010.

As a strong advocate of philanthropy, Mr Neo donates generously to charities and is actively involved in the following organisations: -

	ASSOCIATION NAME	TITLE
1	REN CI HOSPITAL	VICE-CHAIRMAN
2	WORKFORCE ADVANCEMENT FEDERATION	VICE-CHAIRMAN
3	CHENG HONG WELFARE SERVICE SOCIETY	LIFETIME HONORARY CHAIRMAN
4	SIAN CHAY MEDICAL INSTITUTION	HONORARY CHAIRMAN
5	SINGAPORE LAM ANN ASSOCIATION	HONORARY PRESIDENT
6	SINGAPORE HOKKIEN HUAY KUAN	COUNCIL MEMBER
7	NANYANG NEO CLAN ASSOCIATION	HONORARY PRESIDENT
8	SINGAPORE BUKIT PANJANG HOKKIEN KONG HUAY	LIFETIME HONORARY CHAIRMAN
9	JURONG SPRING COMMUNITY CLUB	PATRON

BOARD OF DIRECTORS

LIEW OI PENG

Executive Director

DATE OF FIRST APPOINTMENT AS A DIRECTOR
22 March 2012

DATE OF LAST RE-ELECTION AS DIRECTOR
27 July 2017

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
6 years

BOARD COMMITTEES SERVED ON
Nil

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
Nil

BACKGROUND AND WORKING EXPERIENCE

Ms Liew Oi Peng is the Executive Director of the Food Catering segment.

In addition to being the Head of Catering, Ms Liew oversees and manages the Group's core functions including Sales & Marketing, Information Technology and Human Resources, and is a key support pillar to the development and growth of Neo Group.

Ms Liew also spearheads the Group's corporate social responsibility initiatives and is at the forefront of nurturing the culture of giving within the organisation.

Ms Liew joined Neo Garden as a General Manager in 1993 and was appointed an Executive Director of Neo Group in 2012, when the company was listed on the SGX-Catalist. With more than 25 years of experience in the catering industry, Ms Liew has been a key contributor to Neo Group's success.

LIEW CHOH KHING

Executive Director (Food Retail)

DATE OF FIRST APPOINTMENT AS A DIRECTOR
1 May 2012

DATE OF LAST RE-ELECTION AS DIRECTOR
27 July 2017

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
5 years, 11 months

BOARD COMMITTEES SERVED ON
Nil

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
Nil

BACKGROUND AND WORKING EXPERIENCE

Mr Liew Choh Khing joined the Group in 2004 as an Executive Director of Deli Hub Catering and was subsequently appointed the Executive Director of the Food Retail business, comprising Liang Yuan and Niwa Sushi, upon their respective incorporations.

He oversees the business and sales development strategies of the Group's Food Retail business and is instrumental in the development and expansion of this business segment.

He has more than a decade of experience in the F&B industry as well as sales and marketing experience.

He launched the Group's first Niwa Sushi food retail outlet in 2007, which was subsequently rebranded to "umisushi" in 2010.

Under his leadership, the Food Retail business of the Group now has over 20 retail outlets amongst various brands.

Having started the central kitchen in 2008, Mr Liew played a pivotal role in the planning and organising of the kitchen operations as well as the logistic planning for delivery.

Spearheading automation and technology for the Group, Mr Liew launched the delivery service of umisushi bento sets and sushi platters for corporate functions, family events and parties in 2010.

He also oversees food R&D with his chefs to create special recipes for sauces and new dishes to serve up new menu items.

WONG HIN SUN, EUGENE

Non Independent & Non-Executive Director

DATE OF FIRST APPOINTMENT AS A DIRECTOR
11 June 2012

DATE OF LAST RE-ELECTION AS DIRECTOR
28 July 2016

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
5 years, 9 months

BOARD COMMITTEES SERVED ON
Audit and Risk, Nominating, Remuneration

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Japan Foods Holdings Ltd
Jason Marine Limited

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Board member, Enterprise Singapore
Board member, Agri-Food & Veterinary Authority of Singapore (AVA)
Non Executive Chairman, CrimsonLogic Pte Ltd
Non Executive Chairman, GeTs Global Pte Ltd
Non Executive Director, Cargo Community Network Pte Ltd
Non Executive Director, Singapore Cruise Centre Pte Ltd
Non Executive Director, SCC Travel Services Pte Ltd
Vice Chairman, SBF's China North Asia Business Group
Council member, Malaysia-Singapore Business Council
Council member, ASEAN India Business Council
Vice-President, Boys' Brigade Alumni Singapore

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
TMC Education Corporation Ltd. (Retired on 30 October 2015)
Ajisen (China) Holdings Limited (Resigned on 22 February 2016)
Singapore Kitchen Equipment Limited (Resigned on 26 April 2018)

BACKGROUND AND WORKING EXPERIENCE

In September 2002, Mr Wong Hin Sun, Eugene founded Sirius Venture Capital Pte. Ltd., a venture capital investment company.

Mr Wong graduated from the National University of Singapore with a Bachelor of Business Administration (First Class Honours) in 1992 and obtained a Masters in Business Administration from the Imperial College of Science, Technology and Medicine, University of London in 1998.

He also completed the Owner President Management Program from Harvard Business School in 2011.

He qualified as a Chartered Financial Analyst in 2001 and a Chartered Director from the UK Institute of Directors in 2014 and a Chartered Valuer and Appraiser (CVA) in 2018.

He is a Fellow of UK Institute of Directors (IoD) and a Fellow of Australia Institute of Company Directors.

TAN LYE HUAT

Lead Independent Director

DATE OF FIRST APPOINTMENT AS A DIRECTOR
11 June 2012

DATE OF LAST RE-ELECTION AS DIRECTOR
27 July 2017

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
5 years, 9 months

BOARD COMMITTEES SERVED ON
Audit and Risk (Chairman), Nominating

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
S P Corporation Limited
Japan Foods Holdings Ltd
Dynamic Colours Limited
Nera Telecommunications Ltd

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
Nil

BACKGROUND AND WORKING EXPERIENCE

Mr Tan Lye Huat was previously engaged in other corporate governance advocacy, consultancy and training work as Founder of HIM Governance Private Limited including, until recently, being the Regional Adviser of Governance for Owners LLP as well as volunteering at a number of other governance-related associations.

He is a member of the Institute of Singapore Chartered Accountants (ISCA), Fellow of the Association of Chartered Certified Accountants (FCCA) as well as a Chartered Director Fellow (C. Dir FIoD) of the Institute of Directors (IOD, UK), and a member of the Australian Institute of Company Directors.

He attended the Executive Management Program at Columbia University and the International Directors' Course at INSEAD.

BOARD OF DIRECTORS

YEO KOK TONG

Independent Director

DATE OF FIRST APPOINTMENT AS A DIRECTOR
1 October 2014

DATE OF LAST RE-ELECTION AS DIRECTOR
30 July 2015

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
3 years, 6 months

BOARD COMMITTEES SERVED ON
Audit and Risk, Remuneration (Chairman)

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Nil

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
Bangkok Ranch Public Company Limited (Resigned on 15 July 2016)

BACKGROUND AND WORKING EXPERIENCE

Mr Yeo Kok Tong was Chief Executive Officer of Singapore Food Industries from 2006 to 2009 and had been serving on its board since 1999. Prior to this, he was CEO of DE United Nigeria Limited.

He has also served as Director and Chairman of IM Technologies Ltd and was a member of PT Rama Assuransi's investment committee.

He holds a Graduate Diploma in Marketing (Singapore) from the Institute of Marketing (UK).

NG HOW HWAN, KEVIN

Independent Director

DATE OF FIRST APPOINTMENT AS A DIRECTOR
11 June 2012

DATE OF LAST RE-ELECTION AS DIRECTOR
30 July 2015

LENGTH OF SERVICE AS A DIRECTOR (AS AT 31 MARCH 2018)
5 years, 9 months

BOARD COMMITTEES SERVED ON
Nominating (Chairman), Remuneration

PRESENT DIRECTORSHIPS IN OTHER LISTED COMPANIES
Singapore Kitchen Equipment Limited

MAJOR APPOINTMENTS (OTHER THAN DIRECTORSHIPS IN OTHER LISTED COMPANIES)
Nil

DIRECTORSHIPS IN OTHER LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS
Nil

BACKGROUND AND WORKING EXPERIENCE

Mr Ng How Hwan, Kevin is currently the Vice-President and Director of Super Brands Company Pte. Ltd., a wholly-owned subsidiary of SGX-ST's Mainboard-listed ThaiBev Plc, and is responsible for its international beer business.

He is also a Director of ThaiBev's other wholly-owned subsidiaries including Interbev (Singapore) Limited, Oishi F&B (Singapore) Pte. Ltd. and InterBev Timor Unipessoal LDA.

Mr Ng has over 24 years of experience in the F&B industry. He began his career with Asia Pacific Breweries Limited (APB) and served in senior commercial and general management positions throughout the Asia-Pacific region until 2013.

He graduated with a Bachelor of Business (Business Administration – Distinction) from the Royal Melbourne Institute of Technology in 1992 and obtained a Masters in Education (Leadership, Policy and Change) from Monash University in 2015.

He completed the Heineken International Management Development course in 1996, the Marketing of Consumer Goods in Asia from INSEAD (Singapore) in 2000 and the Heineken International Manager's course from INSEAD (France) in 2005.

He holds an Executive Diploma in Directorship from the Singapore Management University (April 2014) and is a member of the Singapore Institute of Directors since January 2012.

KEY MANAGEMENT PERSONNEL

LIM LI LING

Group Financial Controller

Ms Lim Li Ling joined the Group in March 2012. As Group Financial Controller, she is responsible for the overall finance functions and accounting matters of the Group, including implementation of internal controls within the Group, monitoring and reporting on the Group's financial performance, and overseeing corporate secretarial, tax, legal and risk management matters of the Group. She works alongside the senior management team on Group and Company level investments, mergers and acquisitions.

Prior to joining the Group, she was a Director (Finance and IT) at LTC LLP, a professional accounting practice, from 2011 to 2012, and a Financial Controller of Banquet Holdings Pte. Ltd. from 2009 to 2011. From 2008 to 2009, Ms Lim was a Finance Manager at Sinomem Technology, an integrated water solution provider formerly listed on the Mainboard of the SGX-ST.

A veteran with over 28 years of experience, she obtained a Bachelor of Business (Accountancy) degree from the Royal Melbourne Institute of Technology University in 2001. She is a Chartered Accountant of Singapore (CA Singapore) as well as a Certified Practising Accountant (CPA Australia).

TEO HWEE AI

Chief Operating Officer

Since Ms Teo Hwee Ai's appointment as Chief Operating Officer on 11 July 2013, she has led the restructuring of the Group's culinary operations to optimise efficiency and developed the operational infrastructure of systems and processes, putting in place new corrective Standard Operating Procedures (SOP) whilst identifying best practices and internal controls.

She is responsible for the day-to-day leadership, recruitment and retention of the supervisory management team.

Having amassed close to 20 years of experience in kitchen leadership, Ms Teo is passionate about creating new dishes and pays great attention to menu development and quality control. She is instrumental in the training and development of the kitchen and guidance on accurate food preparation methods.

Ms Teo joined the Group as a Kitchen Manager in 2008 where she successfully instituted the western food department and established a well-integrated kitchen system. She also oversees logistics operations and contributes significantly to the Group's efficient buffet deliveries through route optimisation.

Ms Teo contributed to the success of the Group's Food Catering operations, particularly in the Group's central kitchen where she ensures that the culinary team adheres to the highest standards and expectations of food quality, freshness and presentation.

LIEW OI YEN

Director of Operations

With over 20 years of experience, Ms Liew Oi Yen is responsible for the operations of our Food Catering production in our East central kitchen.

She joined the Group in May 2008 as a Branch Director of Orange Clove and formed a team of culinary operations, logistics, human resources and administrative employees, managing about 100 employees today.

Ms Liew maintains the overall responsibility for the Group's operations and personnel aspects, ensuring optimal excellence and efficiency in the East kitchen. Apart from planning, she executes the daily operational decisions, determines staffing needs and team development, and implements quality assurance programmes for the culinary team.

Prior to joining the Group, she was the manager of Best Catering, a partnership in the manufacturing of cooked food preparations and proprietors of food establishments and catering, from 2001 to 2008.

CORPORATE STRUCTURE

NEO GROUP

FOOD CATERING

100%
NEO GARDEN CATERING PTE. LTD.

100%
DELI HUB CATERING PTE. LTD.

100%
ORANGE CLOVE CATERING PTE. LTD.

100%
BEST CATERING PTE. LTD.

51%
GOURMETZ PTE. LTD.

70%
KIM PARADISE PTE. LTD.

100%
SAVOURY CATERING PTE. LTD.

FOOD RETAIL

100%
NIWA SUSHI PTE. LTD.

100%
G&C FOOD INVESTMENT PTE. LTD.

FOOD MANUFACTURING

55%
THONG SIEK GLOBAL PTE. LTD.

- 100%
  THONG SIEK FOOD INDUSTRY PTE. LTD.
- 100%
  TSF ENGINEERING PTE. LTD.
- 100%
  DODO MARKETING PTE. LTD.
- 100%
  TS FOOD INDUSTRY SDN. BHD.

SUPPLIES & TRADING

100%
NKK IMPORT & EXPORT TRADING PTE. LTD.

100%
LIANG YUAN PTE. LTD.

100%
CT VEGETABLES & FRUITS PTE. LTD.

- 100%
  HARBORLIFT FRESH FOOD PTE. LTD.
- 100%
  CT FRESH PTE. LTD.

75%
U-MARKET PLACE ENTERPRISE PTE. LTD.

51%
HI-Q PLASTIC INDUSTRIES SDN. BHD.

OTHER BUSINESSES

100%
CHOZ CONFECTIONERY PTE. LTD.

100%
I DO FLOWERS & GIFTS PTE. LTD.

100%
NEO GLOBAL PTE. LTD.

OPTIMISING POTENTIAL

The World is Our Market

With an ever-expanding product range, our Research & Development team constantly concocts exciting new items to tantalise taste buds. Backed by our strong fundamentals, we continue to strengthen our foothold in the region, while steering towards becoming a world-class company that focuses on quality and safety.

SUSTAINABILITY REPORT

CHAIRMAN'S MESSAGE

We are pleased to present our Group's maiden sustainability report as guided by the Global Reporting Initiative ("**GRI**") Standards: Core option. From our previous reports on corporate social responsibilities, we have now progressed to present to you a holistic and comprehensive overview of the way we do business and our plans towards sustainability based on the four pillars of environmental, social, governance ("**ESG**") and economic performance.

In this report, you will see the sustainability factors that will bring us towards Neo 50, 100 and beyond. Such factors are closely aligned with our vision, missions and guided by our core values.

WE HAVE MANIFESTED THIS LINKAGE BY ANCHORING OUR VISION TO GROW BEYOND A BILLION DOLLAR COMPANY AND MISSIONS OF DELIVERING THE BEST TO OUR CUSTOMERS, INSPIRING AND NURTURING OUR PEOPLE AND GIVING BACK TO OUR COMMUNITY AS THE DRIVING FORCE IN OUR JOURNEY TO SUSTAINABILITY.

We would like to take this opportunity to affirm our commitment to maintain a sound sustainability reporting framework that is guided by an international standard to keep you informed on our progress in this journey.

1. BOARD'S STATEMENT

We reaffirm our commitment to sustainability with the publication of our maiden sustainability report ("**Report**") guided by the GRI Standards: Core option. For this Report, we provide insights into the way we do business, while highlighting our ESG and economic performance.

Whilst mindful of our profit-oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy ("**SR Policy**") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been put in place and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organisational and external developments.

2. VISION, MISSION AND CORE VALUES

The path to sustainability is closely aligned with our vision, mission and core values, while our sustainability factors and strategies will bring us to where we envision ourselves to be. Refer to Section 8 for more details on aligning our material sustainability factors with our vision, mission and core values.

SUSTAINABILITY REPORT

3. REPORTING FRAMEWORK

In preparing this Report, we were guided by the GRI Standards: Core option.

4. REPORTING PERIOD AND COVERAGE

This Report is applicable for the Group's financial year ended 31 March 2018. A report will be published annually in accordance with our SR Policy.

This Report covers the key operating entities within the Group which contributed approximately 80% of the Group's total revenue for the reporting period.

5. FEEDBACK

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account:

ir@neogroup.com.sg

6. STAKEHOLDER ENGAGEMENT

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise customers, communities, employees, regulators, suppliers and shareholders. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by our operations.

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Customer	Customers are encouraged to provide their feedback obtained through various touchpoints such as customer listening and communication channels, sales teams, delivery teams and social media to provide valuable insights on current and future customer requirements. Insights gathered are discussed during the management meetings to drive product and service improvements, enhance operational level and provide inputs for strategies.
2	Community	We focus on continuous community engagement and have initiated various campaigns to help the communities.
3	Employee	Senior management holds regular communication sessions with employees to obtain feedback and align business goals across all levels of workforce. Such communication channels include emails and annual staff evaluation sessions where employees can post questions in person.
4	Regulator	We participate in consultations and briefings organised by key regulatory bodies such as the Singapore Stock Exchange so as to furnish feedback on proposed regulatory changes that impact our business.
5	Supplier	We work closely with suppliers to ensure smooth delivery of products. In general, new and existing suppliers are assessed by respective work teams based on specified criteria. Feedback is communicated to the suppliers to ensure quality of products or services delivered.
6	Shareholder	We convey timely, full and credible information to shareholders through announcements on SGXNET, our website (www.neogroup.com.sg), annual general meetings, annual reports, and other channels such as business publications and investor relations events.

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

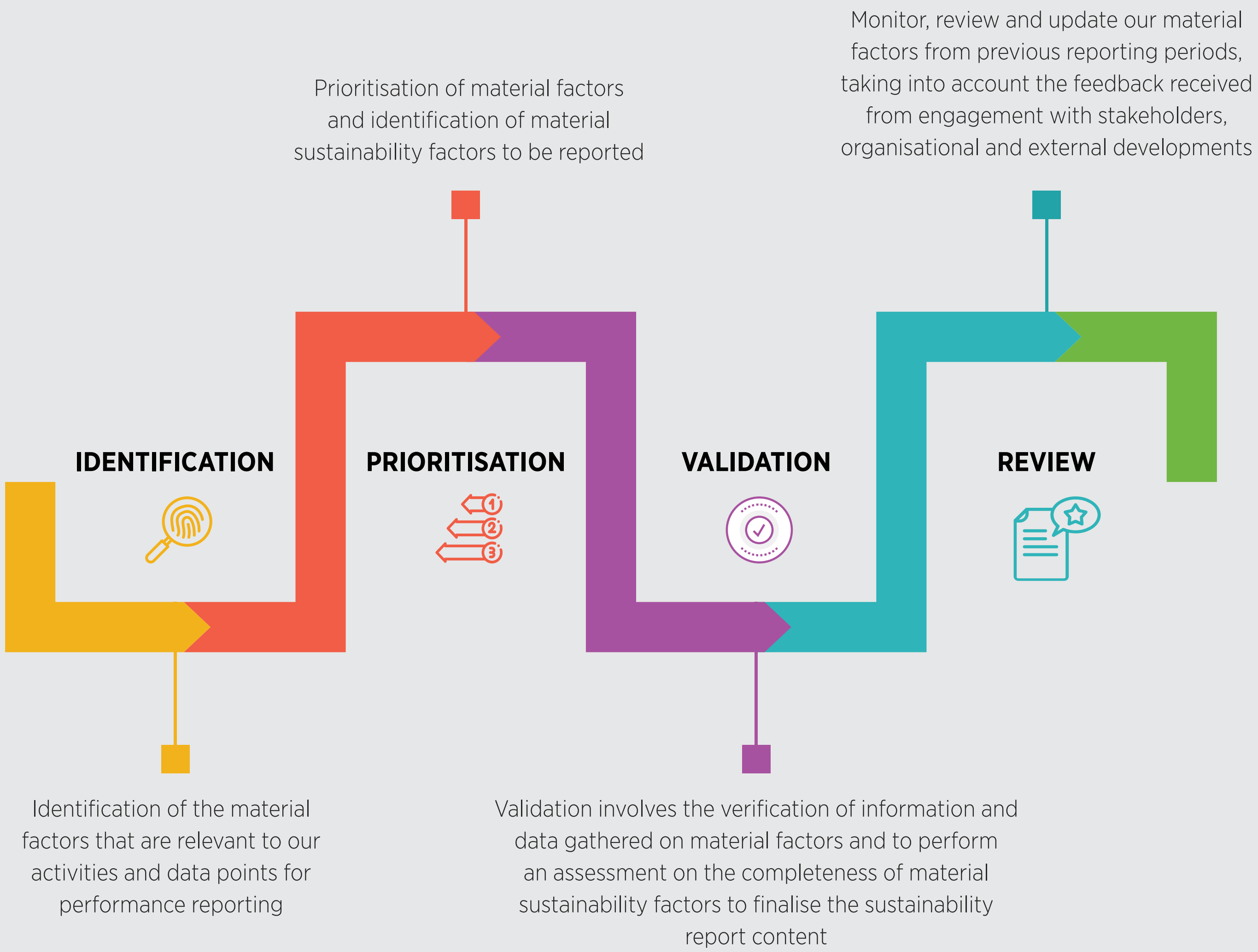
7. POLICY, PRACTICE AND PERFORMANCE REPORTING

7.1 REPORTING STRUCTURE

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. The Group's Sustainability Committee, which includes senior management executives, is led by the Group's CEO, and tasked to develop the sustainability strategy, review our material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

7.2 SUSTAINABILITY REPORT PROCESSES

Under our SR policy, the sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Processes involved are as shown in the chart below:



SUSTAINABILITY REPORT

7.3 MATERIALITY ASSESSMENT

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting Priority	Description	Criteria
I	LOW MEDIUM HIGH	Factors with high reporting priority are reported on in detail.
II	LOW MEDIUM HIGH	Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material.
III	LOW MEDIUM HIGH	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

The reporting priority is supported by a materiality factor matrix which considers the level of concern to external stakeholders and potential impact on business.

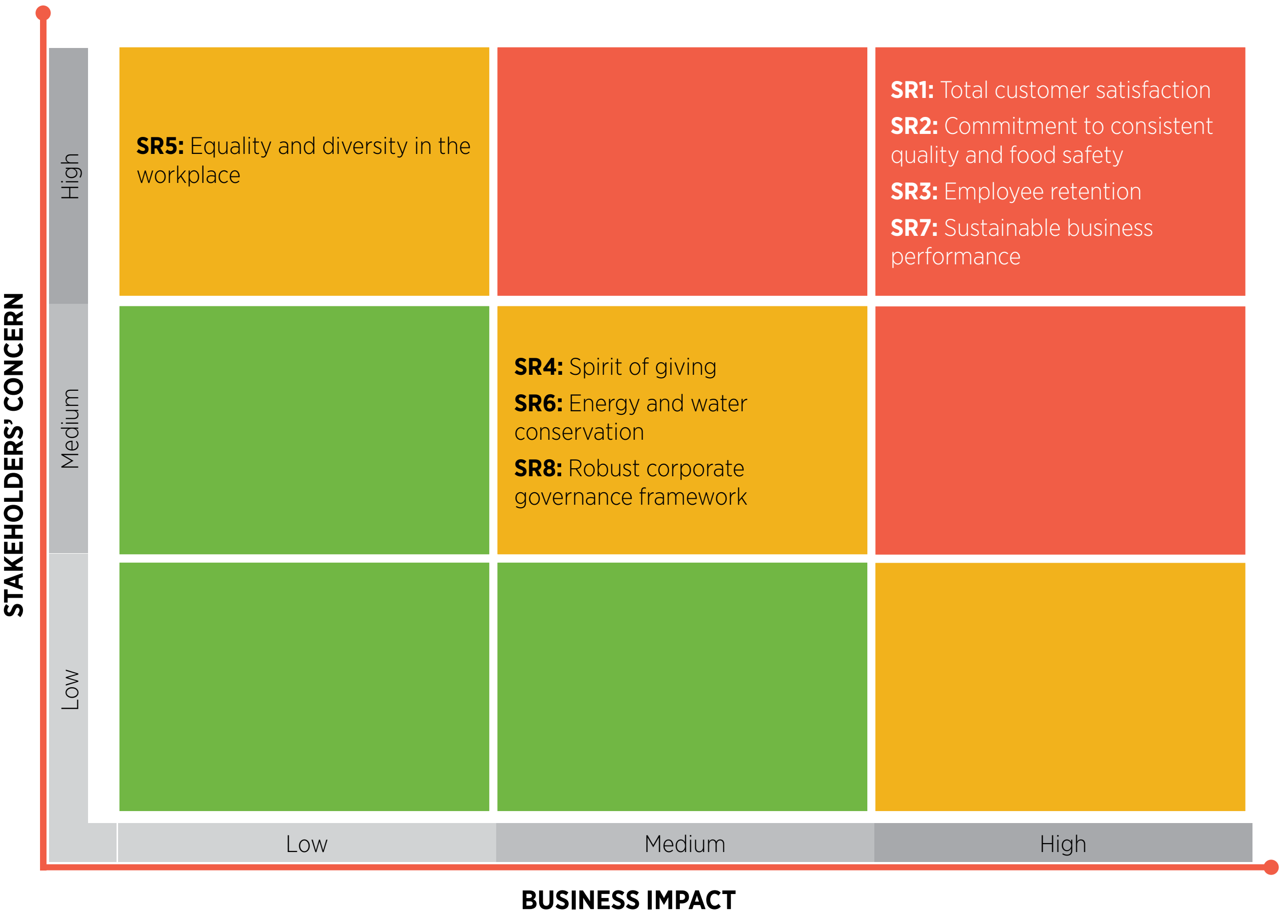
8. MATERIAL FACTORS

Our materiality assessment performed for FY2018 involved the Group's Senior Management in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below are a list of material sustainability factors and material factor matrix applicable to our Group:

S/N	Material Factor	Mission or Vision	Key Stakeholder	Reporting Priority
General Disclosure				
1	Total customer satisfaction	Deliver the best to our customers	Customer	I
Social				
2	Commitment to consistent quality and food safety	Deliver the best to our customers	Customer	I
3	Employee retention	Inspire and nurture our people	Employee	I
4	Spirit of giving	Giving back to our community	Community	II
5	Equality and diversity in the workplace	Inspire and nurture our people	Employee	II
Enviromental				
6	Energy and water conservation	Giving back to our community	▪ Shareholder ▪ Community	II
Economic				
7	Sustainable business performance	To grow beyond a billion dollar company	Shareholder	I
Governance				
8	Robust corporate governance framework	To grow beyond a billion dollar company	▪ Shareholder ▪ Community	II

MATERIAL FACTOR MATRIX



We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholders' feedback and sustainability trends. The details of each material sustainability factor are presented as follows:

8.1 TOTAL CUSTOMER SATISFACTION

In line with our mission to deliver the best to our customers, we are committed to retain and build a loyal customer base for our long term sustainability by maximising customer's experience through the following:

PROVIDE QUALITY AND SAFE PRODUCTS

We are constantly innovating to create new products whilst retaining the market-proven ones. An extensive and stringent 5-stage[1] process covering the key stages of product development is adopted. Relevant stakeholders including employees, customers, suppliers and partners are actively involved early in each step of the process so as to develop products that will gain customer's acceptance.

For product safety and consistency in quality, refer to 8.2 for further details.

[1] *The 5-stage process covers the stages of (i) R&D, (ii) testing, (iii) pre-launch, (iv) launch and (v) post-launch*

SUSTAINABILITY REPORT

RENDER GOOD CUSTOMER SERVICE

We believe a good service recovery program could turn frustrated customers into loyal customers, which includes adopting various measures for food catering segment as follows:

- A service recovery policy is in place to provide our employees with well-defined procedures to recover dissatisfied customers.
- A detailed logistic handbook is in place to guide delivery captains to ensure that deliveries and buffet set-ups comply with the pre-determined standards. For example, delivery captains are required to take photographs of buffet set-ups to ensure that the food is displayed in an orderly manner.

PROACTIVELY GATHER CUSTOMER FEEDBACK FOR IMPROVEMENTS AND TO DEVELOP STRATEGIES

Customer satisfaction of the respective segments and brands are measured through customer surveys, trend results of compliment to complaint ratio, new customer sales growth, repeat customer growth and service standard indicators. Under the strategy of continuous improvement to meet customer needs, we received an average of 0.3% negative customer review rate for food catering segment during the reporting period.

In addition, customer feedback collected from various touchpoints such as customer listening and communication channels, sales teams, delivery teams, social media are mined to gather valuable insights into current and future customer requirements. Insights gathered are discussed during the management meetings to drive product and service improvements, enhance operational level and provide inputs for strategies.

IMPROVING CUSTOMER SATISFACTION THROUGH TECHNOLOGY

Technology is widely adopted by us to stay agile and adapt to a changing environment. Proprietary systems were developed to support the catering business as follows:

- Our two central kitchens are supported by a catering management system which calculates ingredient proportion to minimise cooking time and schedule kitchen time. This system serves to improve operational efficiency and minimise delays which affect customer satisfaction adversely.
- A logistics planning and driver management system manages driver assignment, optimises the delivery capacity and minimises delays.
- A customer feedback system gathers and reports on customer satisfaction feedback received from various touchpoints established.

The focus on total customer satisfaction has created competitive advantages in the catering business and won recognitions for us such as being Singapore's No.1 Events Caterers by the Euromonitor International Report and the "Largest Events Caterer and Highest Number of Events catered by a Company in One day" since year 2013 by the Singapore Book Records. Please refer to page 14 for a list of awards and accolades won by us.

8.2 COMMITMENT TO CONSISTENT QUALITY AND FOOD SAFETY

We are committed to deliver the best to our customers by providing them with quality and safe products for long term business sustainability. Key measures taken by us on this front are as follows:

ADOPTION OF MARKET STANDARDS

We adopt market standards and best practices in our operations to ensure quality and safety in our products and services. Some of the market standards adopted by our key business segments are as follows:

Business Segment	Standards Adopted
Food Catering	▪ ISO22000:2005 ▪ Halal certificate
Food Retail	▪ NEA food shop license
Food Manufacturing	▪ Hazard analysis and critical control point system ▪ Halal certificate
Food Trading	▪ ISO22000:2005

Compliance with the standards and continual certifications are subject to audit or review by the relevant bodies.

SUSTAINABILITY REPORT

COMMITMENT TO CONSISTENT QUALITY AND FOOD SAFETY

We play an active role in ensuring that strategic suppliers meet our five requirements on cost, quality, supplier capability, delivery and service performance. Strategic suppliers are constantly evaluated through measures such as annual assessments, sampling tests and visits to suppliers' storage locations. Our vertically-integrated value chain, whereby the supply chain is owned and controlled by the Group, also allows us to have better control over the quality of food ingredients for our food catering business.

To uphold our high standard on product quality and safety, we have implemented the following measures:

- A manual on food safety is in place for compliance with the product standards.
- Food safety and quality control teams are set up to conduct regular checks of product quality and proper handling procedures.
- Staff handling food at the outlets, the central kitchen and production floor are required to attend courses on food and beverage safety and hygiene.
- A third party laboratory is engaged to perform periodic testing of food products to ensure food safety and quality. Preventive and corrective actions are taken where appropriate.
- The two central kitchens do not use recycled cooking oil and only use premium-grade vegetable oil to ensure food safety and quality.

SINGAPORE QUALITY AWARD

THERE WAS NO MAJOR FOOD SAFETY INCIDENTS[2] DURING THE REPORTING PERIOD (FY2017: NONE). OUR EFFORTS IN UPHOLDING HIGH STANDARD ON PRODUCT QUALITY AND SAFETY HAVE BEEN RECOGNISED THROUGH WINNING THE SINGAPORE QUALITY AWARD ("SQA"), ADMINISTERED BY GOVERNMENT AGENCY SPRING SINGAPORE FOR THE YEAR 2017.

[2] *A Major Food Safety Incident is defined as an incident whereby at least 5 unrelated customers are affected from consuming food items supplied by the Group*

8.3 EMPLOYEE RETENTION

The continual success of our business pivots on a team of skilled and qualified staff supervised by experienced and knowledgeable managers. To inspire and nurture our people, we focus on employee retention through the following efforts:

BUILD A STRONG CORPORATE CULTURE

We believe a strong corporate culture is critical to retain staff and ensure the business' long term sustainability. Corporate culture conveys our core values to our employees and motivates them to work for the good of the Group. Our core values are FOCUS i.e. Formidable, Outstanding, Commitment, Unique and Service. Key initiatives to foster strong corporate culture amongst our employees are as follows:

- Senior Management leads by example in business and operations.
- Employees are encouraged to make decisions at work that are in line with the core values.
- Team building activities such as sports days and blood donation drives are organised for management and staff regularly to interact and disseminate core values.

ZERO ERROR TRANSFORMATION

CREATE AN ENVIRONMENT FOR EXCELLENCE

We initiated an organisational-wide Zero Error Transformation Project to nurture the employees towards excellence and taking ownership. In line with the initiative, a Zero Error Committee is in place to review job performance and the committee strives to shape employees behaviour for better work ethics and strive for excellence.

MAINTAIN A QUALITY TEAM AND RECOGNISE COMPETENCY

A talent management program was set up in September 2016 to groom employees at managerial and executive levels. The program aims to provide employees with a clear and forward-looking career path to greater responsibilities and better prospects. Accordingly, employees who meet the criteria are given opportunity to undergo WSQ Level 3 or Level 4 Certificate and Diploma in Leadership and People Management courses depending on their seniority.

In addition, we attained the Approved Training Organisation accredited by the SkillsFuture Singapore to conduct in-house food hygiene course for employees.

SUSTAINABILITY REPORT

ESTABLISH AN EFFECTIVE TRAINING PROGRAM

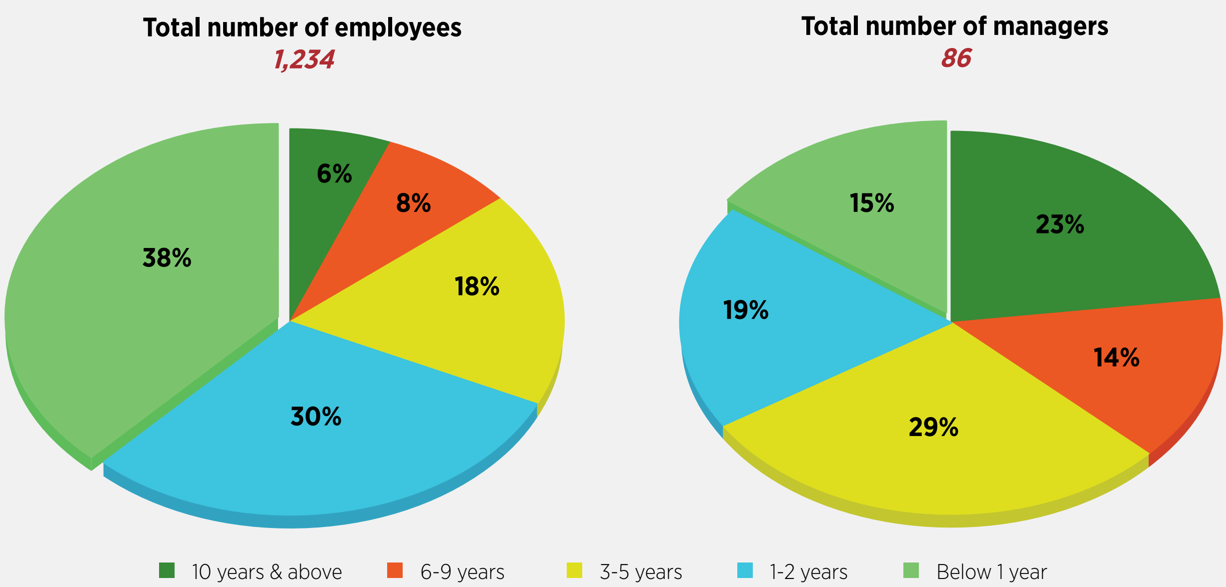
We have a training and development program which provides distinct training and development programmes covering core and soft skill trainings, mandatory courses, supervisory and leadership courses and talent management. In addition, a robust on-the-job training program is also in place, covering the key line functions of kitchen, logistics and sales.

ENGAGE EMPLOYEES CONSTANTLY

Employees are well engaged constantly via various channels such as monthly Sports and Recreation Days where the CEO and senior management team members take time to increase bonding with employees through personal participation.

A low turnover improves the sustainability of operations and allows us to contribute positively to the development of social and human capital in a wider community. As at 31 March 2018, approximately 32% (FY2017: 26%) of the employees and 66% (FY2017: 66%) of the managers have more than 3 years of service in the Group.

YEARS OF SERVICE (AS AT 31 MARCH 2018)



8.4 SPIRIT OF GIVING

In line with our mission to give back to our community, we strive not only to set a good example but also to encourage individuals and other corporates to embrace the spirit of giving. We recognise that long-term success of the business is closely related to the health and prosperity of the communities. Various campaigns were initiated to help the communities as follows:

NEO SEED FUND

Neo SEED Fund is an employee driven fund established to demonstrate our strong belief in giving back to our society. Under this campaign, employees contribute to the fund on a monthly basis and the CEO of the Group will match contributions up to $5,000 a month. Sums collected are managed by a Corporate & Social Responsibility Committee made up of employees with various organisations identified for donations. Such organisations include Ren Ci Hospital, Cheng Hong Welfare Service Society, Table Tennis Association for the Disabled (Singapore) and Movement for the Intellectually Disabled of Singapore, amongst others.

BEGIN WITH LOVE

We believe that a good year begins with a good start. Under the Begin with Love campaign, sales proceeds from the catering business for the first day of the year are donated to charities. Approximately SGD 110,000 was raised on 1 January 2018 through this campaign.

BLOOD DONATION DRIVE

Other than monetary means, we have also given back to our community through blood donation drives conducted at our premises. Employees, customers and partners across all subsidiaries and departments are invited to do good for the community by donating blood. Under this campaign, 1,038 units of blood were collected from 3 locations during the reporting period.

SUSTAINABILITY REPORT

EMPLOYEE VOLUNTEERISM

We encourage our employees to volunteer in community works as such activities also help in personal development. During the reporting period, 1,000 volunteer hours were clocked amongst employees which helped over 400 beneficiaries. Such activities include accompanying elderly folks from the Chin Swee area for grocery shopping together with Lion Befrienders, as well as a friendly table tennis match organised by the Table Tennis Association for the Disabled (Singapore) for the Children's Cancer Foundation.

PARTICIPATION IN THE NATIONAL DAY PARADE

We participated in the National Day Parade of Singapore held on 9 August 2017 by sending a contingent under the banner of the Group. Our employees were involved in numerous weeks of rehearsals leading to the actual national day. This initiative is a gesture of the Group to show appreciation to the Country which has allowed us to build our business.

Our continuous efforts in catalysing corporate giving have been recognised through winning the Champion of Good award for year 2017. The award was presented by the National Volunteer & Philanthropy Centre (NVPC) which recognises organisations that have been exemplary in their corporate giving efforts. In addition, the Group had donated close to SGD 1 million during the reporting period.

CHAMPION OF GOOD AWARD

YEAR 2017

The award was presented by the National Volunteer & Philanthropy Centre (NVPC) which recognises organisations that have been exemplary in their corporate giving efforts.

8.5 EQUALITY AND DIVERSITY IN THE WORKPLACE

To inspire and nurture our people, we aim to provide a work environment for employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender and age. Therefore, we are committed to the goals of diversity and equal opportunity in employment. The total number of full-time employees in the Group as at 31 March 2018 is 1,234 (FY2017: 1,221).

On gender diversity, we view diversity at the Board level as an essential element in supporting sustainable development and in relation to the gender diversity with one (FY2017: one) female representation in the Board of Directors. The percentage of female to total full-time employees is 50% (FY2017: 49%) and about 50% (FY2017: 48%) of managers are females as at 31 March 2018.

On age diversity, matured workers are valued for their experience knowledge and skills. As at 31 March 2018, 36% (FY2017: 34%) of the workforce is at least 40 years old.

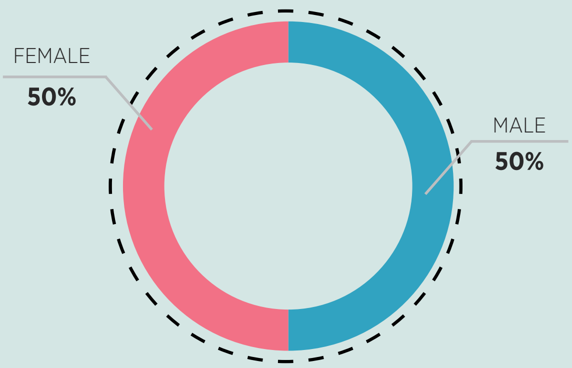
On diversity in educational background, we seek to create an inclusive environment for employees from different educational backgrounds. The distribution of staff by educational level is shown in the following chart.

To promote equal opportunities, we have in place various human resource related processes as follows:

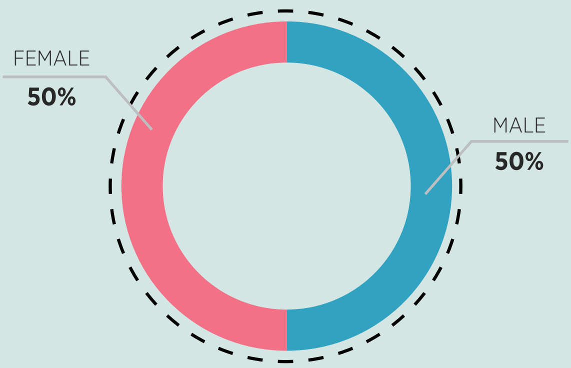
- An interview assessment form is in place to guide interviewers to assess employees based on merit and competency
- Staff recruitment advertisements do not state age, race, gender or religion preferences as a requirement

GENDER DIVERSITY (AS AT 31 MARCH 2018)

Total number of full time employees: ***1,234***

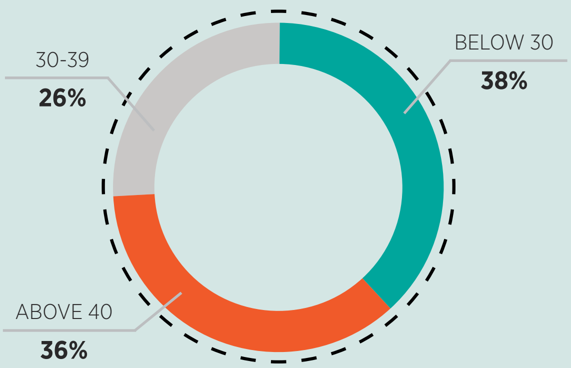


Total number of managers: ***86***



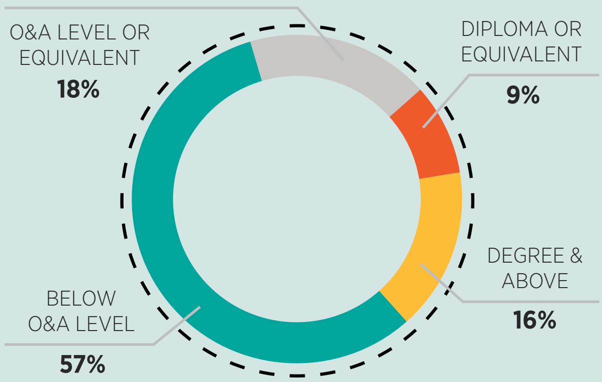
AGE DIVERSITY (AS AT 31 MARCH 2018)

Total number of employees: ***1,234***



EDUCATIONAL DIVERSITY (AS AT 31 MARCH 2018)

Total number of employees: ***1,234***



SUSTAINABILITY REPORT

8.6 ENERGY AND WATER CONSERVATION

We believe preservation of our natural environment is essential for maintaining community sustainability. Accordingly, we are committed to responsible usage of energy and water resources that helps to preserve the environment in which the Group operates in.

Key statistics on resources for supporting business operations are as follows:

Resource	Purpose	Unit	Consumption rate (consumption/sales)	
			FY2018 Unit/SGD'000	FY2017 Unit/SGD'000
Electricity	Used for refrigeration, lighting, office work and cooling	kWh	82.3	89.7
Liquefied petroleum gas ("LPG")	Used to operate cooking equipment	SGD	3.7	4.0
Diesel	Used for motor vehicles	Litre	10.2	10.7
Water	■ Used in central kitchens to thaw meat and washing ■ Used in outlets for dishwashing and cleaning purposes ■ Used as ingredients in our products	Litre	1.6	1.5

Conservation initiatives adopted by us include the following:

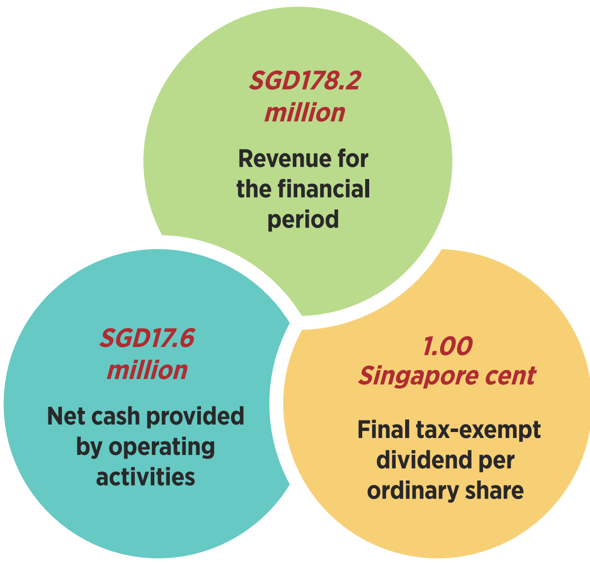
- A no-air-con day on each Friday campaign is launched to increase awareness of employees on energy conservation.
- A systematic maintenance program for operating equipment is in place to maintain energy and water efficiency.
- Energy and water consumption are regularly tracked and analysed. Corrective actions are taken when unusual consumption patterns are observed.

8.7 SUSTAINABLE BUSINESS PERFORMANCE

To achieve our vision of becoming a billion dollar company, we strive to reward long-term economic value for shareholders by providing shareholders by way of consistent profits and dividend payments.

In FY2018, we recorded revenue of SGD178.2 million (FY2017: SGD162.0 million) and generated SGD17.6 million (FY2017: SGD6.7 million) of net cash provided by operating activities. A final tax-exempt dividend of 1.00 Singapore cent (FY2017: 1.00 Singapore cent) per ordinary share was declared for FY2018.

Details of our economic performance can be found in the audited financial statements of the Annual Report.



8.8 ROBUST CORPORATE GOVERNANCE FRAMEWORK

We are committed to high standards of corporate governance and believe a high standard of corporate governance is integral in ensuring sustainability of our business as well as achieving our vision to become a billion dollar company.

The overall Singapore Governance and Transparency Index score assessed by the National University of Singapore Business School is 63 for the year 2017 (Year 2016: 58) which placed us within the top 20 percentile (Year 2016: top 30 percentile) of the public companies listed that were assessed.

The Board and Management firmly believe that our quest for good governance lies in putting in place an effective framework of risk management and internal controls that is aligned with market standards and best practices. Refer to the Corporate Governance Report of the Annual Report for details for our corporate governance practices.

9 TARGET SETTING

For our material factors identified, we have set qualitative targets for FY2019 using FY2018 and FY2017 as the baseline:

S/N	Material factor	Performance measure	Target for FY2019
1	Total customer satisfaction	Customer review rate	Improve customer review rate
2	Commitment to consistent quality and food safety	Major food safety incidents	Adhere to the market standards and best practices in operations
3	Employee retention	Years of service	Improve employee retention
4	Spirit of giving	Community campaigns	Initiate various campaigns to help the communities
5	Equality and diversity in the workplace	▪ Gender diversity ▪ Age diversity	Move towards a more balanced gender, age and educational diversity ratio
6	Energy and water conservation	▪ Energy consumption ▪ Water consumption	Reduce the energy and water consumption rate
7	Sustainable business performance	▪ Revenue ▪ Dividend distribution ▪ Operating cash flow	Improve our financial performance whist maintaining our dividend rate where practicable
8	Robust corporate governance framework	Singapore Governance and Transparency index ("GTI")	Improve our GTI score

SUSTAINABILITY REPORT

10 GRI CONTENT INDEX

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102-1	Name of the organisation	Corporate Profile	-
102-2	Activities, brands, products, and services	■ Corporate Profile ■ Our Brands	- 08 - 11
102-3	Location of headquarters	■ Corporate Information ■ Financial Section > Notes to Financial Statements > General Corporate Information ■ End page	44 92 -
102-4	Location of operations	■ Financial Section > Notes to Financial Statements > General Corporate Information ■ Financial Section > Notes to Financial Statements > Investment in Subsidiaries	92 123 - 125
102-5	Ownership and legal form	■ Corporate Structure ■ Financial Section > Notes to Financial Statements > Investment in Subsidiaries	24 123 - 125
102-6	Markets served	■ Corporate Profile ■ Global Trading Network	- 02 - 03
102-7	Scale of the organisation	■ Our Brands ■ Financial Highlights ■ Sustainability Report > Material Factors > Employee Retention ■ Sustainability Report > Material Factors > Equality and Diversity in the Workplace ■ Financial Section > Statements of Financial Position ■ Financial Section > Consolidated Statement of Comprehensive Income	08 – 11 15 35 39 86 87
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	39
102-9	Supply chain	Sustainability Report > Material Factors > Commitment to Consistent Quality and Food Safety	34
102-10	Significant changes to the organisation and its supply chain	Business Review	16 - 17
102-11	Precautionary Principle or approach	Not applicable	-
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102-13	Membership of associations	None	-
Strategy			
102-14	Statement from senior decision-maker	Sustainability Report > Chairman's Message	26
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance Report	45 - 76
Governance			
102-18	Governance structure of the organisation	■ Sustainability Report > Material Factors > Robust Corporate Governance Framework ■ Corporate Governance Report	41 45 – 76
Stakeholder Engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	28
102-41	Collective bargaining agreements	Not applicable as we are not a unionised company	-
102-42	Identifying and selecting Stakeholders	Sustainability Report > Stakeholder Engagement	28
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	28
102-44	Key topics and concerns raised	■ Sustainability Report > Stakeholder Engagement ■ Sustainability Report > Material Factors > Total Customer Satisfaction	28 31 - 33

General standard disclosure		Section reference	Page
Reporting Practice			
102-45	Entities included in the consolidated financial statements	■ Corporate Structure ■ Sustainability Report > Material Factors > Total Customer Satisfaction	24 31 - 33
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	29
102-47	List of material topics	Sustainability Report > Material Factors	30
102-48	Restatements of information	Not applicable as this is our maiden sustainability report guided by GRI standards.	-
102-49	Changes in reporting	Not applicable as this is our maiden sustainability report guided by GRI standards.	-
102-50	Reporting period	Sustainability Report > Reporting Period and Coverage	28
102-51	Date of most recent report	Not applicable as this is our maiden sustainability report guided by GRI standards.	-
102-52	Reporting cycle	Sustainability Report > Reporting Period and Coverage	28
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	28
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	■ Sustainability Report > Chairman's Message ■ Sustainability Report > Reporting Framework ■ Sustainability Report > GRI Content Index	26 28 42 - 43
102-55	GRI content index	Sustainability Report > GRI Content Index	42 - 43
102-56	External assurance	We may seek external assurance in the future	-
Management Approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	31 - 41
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201-1	Direct economic value generated and distributed	■ Business Review ■ Sustainability Report > Material Factors > Sustainable Business Performance ■ Financial Section > Statements of Financial Position ■ Financial Section > Consolidated Statement of Comprehensive Income	16 – 17 40 86 87
Category: Environmental			
302-3	Energy intensity	Sustainability Report > Material Factors > Energy and Water Conservation	40
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401-1	New employee hires and employee turnover	Sustainability Report > Material Factors > Employee Retention	35 - 36
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413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Spirit of Giving	37 - 38
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report > Material Factors > Commitment to Consistent Quality and Food Safety	34

CORPORATE INFORMATION

BOARD OF DIRECTORS

NEO KAH KIAT, PBM
Founder, Chairman and CEO

LIEW OI PENG
Executive Director

LIEW CHOH KHING
Executive Director (Food Retail)

WONG HIN SUN, EUGENE
Non-Independent and
Non-Executive Director

TAN LYE HUAT
Lead Independent Director

NG HOW HWAN, KEVIN
Independent Director

YEO KOK TONG
Independent Director

AUDIT COMMITTEE

TAN LYE HUAT
Chairman

WONG HIN SUN, EUGENE

YEO KOK TONG

NOMINATING COMMITTEE

NG HOW HWAN, KEVIN
Chairman

TAN LYE HUAT

WONG HIN SUN, EUGENE

REMUNERATION COMMITTEE

YEO KOK TONG
Chairman

NG HOW HWAN, KEVIN

WONG HIN SUN, EUGENE

COMPANY SECRETARIES

ONG BEE CHOO (ACIS)
PAN MI KEAY (ACIS)

REGISTERED OFFICE

1 Enterprise Road
Singapore 629813
T: (65) 68967757
F: (65) 65151235

COMPANY REGISTRATION NO.

201207080G

SHARE REGISTRAR & SHARE TRANSFER OFFICE

BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SPONSOR

CIMB BANK BERHAD, SINGAPORE BRANCH
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

INDEPENDENT AUDITORS

BDO LLP
Public Accountants and
Chartered Accountants
600 North Bridge Road,
#23-01 Parkview Square,
Singapore 188778

Partner-in-charge:
ADRIAN LEE YU-MIN
(Appointed since the financial
period ended 31 March 2015)

PRINCIPAL BANKERS

DBS BANK LTD
12 Marina Boulevard
Marina Bay Financial Centre
Tower 3 – Level 43
Singapore 018982

UNITED OVERSEAS BANK LIMITED
80 Raffles Place
UOB Plaza 1
Singapore 048624

INVESTOR RELATIONS

IR Team
Neo Group Limited
Email: ir@neogroup.com.sg

Mr Ngo Yit Sung /
Mr Jonathan Wee
Financial PR Pte Ltd
4 Robinson Road #04-01
The House of Eden
Singapore 048543
T: (65) 64382990
F: (65) 64380064

CORPORATE GOVERNANCE REPORT

Neo Group Limited (the "**Company**") and its subsidiaries (the "**Group**") continue to be committed to high standards of corporate conduct. The Board of Directors ("**Board**") and Management believe that good corporate governance is key to the integrity of the Group and essential to the long-term sustainability of the Group's businesses and performance. To discharge its governance function, the Board and its Committees have established policies and rules to govern their activities. The Board and its Committees are guided by their respective Terms of References.

The Board is pleased to report the Company's corporate governance practices for the financial year ended 31 March 2018 with specific reference to each guideline of the Code of Corporate Governance 2012 (the "**Code**").

The Board, after making due inquiries, believes that the Company has complied in all material aspects with the principles and guidelines as set out in the Code, exceptions of which are set out below:

(a) Guideline 2.2 – Composition of Independent Director on the Board;

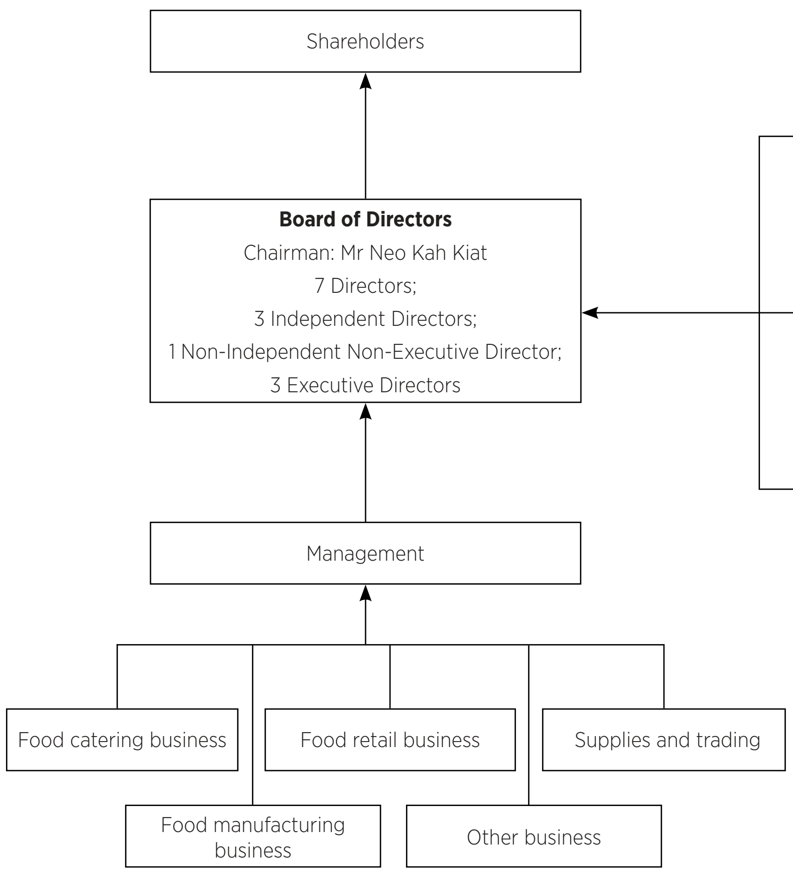
(b) Guideline 3.1 – Common role of Chairman and CEO;

(c) Guidelines 9.2 – Remuneration of Directors and 9.3 – Remuneration of Key Management Personnel; and

(d) Guideline 11.4 – Risk Committee

The following describes the Group's corporate governance practices with reference to the Code.

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE REPORT

BOARD MATTERS

The Board's Conduct of its Affairs

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its long-term success. The Management also plays a pivotal role in providing Board members with complete, adequate and timely information to assist the Board in the fulfillment of its responsibilities.

Principle 1: Effective Board to Lead and Control the Company

Guideline 1.1
Roles of Board

The Board recognises that its principal functions include, *inter alia*, providing entrepreneurial leadership, setting strategic objectives, reviewing and monitoring Management's performance toward achieving organisational goals, establishing a framework of prudent and effective controls which enables risk to be assessed and managed, identifying key stakeholder groups and recognise their perceptions affecting the Company's reputation, overseeing succession planning for management, setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are met, and considering sustainability issues including environmental and social factors in the Group's strategic formulation.

Guideline 1.2
Objective Decision Making

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions in the interest of the Group.

Guideline 1.3
Delegation of Authority to Board Committees

The Board has delegated certain matters to specialised committees of the Board. These committees include the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit and Risk Committee ("**ARC**") (collectively, the "**Board Committees**"). These Board Committees are made up of Non-Executive Directors and Independent Directors and each chaired by Independent Director. Each Board Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

Guideline 1.4
Meetings of Board and Board Committees

The dates of Board and Board Committee meetings as well as the annual general meeting ("**AGM**") will be scheduled in advance. To assist directors in planning their attendance, the Company Secretary will first consult every director before fixing the dates of these meetings. The Board will meet at least four times a year and as warranted by particular circumstances. Ad hoc meetings will also be convened to deliberate on urgent substantive matters. The Company's Constitution provides for the Board to convene meetings via telephone conferencing and electronic means in the event when Directors were unable to attend meetings in person. To enable members of the Board and its Board Committees to prepare for the meetings, agendas were circulated at least a week in advance and most materials dispatched a few days before the meetings. During financial year ended 31 March 2018 ("**FY2018**"), the Board conducted 4 meetings with full attendance.

CORPORATE GOVERNANCE REPORT

The details of the number of meetings held for the Board and Board Committees during FY2018 and the attendance of each Director at those meetings are disclosed below:

	Board of Directors		Audit and Risk Committee		Nominating Committee		Remuneration Committee	
	No. of meeting		No. of meeting		No. of meeting		No. of meeting	
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Neo Kah Kiat	4	4	–	–	–	–	–	–
Liew Oi Peng	4	4	–	–	–	–	–	–
Liew Choh Khing	4	4	–	–	–	–	–	–
Lee Kwang Boon*	4	4	–	–	–	–	–	–
Tan Lye Huat	4	4	4	4	1	1	–	–
Ng How Hwan, Kevin	4	4	–	–	1	1	1	1
Yeo Kok Tong	4	4	4	4	–	–	1	1
Wong Hin Sun, Eugene	4	4	4	4	1	1	1	1

* *Lee Kwang Boon resigned as Executive Director of the Company with effect from 31 March 2018.*

Guideline 1.5
Internal Guidelines on Matters Requiring Board Approval

The Company has adopted internal guidelines setting forth matters that require Board's approval. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to its Board Committees and the Management via a structured Delegation of Authority matrix. The Board Committees and the Management remain accountable to the Board. This matrix, which is reviewed on a regular basis and revised accordingly when necessary, includes the following significant matters which require the Board's specific approval:

(i) material acquisition and disposal of assets/investments

(ii) corporate/financial restructuring and corporate exercises

(iii) budgets/forecasts

(iv) policies & procedures, delegation of authority matrix, code of conduct & business ethics

(v) material financial/funding arrangements and capital expenditures

During FY2018, the Board reviewed and approved the Group's annual budget and business plans; and on a quarterly basis monitors the financial performance of the Group. The Board also deliberated on other key business activities and material transactions that exceeded the limits of authority delegated to the Management or Board Committees.

Guideline 1.6
Continuous Training & Development of Directors

The Company offers Directors opportunities to update and refresh their knowledge on an ongoing basis, to enable them to continue fulfilling their roles as Board members and Committee members effectively. During the year, the Management also kept the Directors up-to-date on pertinent developments in the business including changes in laws and regulations, code of corporate governance, financial reporting standards and industry-related matters. Such periodic updates were provided to Directors to facilitate the discharge of their duties. During the year, some Directors have attended third-party run programmes to enhance their knowledge to better serve the Group.

CORPORATE GOVERNANCE REPORT

The Company is also responsible for arranging and funding the training of Directors. During the year reported on, the Board had received appropriate training to develop the necessary discharge of their duties. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

Guideline 1.7
Letter to Directors on Appointment

Newly appointed Directors will be provided a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices.

No new Director was appointed during FY2018.

Board Composition and Guidance

Principle 2: Independent Element on the Board

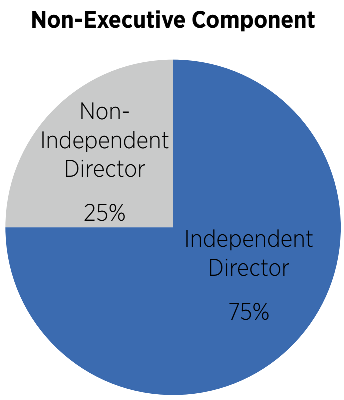
Guideline 2.1
Independent Element of the Board

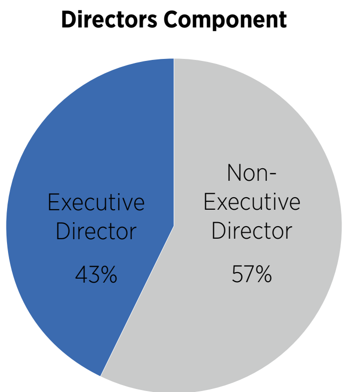
The NC determines the independence of each Director annually. An Independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders (as defined in the Code) or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgment to the best interests of the Company.

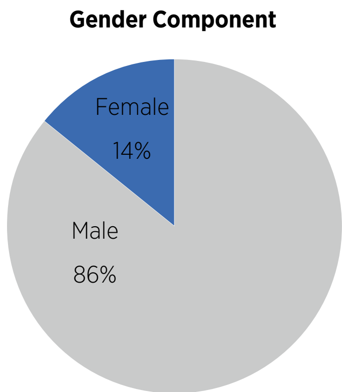
As at the date of this report, the Board comprises seven Directors, four of whom are Non-Executive Directors with three of them are independent. The NC conducted its annual review of the Directors' independence and was satisfied that the Company complies with the guidelines of the Code which provides that at least one-third of the Board is made up of Independent Directors.

Guidance 2.2
Composition of Independent Director on the Board

As the Chairman, Mr Neo Kah Kiat, is not an Independent Director, the NC is reviewing the composition of Independent Directors on the Board and has recommended to the Board to consider increasing the independence element so as to be in line with the relevant guidelines of the Code. Guideline 2.2 of the Code provides that Independent Directors make up at least half of the Board where, inter alia, the Chairman on the Board is not an Independent Director and where such guideline has to be complied as soon as possible. In view of the requirement of the independence element, Mr Wong Hin Sun, Eugene, being the non-independent and non-executive director, has decided to retire at the forthcoming Sixth AGM of the Company and not to seek re-election so as to enable the Company to reduce the board size to six members and comply with the requirement of the Code.







CORPORATE GOVERNANCE REPORT

Guideline 2.3
Independence of Directors

The NC, in its deliberation as to the independence of a Director, took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgments. In this respect, the NC affirmed that Messrs. Tan Lye Huat, Ng How Hwan, Kevin and Yeo Kok Tong remain Independent Directors of the Company. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view in the best interest of the Company.

Guideline 2.4
Independence of Directors Who Have Served on the Board beyond Nine Years

None of the Independent Directors have served on the Board beyond nine years from their respective date of appointment. Therefore, the Guideline 2.4 of the Code is not applicable.

Guideline 2.5
Composition and Size of the Board

The Board has considered the present Board size and is satisfied that the current size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations. The Board's composition is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC is of the view that the current Board comprises persons whose diverse skills, experience and attributes provide for an effective Board. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision making process. Nevertheless, in order to fulfill the requirement of the Guideline 2.2 of the Code, the NC had deliberated the Board size and concluded to be of six members after the upcoming Sixth AGM.

A summary of the composition of the Board and Committees as of this report is set out below:-

Name of Directors	Status	Board of Directors	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Neo Kah Kiat	ED, NID	C	–	–	–
Liew Oi Peng	ED, NID	M	–	–	–
Liew Choh Khing	ED, NID	M	–	–	–
Tan Lye Huat	NED, Lead ID	M	C	M	–
Ng How Hwan, Kevin	NED, ID	M	–	C	M
Yeo Kok Tong	NED, ID	M	M	–	C
Wong Hin Sun, Eugene	NED, NID	M	M	M	M

Legend:
C – Chairman; M – Member; ED – Executive Director; NED – Non-Executive Director; ID – Independent Director; NID – Non-Independent Director

During FY2018, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code, including the guideline that at least one-third of the Board is made up of Independent Directors.

CORPORATE GOVERNANCE REPORT

Guideline 2.6
Competency of the Board

To assist the NC in its annual review of the Directors' mix of skills and experiences that the Board requires to function competently and efficiently, the Directors updated their Board of Directors Competency Matrix form by providing additional information (if any) in their respective areas of specialisation and expertise.

The NC, having reviewed the returns, is satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, business and management experience, and strategic planning. In particular, the Executive Directors possess good industry knowledge while the Non-Executive Directors, who are mostly professionals in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgment during Board deliberations. Details of the Directors' qualifications, background and working experience, principal commitments and shareholdings in related corporations are set out on pages 19 to 22.

Guideline 2.7
Role of Non-Executive Directors

During the year, the Non-Executive Directors constructively challenged and helped develop the Group's proposals on business strategies. Management's progress in implementing such agreed business strategies were monitored by the Non-Executive Directors.

Guideline 2.8
Regular Meetings of Non-Executive Directors

During the year, the Non-Executive Directors communicated and met amongst themselves without the presence of Management as and when the need arose. The Company also benefited from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

Chairman and Chief Executive Officer

Principle 3: Clear Division of Responsibilities and Balance of Power and Authority

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

Guideline 3.1
Common Role of Chairman and CEO

Mr Neo Kah Kiat is both the Chairman of the Board ("**Chairman**") and Chief Executive Officer ("**CEO**") of the Company. The Board is of the view that it is not necessary to separate the role of the Chairman and the CEO after taking into consideration the size, scope and the nature of the operations of the Group. Mr Neo Kah Kiat is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the interest of the Group to adopt a single leadership structure at this point in its development.

Guideline 3.2
Role and Responsibilities of Chairman

The Chairman, who is also the CEO, is responsible to the Board for corporate directions and operational efficiency, development and review of the Group's policies and strategies, and ensuring a cohesive working relationship among the Directors, and timeliness of information flow between the Board and the Management to ensure its effectiveness.

He also ensures that the Directors receive accurate, timely and clear information, ensure effective communication with Shareholders, encourage constructive relations between the Board and the Management, promote a culture of openness and debate at the Board, as well as facilitate the effective contribution of Non-Executive Directors.

CORPORATE GOVERNANCE REPORT

Guideline 3.3
Appointment of Lead Independent Director

Given that the Chairman is not an Independent Director, Mr Tan Lye Huat has been appointed as the Lead Independent Director of the Company for the shareholders in situations where there have concerns or issues which communication with the Chairman and CEO and/or Group Financial Controller has failed to resolve or where such communication is inappropriate. Mr Tan Lye Huat will also take the lead in ensuring compliance with the Code.

Guideline 3.4
Lead Independent Director to lead the Independent Directors to meet periodically

The NC, RC and ARC are all chaired by Independent Directors.

The Board is of the view that given the current board composition, there are sufficient safeguards and checks in place to ensure that the process of decision-making by the Directors is independent and based on collective decision-making without the Chairman and CEO being able to exercise considerable concentration of power or influenced by the Lead Independent Director, the Independent Directors will be meeting periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings as appropriate.

Board Membership

Principle 4: Formal and Transparent Process for the Appointment and Re-appointment of Directors to the Board

Guideline 4.1
NC Membership and Key Terms of Reference

The NC consists of three members with a majority, including the NC Chairman, being Independent Directors. They are:

Mr Ng How Hwan, Kevin, Chairman	(Independent and Non-Executive)
Mr Tan Lye Huat	(Lead Independent and Non-Executive)
Mr Wong Hin Sun, Eugene	(Non-Independent and Non-Executive)

The NC, which meets at least once a year, carries out its duties in accordance with a set of written Terms of Reference which includes, mainly, the following:-

- reviewing and recommending to the Board on all Board appointments, including the nomination or re-nomination of the Directors having regard to the Directors' contribution and performance;
- developing a process for selection, appointment and re-appointment of Directors (including alternate directors, if applicable) to the Board;
- reviewing orientation programs for new Directors and training and professional development programs for the continuing training of the Directors;
- determining on an annual basis whether or not a Director is independent bearing in mind the salient factors set out in the Code;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards;
- assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board;
- reviewing the size and composition of the Board with the objective of achieving a balanced Board in terms of the mix of experience and expertise and make recommendations to the Board with regard to any changes; and
- reviewing and approving any new employment of related persons and the proposed terms of their employment.

During FY2018, the NC held one scheduled meeting with full attendance.

CORPORATE GOVERNANCE REPORT

Guideline 4.2
Responsibilities of NC

Key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board and each Director as well as succession planning which form a critical part of corporate governance process for CEO and board members. It seeks to refresh the board membership as it thinks fit in an orderly and progressive manner so as to keep institutional memory intact. It also ensures compliance with the requirements of the Company's Constitution which provides that at each annual general meeting ("**AGM**"), one-third of the Board is required to retire and provided always that every director shall retire from office at least once every 3 years. In addition, the Directors, by the recommendation of NC, shall have the power to appoint any person to be the Director either to fill a casual vacancy or as an additional Director. All new Directors who are appointed by the Board are subject to re-election at the next AGM but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming Sixth AGM:

<u>Pursuant to Article 98 of the Constitution of the Company:</u>

i. Mr Neo Kah Kiat

ii. Mr Ng How Hwan, Kevin

iii. Mr Yeo Kok Tong

iv. Mr Wong Hin Sun, Eugene (*retired but not to seek re-election as Director of the Company*)

In making the recommendations, the NC considers the overall contribution and performance of the Directors as well as the internal guideline set for rotation of independent directors. The NC member had abstained from deliberation in respect of his own nomination and assessment.

The NC reviewed the independence of the Directors as mentioned under Guideline 2.3 and 2.4. The NC has affirmed that Mr Tan Lye Huat, Mr Ng How Hwan, Kevin and Mr Yeo Kok Tong are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

Guideline 4.3
NC To Determine Directors' Independence

Each Director of the Company will annually confirm his independence (or otherwise) based on a checklist. The checklist is drawn up based on the guidelines provided in the Code. The NC has reviewed the independence of the Directors as mentioned under Guidelines 2.3 and 2.4 above, based on, inter alia, their declarations as aforesaid. As and when circumstances require, the NC will also assess and determine a Director's independence.

Guideline 4.4
Commitments of Directors Sitting on Multiple Boards

In assisting the NC to determine whether Directors who are on multiple boards have committed adequate time to discharge their responsibilities towards the Company's affairs, internal guidelines have been established to address the competing time commitments faced by Directors serving on multiple boards. To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of listed company board appointments at not more than five (5) other listed companies. Currently, none of the Directors hold more than five (5) directorships in other listed companies. No person would be appointed as an Independent Director if he/she, prior to such appointment, is already holding more than 5 directorship appointments in any publicly listed company on the SGX-ST or any other international stock exchanges; and for person with full-time employment (with existing employment contract), he/she should obtain consensus from his/her employer(s) before accepting the appointment as Director and he/she should not hold more than 2 other independent directorships in any publicly listed company on the SGX-ST or international stock exchanges prior to his/her appointment.

CORPORATE GOVERNANCE REPORT

The NC, having reviewed each Directors' outside directorships as well as each Director's attendance and contributions to the Board, is satisfied that Directors have spent adequate time on the Company's affairs and have carried out their responsibilities.

Guideline 4.5
Appointment of Alternate Director

Presently, the Company does not have any Alternate Director.

Guideline 4.6
Process for the Selection and Appointment and Re-appointment of Directors to the Board

The Company has established the following process for the selection and appointment of new directors:

1. The NC determines a suitable size of the Board; and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the operations of the Company.

2. The NC considers the various sources of seeking suitable candidate(s) either through internal promotion such as via the Company's succession planning; or recommendations from Directors/substantial shareholders; or external sources e.g. search consultants.

3. Short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms:

    i) Director's Declaration on Independence;

    ii) Internal Guidelines for Directors Serving on Multiple Boards; and

    iii) Board of Directors Competency Matrix.

4. The NC evaluates the candidate(s) in areas of academic and professional qualifications, knowledge and experiences in relation to the business of the Group, independence status and other directorships.

5. The NC evaluates how the short-listed candidate(s) will fit in the overall desired competency matrix of the Board.

6. The NC makes recommendation to the Board for approval. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required.

CORPORATE GOVERNANCE REPORT

Guideline 4.7
Key Information of Directors

Key information of each director's academic, professional qualifications and other principal commitments can be found in pages 19 to 22 of the "Board of Directors" section of this Annual Report.

Directors' key information is set out below:-

Name of Directors	Date of First Appointment	Date of Last Re-election	Present Directorships and Chairmanships in Other Listed Companies	Directorships and Chairmanships in Other Listed Companies over the preceding three years
Neo Kah Kiat	22 March 2012	28 July 2016	NIL	NIL
Liew Oi Peng	22 March 2012	27 July 2017	NIL	NIL
Liew Choh Khing	1 May 2012	27 July 2017	NIL	NIL
Tan Lye Huat	11 June 2012	27 July 2017	i S P Corporation Limited ii Japan Foods Holding Ltd iii Dynamic Colours Limited iv Nera Telecommunications Ltd	NIL
Wong Hin Sun, Eugene	11 June 2012	28 July 2016	i Japan Food Holdings Ltd ii Jason Marine Limited	NIL
Ng How Hwan, Kevin	11 June 2012	30 July 2015	Singapore Kitchen Equipment Limited	NIL
Yeo Kok Tong	1 October 2014	30 July 2015	NIL	NIL

Board Performance

Principle 5: Assessment of the Effectiveness of the Board

Guideline 5.1
Board Performance

The NC has in place a framework for annual Board performance evaluation to assess the effectiveness of the Board as a whole and its ability to discharge to facilitate discussion to discharge its responsibilities in providing stewardship, corporate governance and oversight of Management's performance duties more effectively.

For the year under review, all Directors participated in the evaluation by updating their respective feedbacks in their completed Board Performance Evaluation questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/key management personnel and standards of conduct of Board members being completed by each individual Director which is the prescribed form established for this purpose. To ensure confidentiality, the updated evaluation returns by Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

CORPORATE GOVERNANCE REPORT

Guideline 5.2
Performance Criteria for Board Evaluation

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board. The NC assesses the performance and effectiveness of the Board as a whole as well as the contribution of individual Directors to the effectiveness of the entire Board. The qualitative measures include the effectiveness of the Board in its monitoring and the attainment of the strategic objectives set by the Board.

The evaluation exercise is carried out annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter the NC to review and determine the actions required to ensure continuous improvement of the corporate governance of the Company and effectiveness of the Board as a whole.

Board performance criteria

(i) The Board's effectiveness in its monitoring role and attainment of the strategic and long-term objectives;

(ii) The Board's ability to ensure information flow and accountability; and

(iii) The Board's ability to ensure respective committees' performance.

Guideline 5.3
Evaluation of Individual Director

The evaluation of individual Director's performance is performed on an annual basis at the same time as evaluation of the performance of the Board as a whole based on, amongst others, the Director Assessment questionnaire to assess Directors' respective areas of specialisation and expertise, and general consideration of such other factors as mentioned below.

For the year under review, the NC also took note of each individual Director's attendance at meetings of the Board and Board committees as well as at general meeting(s); participation in discussions at meetings; knowledge of and contacts in the regions where the Group operates; the individual Director's functional expertise and his commitment of time to the Company.

Access to Information

Principle 6: Board Members should be provided with Complete, Adequate and Timely Information

Guideline 6.1
Board's Access to Information

To enable the Board to fulfill its responsibilities, it obtains information it deems adequate, complete and in a timely manner from the Management so as to make informed decisions. A system of communication between the Management, the Board and its Committees has been established and improved over time.

The Board, its Committees and every director have separate and independent access to the Management and are free to request additional information as needed to make informed decisions.

CORPORATE GOVERNANCE REPORT

Guideline 6.2
Provision of Information to the Board

In addition to the annual budget and business plans submitted to the Board for approval, the Board was provided with quarterly management report which contains key performance indicators informing the Directors of the Group's performance, position and prospects. The Management also kept the Board apprised of material variances between the actual results, corresponding period of last year and the budget, with appropriate explanation on such variances. Further, additional information is circulated to the Board on a regular basis as and when there is material development in the Group's business operations.

Guideline 6.3
Board's Access to the Company Secretary

The role of the Company Secretary is, inter alia, advising the Board on all governance matters and ensuring that all Board procedures are followed.

Under the direction of the Chairman, the Company Secretary ensures good information flow to and within the Board and its Committees and between the Management and Non-Executive Directors.

Directors have separate and independent access to the Company Secretary through e-mail, telephone and face-to-face meetings. During FY2018, the Company Secretary attended all meetings of the Board and its Board Committees and the minutes of such meetings were promptly circulated to all Board and Board Committees as appropriate.

Guideline 6.4
Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary are subject to the approval of the Board.

Guideline 6.5
Board's Access to Independent Professional Advice

In the furtherance of their duties, the Independent Directors may seek independent professional advice, where appropriate, with such expense borne by the Company.

REMUNERATION MATTERS

Matters concerning remuneration of the Board, senior executives and other employees who are related to the controlling shareholders and/or the Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company. The RC also reviews and ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talent to run the Company successfully.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report under Principles 7, 8 and 9; and in the Financial Statements of the Company and of the Group.

CORPORATE GOVERNANCE REPORT

Principle 7: Procedures for Developing Remuneration Policies

Guideline 7.1
Remuneration Committee

The RC comprises the following three (3) Directors, all of whom are Non-Executive and the majority, including the RC Chairman, being independent:

Mr Yeo Kok Tong, Chairman	(Independent and Non-Executive)
Mr Ng How Hwan, Kevin	(Independent and Non-Executive)
Mr Wong Hin Sun, Eugene	(Non-Independent and Non-Executive)

The RC is guided by its written Terms of Reference which clearly set out its authority and duties. Key Terms of Reference include, mainly, the following:

- Offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the Directors and key management personnel of the Company;
- Establish appropriate framework of remuneration policies to motivate and retain Directors and executives, and ensure that the Company is able to attract appropriate talent from the market to maximise value for shareholders;
- Determine the specific remuneration packages for the Directors and key management personnel (or executive of equivalent rank) and any relative of a Director and/or substantial shareholder who is employed in a managerial position by the Company;
- Review and administer the award of shares to Directors and employees under any employee performance share plan and employee share option scheme adopted by the Company;
- Review and determine the contents of any service contracts for any Directors or key management personnel; and
- Review the appropriateness and transparency of remuneration matters for disclosure to shareholders.

The RC will meet at least once a year. During FY2018, the RC held one scheduled meeting with full attendance.

Guideline 7.2
Remuneration Framework

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. All aspects of the remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses, the awards to be granted under the performance share plan, the options to be issued under the employee share option scheme as well as other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that they remain competitive and relevant.

Since the beginning of FY2018, the executive compensation framework comprises of basic pay and variable short-term incentive for Executive Directors (subject to the achievements of key performance indicators ("**KPIs**") which is partly based on financial outcomes and partly based on development objectives). This process has been instituted and confirmed for subsequent years.

The remuneration of related employees will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the endorsement by the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review.

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The framework for Non-Executive Directors' fees (on per annum basis unless otherwise indicated) is as follows:

Role	Member	Chairman
Board of Directors	$30,000	N/A
Audit and Risk Committee	$10,000	Additional $10,000
Other Committees	$5,000	Additional $5,000
Lead Independent Director	$10,000	N/A

An additional fee of $500 has been allocated as part of the Directors' fee for FY2018 for attendance to each Non-Executive Director at each meeting of the Company held during FY2018. No member of the RC was involved in deciding his/her own remuneration.

Guideline 7.3
RC Access to Advice on Remuneration Matters

The RC would access to the advice of external experts in the field of executive compensation, where required. Our policy is to update with external consultants every 3 years with the last done in FY2014. Given that the source of remuneration information is available on the digital mode, the RC would also constantly source the best available remuneration information as reference.

Guideline 7.4
Employment Contract

Each of the Executive Directors has an employment contract with the Company which can be terminated by the Company (without prejudice to and in addition to any other remedy) by giving not less than six (6) months' notice of termination and vice versa. The appointments of Executive Directors do not have onerous removal clauses contained in their respective employment contract and will be reviewed to reflect their strategic importance to the Group.

Principle 8: Level and Mix of Remuneration

Guideline 8.1
Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration structure for its Executive Directors and Key Management Personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Company's performance as well as individual performance. This is designed to align remuneration interests with the shareholders' and link rewards to corporate and individual performance so as to promote long term success of the Group.

For the purpose of assessing the performance of the Executive Directors and Key Management Personnel, specific KPIs are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors. In line with the Company's stated aim of addressing profitability, the CEO's incentive is based on profit achievement since 1 July 2017.

As stipulated in the Company's remuneration framework, Executive Directors and senior executives do not receive Directors' fees from the Company or from its subsidiaries/associated companies if they are appointed to the Board.

Apart from overseeing the remuneration structure for its Executive Directors and Key Management Personnel, the remuneration package of any employee of the Group whose remuneration level exceeded $250,000 is also being reviewed to ensure it matches the market competitors.

CORPORATE GOVERNANCE REPORT

Guideline 8.2
Long-term Incentive Scheme

The Company has adopted a performance share plan known as the "Neo Group Performance Share Plan" ("**PSP**") and a share option scheme known as the "Neo Group Employee Share Option Scheme" ("**ESOS**"). Both the PSP and ESOS provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the PSP and ESOS form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group. As at the date of this report, no awards have been granted under the PSP and ESOS.

Guideline 8.3
Remuneration of Non-Executive Directors

The Board concurred with the RC's proposal for Non-Executive Directors' fees for the financial year ended 31 March 2018. The RC and the Board are of the view that the remuneration of the Non-Executive Directors are appropriate in accordance with the market condition and take into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors. In order not to reduce its public float which currently stood marginally below 20%, the Company does not have any scheme to encourage Non-Executive Directors to hold shares in the Company.

Guideline 8.4
Contractual Provision to Reclaim Incentive Components of Remuneration

As the Company does not have any long-term incentive in the variable components of the remuneration packages of the Executive Directors and Key Management Personnel, the RC is of the view that the institution of contractual provisions in the employment to reclaim any incentive components of their remuneration paid in prior years is not necessary.

Principle 9: Disclosure on Remuneration

Guideline 9.1
Remuneration Report

Details on the remuneration of Directors and Key Management Personnel for the year under review are presented below. During FY2018, there was no termination, retirement and post-employment benefits granted to any Director and Key Management Personnel.

Guideline 9.2
Remuneration of Directors

A summary of each Non-Executive Directors' and Executive Directors' remuneration paid or payable by the Company for FY2018 is set out below:

	Breakdown of Remuneration in Percentage (%)					
Name of Directors	**Fees[1] (%)**	**Salary[2] (%)**	**Benefits (%)**	**Variable Bonus[3] (%)**	**Total (%)**	**Total Remuneration in Compensation Bands of $250,000**
Neo Kah Kiat	–	77	–	23	100	$750,001–$1,000,000
Liew Oi Peng	–	77	–	23	100	$250,001–$500,000
Lee Kwang Boon[4]	–	78	–	22	100	$250,001–$500,000
Liew Choh Khing	–	78	–	22	100	$250,001–$500,000
Tan Lye Huat	100	–	–	–	100	$69,500
Wong Hin Sun, Eugene	100	–	–	–	100	$55,000
Ng How Hwan, Kevin	100	–	–	–	100	$48,000
Yeo Kok Tong	100	–	–	–	100	$54,500
Total Directors' Remuneration	**11**	**69**	**-**	**20**	**100**	**$2,072,735**

CORPORATE GOVERNANCE REPORT

Notes:

1 The Directors' Fees are subject to the approval of the shareholders at the AGM.
2 The salary amount shown is inclusive of allowances and CPF.
3 The variable bonus amount shown is inclusive of CPF.
4 Mr Lee Kwang Boon resigned as Director of the Company on 31 March 2018.

Guideline 9.3
Remuneration of Key Management Personnel (Other than the Company's Executive Director)

The table below sets out the remuneration received by executives that the Company considers senior enough and appropriate for disclosure purpose. The ranges of gross remuneration received by the top five Key Management Personnel in the Company and its subsidiaries, but do not include any associated companies, are presented as follows:

		Breakdown of Remuneration in Percentage (%)				
Name of Top 5 Key Management Personnel	Position	Salary[1] (%)	Benefits in-kind[2] (%)	Variable Bonus[3] (%)	Total (%)	Total Remuneration in Compensation Bands of $250,000
Chin Yoon Wei[4]	Managing Director	90	–	10	100	≤$250,000
Lily Tan[5]	Deputy Director, HR	89	–	11	100	≤$250,000
Liew Oi Yen	Director (Operations)	74	4	22	100	≤$250,000
Lim Li Ling	Group Financial Controller	85	1	14	100	≤$250,000
Teo Hwee Ai	Chief Operating Officer	74	2	24	100	$250,001 – $500,000
Total Top 5 Key Management Personnel's Remuneration		**80**	**2**	**18**	**100**	**$937,680**

Notes:

1 The salary amount shown is inclusive of allowances such as fixed transport allowance and CPF.
2 The benefits in-kind is a long-service award presented to employees whose length of service is 5 years and above.
3 The variable bonus amount shown is inclusive of CPF.
4 Chin Yoon Wei is the Managing Director of Gourmetz Pte. Ltd.
5 Lily Tan is the Deputy Director, HR of Neo Garden Catering Pte. Ltd.

The Company did not fully disclose the remuneration of its Executive Directors and Key Management Personnel as the Board is of the view that it is not in the interests of the Company to disclose such details for sensitivity and competitive reasons.

Guideline 9.4
Employee Related to Directors/CEO

The following immediate family members of a Director or the CEO were the employees of the Group whose remuneration exceeded $50,000 in FY2018:-

Name of employees who are immediate family members	Relationship with the Directors or CEO of the Group	Remuneration band
Neo Kah Guan	Brother of Neo Kah Kiat	$50,001 – $100,000
Neo Kar King	Brother of Neo Kah Kiat	$50,001 – $100,000
Neo Kah Lin	Brother of Neo Kah Kiat	$50,001 – $100,000
Liew Oi Yen	Sister of Liew Oi Peng	$200,001 – $250,000

CORPORATE GOVERNANCE REPORT

The aggregate remuneration (including CPF contribution thereon and bonus) of these employees amounted to approximately $438,513.

Save as disclosed above, the Group does not have any other employee who is an immediate family member of a Director or the CEO of the Company and whose remuneration exceeded $50,000 during FY2018.

Guideline 9.5
Employee Share Scheme

The Company has adopted a share option scheme known as the "Neo Group Employee Share Option Scheme". The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral part and important component of the employee compensation plan, is designed to primarily reward and retain directors and employees whose services are vital to our well-being and success. As the date of this report, no options have been granted under the ESOS.

Guideline 9.6
Link Between Remuneration and Performance

In determining the remuneration of the Executive Directors and the Key Management Personnel, the RC reviewed their respective KPIs achievements and assessed their performance for the financial year under review.

ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis to all stakeholders. In this respect, the Audit and Risk Committee ("**ARC**") reviews all financial statements and results announcements and recommends them to the Board for approval. In addition, the ARC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

Principle 10: Presentation of a Balanced and Understandable Assessment of the Company's Performance, Position and Prospects

Guideline 10.1
Accountability for Accurate Information

In discharging its responsibility, the Board ensures that the Group's financial results provide a balanced and understandable assessment of the Group's performance, position and prospects and the results are released to shareholders in a timely manner.

On a quarterly basis, the Management will furnish an overall representation to the ARC and the Board confirming, *inter alia*, that the financial processes and controls and the integrity of the Group's financial statements are in place, highlighting material financial risk and impacts and providing updates on status of significant financial issues of the Group.

In accordance with Rule 705(5) of the Catalist Rules, during FY2018, the Board issued negative assurance statements in its interim financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Guideline 10.2
Compliance with Legislative and Regulatory Requirements

During FY2018, the Board reviewed quarterly financial performance analysis slides and explanation from the Management to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements.

The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate.

During the year, all the unaudited quarterly and full year results of the Group have been announced within their respective deadlines.

CORPORATE GOVERNANCE REPORT

Guideline 10.3
Management Accounts

The Management updated the Board on the Group's business activities and financial performance by providing updates on any business, operations and financial related matters on a quarterly basis. Such reports compared the Group's actual performance against the approved budget and result of the previous year. They also highlighted key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Prior to the release of financial result to the public, the Management will present the Group's financial performance together with notes explaining in detail the operations and trends to the ARC, which will review and recommend the same to the Board for approval and adopt for the release of the results.

Principle 11: Risk Management and Internal Controls

Guideline 11.1
Risk Management and Internal Controls System

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. During FY2018, the ARC oversees and ensures that such system has been appropriately implemented and monitored.

A summary of the Company's risk management and internal controls system is appended below:

Risk Management

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team. The CEO and the Management of the Company assume the responsibilities of the risk management function and ultimate line of reporting to ARC. They regularly assess and review the Group's business and operational environment to identify areas of significant financial, operational, compliance and information technology risks.

The Board approved an Enterprise Risk Management Framework ("**ERM Framework**") for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

Each risk identified is assigned a risk level to determine the actions required as illustrated in the table below:

Risk level	Description	Acceptable level/Action requirements
I	Extreme Risk	Not acceptable: ▪ Immediate action required ▪ Must be managed by senior management with a detailed treatment plan
II	High Risk	Generally not acceptable: ▪ Senior management attention needed and management responsibility specified ▪ Treatment plans to be developed ▪ Must be monitored on regular frequency
III	Medium Risk	Acceptable: ▪ Management responsibility must be specified ▪ Treatment plans to be developed ▪ On-going monitoring and review
IV	Low Risk	Acceptable: ▪ Manage by routine processes/procedures ▪ Consider the implementation of additional controls, only if they are a clearly quantifiable cost benefit ▪ On-going monitoring and review
V	Negligible Risk	Acceptable: ▪ Manage by routine processes/procedures ▪ Unlikely to require specific application of resources

CORPORATE GOVERNANCE REPORT

The assignment of risk level is supported by a risk matrix developed based on a combination of likelihood and consequence ratings.

Under the ERM framework:

- Risks identified are aligned with the objectives of the Group.
- A risk reporting structure is defined to identify the Risk Owners, Approvers, Champions and their respective risk responsibilities.
- A risk reporting process is established which includes the identification, analysis and evaluation of risks, implementation of risk treatment plans and continuous monitoring of risks.
- Risks are evaluated on a common measurement matrix based on the likelihood and consequence of each risk identified. The risks are first identified on a gross level and subsequently on a residual level considering the risk treatment measures in place. The residual risk level determines the extent or risk exposure and further risk treatment measures required.

To enhance the effectiveness of the ERM Framework, the Group implemented Orion ERM system, a third party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

Internal Controls

Minimum Acceptable Controls, formalised in policies and procedures, have been implemented to enhance the Group's internal control function in areas such as finance, operations, compliance and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Guideline 11.2
Adequacy and Effectiveness of Risk Management and Internal Control Systems

Integrated risk management and internal control systems have been implemented within the Group and have been an essential part of its business planning and monitoring process.

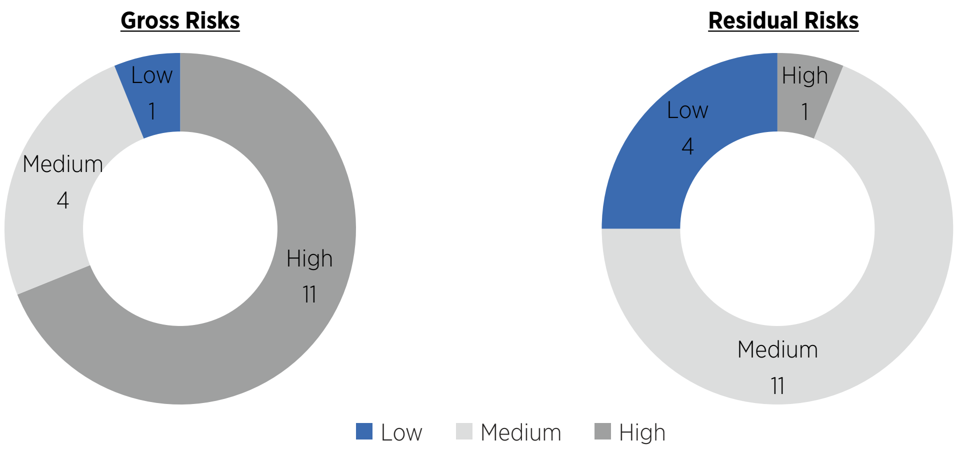
On an annual basis, Management reports to the Board on updates to the Group's risk profile, risk treatments and results of assurance activities so as to assure that the process is operating effectively as planned.

For FY2018, an Enterprise Risk Management ("**ERM**") exercise was performed involving 28 middle and senior managers of the Group, including the C-Suite executives. Key operating entities of the Group, except for the less active or dormant entities, were covered.

Arising from the ERM exercise, a total of 16 tier 1 risks[1] were identified under the four main risk categories of Strategic, Operational, Financial and Compliance risks. The overall results of the ERM exercise for FY2018 by risk level are shown as follows:

[1] Tier 1 risks are derived based on the consideration of consequence and likelihood factors assessed on a Group basis.

CORPORATE GOVERNANCE REPORT



Key tier 1 risks identified based on the ERM exercise performed are as follows:

S/N	Risk title and description	Risk level Gross	Residual	Risk treatment plan
1	<u>Loss of executive officers</u> The Group is led by an experienced management team. The loss of a key executive or the inability for the Company to attract and retain qualified and experienced personnel may have an adverse impact on the Company's business operations and financial performance.	II	II	We focus onbuilding and maintaining a conducive, fulfilling and rewarding work environment to address the risk of turnover for key managers. Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policy and procedures and putting in place a market-aligned remuneration structure.
2	<u>Pandemic outbreak leading to business disruptions</u> Should there be a break out of pandemic such as SARS, bird flu or mad cow diseases, sales would be severely affected. Government may impose restrictions such as quarantines or sales of certain foods. Depending on the severity of the outbreak and the related restrictions imposed, sales of the Group may be adversely affected.	II	III	We focus on ensuring management and staff are suitably trained to respond effectively to disease outbreaks. Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policy and procedures, putting in place robust, reliable systems and rehearsals of outbreak management plan.

CORPORATE GOVERNANCE REPORT

S/N	Risk title and description	Risk level Gross	Risk level Residual	Risk treatment plan
3	Non-compliance with licensing requirements In the course of running the business, the Group has to comply with certain licensing requirements and relevant industry-specific laws and government regulations. Key licensing requirements cover areas such as food processing, employee safety and waste disposal. If the Group is unable to maintain or renew business certifications, the Group's operational and financial performance will be adversely affected.	II	III	We focus on maintaining adequate and effective internal control system to ensure the compliance with licensing requirements. Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policy and procedures, putting in place robust, reliable systems and providing regular trainings for employees.
4	Adverse movements in market interest rate The Group obtains financing from financial institutions to support its operations and business expansion plans. A significant and prolonged increase in the interest rate will lead to significant increase in interest expense which will in turn adversely affect the financial performance of the Group.	II	III	We seek to minimise adverse effects from the volatility of the market interest rate. Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policy and procedures, putting in place robust, reliable systems and regular review of financial performance.
5	IT system failure leading to business disruptions The Group maintains various systems, both proprietary and commercially available, to support its key business functions, such as sales, accounting, procurement, operations, and human resources. Prolonged system failure arising from accidents such as fire, flood, power failure,hacking and virus attacks may result in operational disruptions.	II	III	We focus on building and maintaining a robust and secured information technology environment. Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policy and procedures, performing regular backup and recovery procedures.

The above section discusses the key risks that have emerged and which may have a significant impact on the Group's financial and operating performance. It is not intended to provide a complete discussion of all risks that may impact the Group. Other risks which the Group is unaware of or which are not currently deemed to be significant may be material in the future and have a considerable adverse effect on the Group's financial and operating performance. The risk treatments mentioned above represent our best endeavours but do not provide absolute assurance that the Company will not be adversely affected by any risk event that can be reasonably foreseen as it strives to achieve its business objectives.

A Controls Self-Assessment ("**CSA Programme**") is established for Management and Board to obtain assurance on the state of internal controls. The CSA Programme is risk-based and aligned with the results of the ERM Framework exercise performed. On a yearly basis, the risk owners are required to review, assess and report on the adequacy and effectiveness of key mitigating internal controls for risks identified from the ERM Framework exercise and which are under their risk responsibilities.

CORPORATE GOVERNANCE REPORT

The Group also has in place an Assurance Activity Framework ("**Assurance Framework**") to facilitate and guide the Board's assessment on the adequacy and effectiveness of the Group's internal control and risk management systems. The Assurance Framework lays out the assurance activities performed, the assessment criterion and also the reporting process. Assurance activities covered under the Assurance Framework include CSA Programme by Management, internal audit by the internal auditors, statutory audit by the external auditors and external certification on health and safety standards by a third party professional service firm.

Guideline 11.3
Board's Comment on Adequacy and Effectiveness of Internal Controls

Based on the ERM Framework, Assurance Framework and internal controls established and maintained in the Company, CSA Programme conducted by the Management, the work performed by the internal auditors, the statutory audit undertaken by the external auditors, and the written representation from the CEO and Group Financial Controller providing assurance on the Group's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, the Board, with the concurrence of the ARC, is of the view that, except for the newly acquired/incorporated subsidiaries, the Group's risk management and internal control systems were effective and adequate for FY2018 to address the financial, operational, compliance and information technology risks of the Group.

Newly acquired/incorporated subsidiaries are defined as those acquired/incorporated for less than 24 months at the end of each financial year based on the completion date of acquisition. For such subsidiaries, the Group targets to establish and implement an effective and adequate internal control system that is aligned with that of the Group within 24 months upon the financial year end of the completion of acquisition.

Guideline 11.4
Risk Committee

The responsibility of overseeing the Company's ERM Framework and Assurance Framework and policies is undertaken by the ARC with the assistance of the internal and external auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. The Audit Committee has assumed the responsibility of risk committee and renamed as Audit and Risk Committee with reference to the Terms of Reference of ARC.

Principle 12: Establishment of Audit Committee with Written Terms of Reference

Guideline 12.1
ARC Membership

The ARC comprises the following three Directors, all of whom are Non-Executive and the majority, including the ARC Chairman, being independent:

Mr Tan Lye Huat, Chairman	(Lead Independent and Non-Executive)
Mr Yeo Kok Tong	(Independent and Non-Executive)
Mr Wong Hin Sun, Eugene	(Non-Independent and Non-Executive)

Guideline 12.2
Expertise of ARC Members

The ARC members bring with them invaluable professional expertise in the accounting and financial management domains. The Board, after considering the advice from the NC, believes that the ARC membersare appropriately qualified to discharge the ARC's responsibilities as defined under its terms of reference which have been approved by the Board.

CORPORATE GOVERNANCE REPORT

Guidelines 12.3 and 12.4
Roles, Responsibilities and Authorities of ARC

The ARC is guided by its Terms of Reference which stipulate that its principal functions as follows:-

1. Assist the Board in fulfilling its responsibilities for the Company's financial reporting, management of financial and control risks and monitoring of the internal controls system. Review the financial reporting process, the system of internal controls and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct;

2. Ensure that arrangements are in place for the independent investigation of possible improprieties in matters of financial reporting or other matters that may be raised and that appropriate follow up actions are taken;

3. Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope. Review the nature and extent of non-audit services provided by the external auditors. Approve the remuneration and terms of engagement of the external auditors. Monitor and assess the independence of the external auditors and their performance. Ensure that significant findings and recommendations made by the external auditors are received and discussed in a timely manner. Ensure that Management responds to recommendations made by the external auditors;

4. Review the activities and organisational structure of the internal audit function and ensure that there are no unjustified restrictions or limitations. Review the internal audit program with regard to the complementary roles of the internal and external audit functions. Ensure that significant findings and recommendations made by the internal auditors are received and discussed in a timely manner. Ensure that Management responds to recommendations made by the internal auditors;

5. Ensure that adequate counter measures are in place to identify and mitigate any material business risks associated with the Company. Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems established by the Management. Ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually;

6. Evaluate how Management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks. Ensure that an appropriate system is established to identify and report areas of potential business risk promptly in order for remedial actions to be taken. Assess at least annually the effectiveness of the control and risk management systems. Recommend to the Board its findings and proposed course of actions to be taken by Management to ensure controls are put in place to address these risks. Management is responsible for the actions to be taken;

7. Review the relevance and consistency of the accounting standards used by the Company and the Group, significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance; and

8. Review and recommend for Board approval Interested Person Transactions, as specified under Chapter 9 of the Catalist Rules and/or the procedures set out in the general mandate approved by shareholders.

Minutes of the ARC meetings are routinely circulated to the Board for information.

During the year, the ARC reviewed and, if appropriate, approved all disclosable interested person transactions in accordance with the Catalist Rules. Directors who are interested in any particular transaction had recused themselves from the deliberation and approval process in both the ARC and Board deliberation. On a quarterly basis, the ARC also reviewed the financial results announcements of the Company before their submission to the Board for approval.

The ARC had reviewed the external auditor's audit plan for FY2018 and had agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In ARC's review of the financial statements of the Group for FY2018, it had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements.

CORPORATE GOVERNANCE REPORT

The ARC also reviewed and addressed, amongst other matters, the following key audit matters as reported by the external auditors for FY2018. (Pl see separate attachment of comments by ARC and ensure page numbering attended to).

Key audit matters	How these issues were addressed by the ARC
a) Impairment assessment of Goodwill and Trademarks	The ARC acknowledges that the impairment of Goodwill and Trademarks involves significant judgement. Towards this end, the ARC had reviewed and agreed with the key assumptions adopted by Management to guide reviews and decisions on possible impairment to Goodwill and Trademarks. The ARC undertakes a review on this basis, as supported with management's documentations and justifications, as and when necessary during the course of the year. The impairment of Goodwill and Trademarks was also an area of focus by the external auditors. The external auditors have included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Please refer to page 82 of this Annual Report. The ARC concurs with the external auditors that no impairment charge is necessary.
b) Impairment assessment of Investments in Subsidiaries and Advances to Subsidiaries	The ARC acknowledges that the impairment assessment of Investments in Subsidiaries and Advances to Subsidiaries involves significant judgement. Towards this end, the ARC had reviewed and agreed with identification and key assumptions adopted by Management to guide reviews and decisions on possible impairment to Investments in Subsidiaries and Advances to Subsidiaries. The ARC undertakes a review on this basis, as supported with Management's documentations and justifications, as and when necessary during the course of the year. The impairment of Investments in Subsidiaries and Advances to Subsidiaries was also an area of focus by the external auditors. The external auditors have included this item as a key audit matter in its audit report for the financial year ended 31 March 2018. Please refer to page 83 of this Annual Report. During the financial year ended 31 March 2018, management performed an impairment assessment of the investments in subsidiaries and advances to subsidiaries using discounted cash flow forecasts as certain subsidiaries reported loss before income tax. The assessment resulted in the recognition of an impairment loss of $0.3 million in the investments in subsidiaries in the Company's profit or loss. The ARC concurs with the external auditors on the above assessment.

Management reported to and discussed with the ARC on changes to the accounting standards and accounting issues which have a direct impact on the financial statements. Directors had also been invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

Following the review, the ARC is satisfied that all the aforesaid matters have been properly dealt with and recommended the Board to approve the financial statements. The Board has on 27 June 2018 approved the financial statements.

The ARC has explicit authority to investigate any matter within its Terms of Reference. All whistle-blower complaints (if any) were reviewed by the ARC to ensure independent and thorough investigation as well as adequate follow-up. The Company has maintained a whistle-blowing register to record all the whistle-blowing incidents. The contents including "nil" returns in the register is reviewed by the ARC at its quarterly meetings.

The ARC has full access to, and has had the full co-operation of the Management and employees. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

CORPORATE GOVERNANCE REPORT

Guideline 12.5
External & Internal Auditors

During the year, the Company's internal and external auditors were invited to attend the ARC meetings and make presentations as appropriate. They also met separately with the ARC without the presence of Management.

Guideline 12.6
Independence of External Auditors

The ARC oversees the Group's relationship with its external auditors, BDO LLP. It reviews the selection of the external auditors and recommends to the Board the appointment, re-appointment and removal of the external auditors, the remuneration and terms of engagement of the external auditors. The annual re-appointment of the external auditors is subject to shareholders' approval at each AGM of the Company.

During FY2018 and as in the past years, the ARC reviewed the "Audit Planning Memorandum" prepared by BDO LLP, the external auditors, discussed about the their terms of engagement, materiality level of their work, significant risks assessment, areas of audit focus, and audit quality indicators, before the commencement of their audit work.

In respect of the audit quality indicators, the ARC had reviewed, in particular, the following areas: audit hours planned, experience of the team, adequacy of training received by the team, results of internal and third party's inspection of their work, compliance with independence requirement, quality control, staff oversight, and staff attrition rate.

After the review, the ARC is satisfied with the independence and objectivity of the external auditors, their approach of the audit work and their proposed audit fees.

The ARC had reviewed and concurred with the nature of non-audit work performed and fees charged by BDO LLP and its member firms. A breakdown of the fees paid or payable to BDO LLP and its member firms are analysed in the table below:

External Auditors Fees for FY2018	$'000	% of Total Fees
Total Audit Fees	234.5	71.7
Total Non-Audit Fees	92.5	28.3
Total Fees	**327.0**	**100.0**

The ARC had recommended and the Board had accepted proposing to shareholders, the reappointment of BDO as the external auditors for the Group in the ensuing year. The Group has also complied with Rules 712 and 715(1) of the Catalist Rules of SGX-ST in relation to the Company's appointment of auditing firms.

Guideline 12.7
Whistle Blowing Policy

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has a Whistle Blowing Policy in place. The Policy provides the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc., may be raised. A Whistle Blowing Committee ("**WBC**") had been established for this purpose. In addition, a dedicated secured e-mail address allows whistle blowers to contact the WBC and the ARC Chairman and members directly.

The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

Assisted by the WBC, the ARC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The ARC reports to the Board any issues/concerns received by it and the WBC, at the ensuing Board meeting. Should the ARC or WBC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

CORPORATE GOVERNANCE REPORT

Whistle Blowing Committee

The WBC consists of:

- Executive Director;
- Group Financial Controller; and
- Deputy Director of Human Resource.

The WBC is empowered to:

i. look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the WBC which are dealt with by the ARC);

ii. make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and

iii. access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.

The Group takes concerns with the integrity and honesty of its employees very seriously. The Whistle-blowing Policy has been disseminated to all employees to encourage the report of any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle blowers could also email to the ARC directly and in confidence and his/her identity is protected from reprisals within the limits of the law.

The Company treats all information received confidentially and protects the identity and the interest of all whistle-blowers. Anonymous reporting will also be attended to and anonymity honoured.

All newly recruited employees are briefed of the existence of the Whistle-blowing Policy and a reminder is sent to all employees annually in the form of an Annual Declaration by the employees requiring them to disclose any instances of conflicts of interest or raising any issues or concerns of possible irregularities of the Company or the Group's affairs. A "nil" return is also required for the purpose.

It has also been a standard item in the agenda of the quarterly meeting of the ARC to review any entries in the register of whistle-blowing, and progress of investigation, if it remains outstanding.

The Whistle-blowing Policy is reviewed by the ARC once every two years to assess the effectiveness of the processes in place and to ensure that the said policy is updated with any related changes in legal and regulatory requirements. The Whistle-blowing Policy was reviewed by the ARC and approved by the Board in May 2018.

No whistle-blowing concerns were reported for FY2018.

Guideline 12.8
ARC to Keep Abreast of Changes to Accounting Standards

During the year, the ARC has held four scheduled meetings with full attendance.

In addition to the activities undertaken to fulfill its responsibilities, the ARC is kept abreast by the Management, external and internal auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

In FY2018, members of ARC and the Board were also briefed by Management on the application of the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"),the implications of all the transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, and the Group's process of preparing for the SFRS(I) convergence in 2018. The SFRS(I) framework is to be adopted from 1 April 2018 with retroactive application, unless a specific exemption or relief is provided in SFRS(I). The ARC and the Board were briefed of the result of the impact analysis, summarised below:

CORPORATE GOVERNANCE REPORT

Mandatory Adjustments

Standards	Financial Impact
SFRS(I) 15 - Revenue from Contracts with Customers has specific requirements on how revenue should be recognised and also introduces other new requirements such as accounting for discount vouchers to customers and rebates to customers, additional disclosures, and so on. The standard provides a single, principles based five-step model to be applied to all contracts with customers: 1. Identify the contract 2. Identify performance obligations 3. Determine transaction price 4. Allocate transaction price 5. Recognise revenue when performance obligation is satisfied.	Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 15 and anticipates that the adoption of SFRS(I) 15 will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption. Management is currently finalising the assessment and transition adjustment.
SFRS(I) 16 – Leases requires lessees to capitalise all leases with a term of more than 12 months on the balance sheet by recognising a 'right-of-use' asset and a corresponding lease liability.	Management is currently assessing the possible impact of implementing SFRS(I) 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS(I) 16.
SFRS(I) 9 - Financial Instruments In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.	Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 9 in relation to the expected credit loss model and is currently finalising the policies and procedures in determining the expected credit/losses and the sources of forward looking data. Management anticipates that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.
Optional Exemption	
SFRS(I) 1 - First-time Adoption of Singapore Financial Reporting Standards (International) Under SFRS(I) 1, it allows the cumulative translation reserve to be reset to zero balance on 1 April 2017.	The Group has elected not to reset its cumulative translation reserve to zero balance on initial adoption of SFRS(I) 1.

Guideline 12.9
Cooling-off Period for Partners or Directors of the Company's Auditing Firm

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the ARC.

CORPORATE GOVERNANCE REPORT

Principle 13: Independent Internal Audit Function

Guidelines 13.1 and 13.2
Internal Auditors

The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors ("**IA**").

The Company has outsourced its internal audit function to Yang & Lee Associates ("**YLA**"). The ARC approves the hiring, removal, evaluation and compensation to the IA. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the ARC. The IA's primary line of reporting is to the Chairman of the ARC. The IA carries out their functions under the direction of the ARC, and reports their findings and make recommendations to the ARC.

Guidelines 13.3 and 13.4
Internal Auditors Function

The Company's internal audit function is independent of the activities it audits. The IA, YLA, is staffed with professionals with relevant qualifications such as the Certified Internal Auditor qualification with the institute of Internal Auditors and experience. Our engagement with the YLA stipulates that its work shall be guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the ARC. The ARC is satisfied that the Company's internal audit function is:

- Adequately resourced and staffed to perform the work for the Group;
- Has the appropriate standing within the Company; and
- Sufficiently independent to carry out its role.

Guideline 13.5
Adequacy and Effectiveness of Internal Audit Function

The ARC annually reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA perform its function.

The ARC also reviews the IA's reports and remedial actions implemented by Management to address any internal control inadequacies identified. The IA completed three reviews during FY2018 in accordance with the internal audit plan approved by the ARC. The Management has adopted the recommendations of the internal auditors set out in the internal audit reports.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITY

The Company believes in regular, effective and fair communication with members of the investment community and investing public and has adopted a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance.

Principle 14: Shareholder Rights and Responsibilities

Guideline 14.1
Sufficient Information to Shareholders

The Company believes in providing sufficient and regular information to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance that could have a material impact on the price or value of its shares.

CORPORATE GOVERNANCE REPORT

Guideline 14.2
Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Shareholders are informed of general meetings through notices published in the local newspaper and the Company's announcements via SGXNET as well as through the Company's official website and the reports/circulars sent to all shareholders. Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are clearly explained by the scrutineers at such general meetings.

Guideline 14.3
Proxies for Nominee Companies

The Constitution of the Company allows an individual shareholder to appoint not more than two proxies to attend and vote on his or her behalf at the general meetings.

Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the shareholders' meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant Intermediary" has the meaning described to it in Section 181 of the Companies Act, Chapter 50.

Principle 15: Communication with Shareholders

Guideline 15.1
Communication with Shareholders

The Board acknowledges the importance of regular communication with shareholders and investors through which shareholders can have an overview of the Group's performance and operation. In line with the continuous disclosure obligations under the Catalist Rules of the SGX-ST and the Singapore Companies Act, Chapter 50, the Board has established a policy to inform shareholders promptly of all major developments that may have material impact on the Group.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. Material information on the Group has been released to the public through the Company's announcements via the SGXNET.

Guideline 15.2
Timely Information to Shareholders

The Company communicates with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Company and the Group were released within 45 days from the every quarter ended and 60 days from the FY2018. In addition, the Annual Report 2018 is distributed to shareholders at least 14 days before the AGM to be held on 26 July 2018.

To further enhance its communication with investors, the Company has enhanced its website www.neogroup.com.sg where the public can access information on the Group directly.

Guideline 15.3
Regular Dialogue with Shareholders

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are given opportunities to participate through open discussions and to vote on resolutions tabled.

Guideline 15.4
Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent platform for the Company to obtain shareholders' views on value creation.

CORPORATE GOVERNANCE REPORT

Guideline 15.5
Dividend Policy

The Company does not have a fixed dividend policy. The Board is recommending 1.00 Singapore cent per ordinary share for FY2018 as the final one-tier tax exempt dividend payable to shareholders, subject to the approval of shareholders at the forthcoming Sixth AGM. In considering the form, frequency and amount of future dividends on the shares that the Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Board:

(a) the level of our cash and retained earnings;

(b) the actual and projected financial performance;

(c) the projected levels of capital expenditure and expansion plans;

(d) the working capital requirements and general financing condition; and

(e) restrictions on payment of dividends imposed on the Company by the financing arrangements (if any).

Principle 16: Conduct of Shareholder Meetings

Guideline 16.1
Shareholders' Participation at General Meetings

The Company encourages its shareholders to participate at general meetings and allow shareholders to communicate their views on various matters affecting the Company.

Guideline 16.2
Proceedings of General Meetings

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. These meetings provide excellent opportunities to build shareholders' understanding of the Group's businesses, and obtain shareholders' views on value creation.

A shareholder who is entitled to attend and vote may either vote in person or through the appointment of one or two proxies. Voting in absentia and by electronic mail or facsimile may be possible at the Directors' discretion to approve or implement, subject to the security measures as may be deemed necessary or expedient to ensure that the integrity of the information and authentication of the identity of shareholder(s) is not compromised. Separate resolutions are proposed on each separate issue at general meetings. Shareholders are encouraged to meet and communicate with the Board and to vote on all resolutions.

Guideline 16.3
Attendees at General Meetings

The Chairmen of the Board and its Committees attend all general meetings to address issues raised by shareholders. The External Auditors is also present at AGM to address any relevant queries from shareholders. Appropriate senior management will also be present at the AGM to respond, if necessary, to operational questions from shareholders.

Guideline 16.4
Minutes of General Meetings

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

CORPORATE GOVERNANCE REPORT

Guideline 16.5
Voting by Poll at General Meetings

All resolutions are put to vote by poll and the relevant detailed result will be announced via SGXNET after the conclusion of the general meetings.

OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

DEALINGS IN SECURITIES

(Rule 1204 (19) of the Catalist Rules of SGX-ST)

The Company has adopted an internal securities code of compliance to provide to the Directors and all employees of the Group with regard to dealing in the Company's securities pursuant to Rule 1204(19) of the Catalist Rules. During FY2018, the Company issues quarterly circulars to its Directors, officers and employees prohibiting dealing in its shares during the period commencing two weeks before the announcement of the Group's quarterly financial results and one month before the commencement of the Group's full-year financial results till the day of such announcements. Directors and employees are also advised against dealing in the Company's securities when they are in possession of any unpublished material price-sensitive information of the Group at all times. In addition, the Company discourages the Directors and employees from dealing in the Company's securities on short-term considerations. The Group confirmed that it adhered to its internal securities code of compliance for FY2018.

INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Catalist Rules of SGX-ST)

Details of the interested person transactions for FY2018 as required pursuant to Rule 907 of the Catalist Rules of SGX-ST:

Name of interested person	Aggregate value of all interested person transactions during the financial year 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[1]	98.4	–
(ii) GUI Solutions Pte Ltd		
- Cost of goods and services purchased	291.0	–
- Rental and utilities income	24.0	–
Neo Kah Kiat and Liew Oi Peng		
(i) Office premise lease expense[2]	195.0	–
(ii) Rental of hostel for staff welfare	12.0	–
(ii) Twinkle Investment Pte Ltd		
- Office premise lease expense[3]	102.3	–
- Rental of yacht	240.0	–
- Interest expense	68.4	–

CORPORATE GOVERNANCE REPORT

Notes:

[1] The office premise lease expense paid to the Company's director, Neo Kah Kiat, in FY2018 relates to #05-04 at Enterprise One amounting to approximately $98,400. As the terms of the tenancy agreement for the office premise were supported by independent valuations and with lease period of 3 years, the lease thereunder is not required to comply with Catalist Rule 906 in relation to the approval of the shareholders of the Company as exempted under Catalist Rule 916(1).

[2] The office premise lease expense paid to the Company's directors, Neo Kah Kiat and Liew Oi Peng, in FY2018 relates to lease expense for #05-03 and #05-05 at Enterprise One amounting to approximately $195,000. As the terms of the tenancy agreements for the office premises were supported by independent valuations and with lease period of 3 years, the leases thereunder are not required to comply with Catalist Rule 906 in relation to the approval of the shareholders of the Company as exempted under Catalist Rule 916(1).

[3] The office premise lease expense paid to the Twinkle Investment Pte Ltd, which is jointly owned by Neo Kah Kiat and Liew Oi Peng, in FY 2017/2018 relates to lease expense for #05-06 at Enterprise One amounting to approximately $102,300. As the terms of the tenancy agreement for the office premise were supported by independent valuations and with lease period of 3 years, the lease thereunder is not required to comply with Catalist Rule 906 in relation to the approval of the shareholders of the Company as exempted under Catalist Rule 916(1).

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ARC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.

MATERIAL CONTRACTS

(Rule 1204(8) of the Catalist Rules of SGX-ST)

Save for the employment contract between the Company and the Executive Directors and disclosures above in the "Interested Person Transactions" as well as except as disclosed in the Directors' Statement and the Financial Statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

NON-SPONSOR FEES

(Rule 1204(21) of the Catalist Rules of SGX-ST)

In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's Sponsor, CIMB Bank Berhad, Singapore Branch during FY2018.

CODE OF CONDUCT AND PRACTICES

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practise and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

FINANCIAL SECTION

DIRECTORS' STATEMENT

The Directors of Neo Group Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2018 and the statement of financial position of the Company as at 31 March 2018.

1. Opinion of the Directors

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up in accordance so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Neo Kah Kiat
Liew Oi Peng
Liew Choh Khing
Wong Hin Sun, Eugene
Tan Lye Huat
Ng How Hwan, Kevin
Yeo Kok Tong

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 April 2017	Balance at 31 March 2018	Balance at 1 April 2017	Balance at 31 March 2018
	Number of ordinary shares			
Company				
Neo Kah Kiat	101,116,550	101,116,550	8,064,000	8,064,000
Liew Oi Peng	8,064,000	8,064,000	101,116,550	101,116,550
Liew Choh Khing	1,691,558	1,691,558	–	–
Wong Hin Sun, Eugene	–	–	4,320,000	4,420,000
Ng How Hwan, Kevin	–	–	453,300	453,300
Yeo Kok Tong	72,600	92,600	–	–

By virtue of Section 7 of the Act, Mr Neo Kah Kiat is deemed to have interests in the shares of all the wholly-owned subsidiaries of the Company as at the beginning and end of the financial year. Mr Neo Kah Kiat is deemed to be interested in the shares held by his spouse, Ms Liew Oi Peng, and vice versa.

Mr Wong Hin Sun, Eugene is the Managing Director and holds 100% of the issued shares of Sirius Venture Capital Pte. Ltd. ("Sirius Venture"). He is deemed to have an interest in the 2,500,000 shares of the Company held by Sirius Venture. Additionally, Mr Wong Hin Sun, Eugene is also deemed to be interested in the 1,920,000 shares of the Company held by his spouse.

Mr Ng How Hwan, Kevin is deemed to have an interest in the 453,300 shares of the Company held by DBS Nominees (Private) Limited. These shares are held by DBS Nominees (Private) Limited for the accounts of Mr Ng How Hwan, Kevin and his spouse.

In accordance with the continuing listing requirements of the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of directors' shareholdings, the Directors' interests as at 21 April 2018 in the shares of the Company have not changed from those disclosed as at 31 March 2018.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or of its subsidiaries under options as at the end of the financial year.

<u>Neo Group Employee Share Option Scheme ("ESOS") and Performance Share Plan ("PSP")</u>

The Company implemented a share option scheme known as ESOS and performance share plan known as PSP which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 11 June 2012. No share options or performance shares have been granted or awarded pursuant to the ESOS and PSP.

DIRECTORS' STATEMENT

6. Audit and Risk Committee

The Audit and Risk Committee comprises the following members, who are all non-executive and a majority of whom, including the Chairman, are Independent Directors. The members of the Audit and Risk Committee during the financial year and at the date of this report are:

Tan Lye Huat (Chairman)	(Independent and Non-Executive Director)
Wong Hin Sun, Eugene	(Non-Independent and Non-Executive Director)
Yeo Kok Tong	(Independent and Non-Executive Director)

The Audit and Risk Committee performed the functions specified in Section 201B (5) of the Act and the Singapore Code of Corporate Governance, including the following:

(i) reviewing the adequacy of the Group's internal financial controls, operational, compliance and information technology controls, risk management policies and systems established by the management and ensuring a review of effectiveness of the Group's internal controls and risk management system is conducted at least annually;

(ii) ensuring the arrangements are in place for independent investigation of possible improprieties in matters of financial reporting or other matters that may be raised and that appropriate follow up actions are taken;

(iii) reviewing the external auditors' proposed audit scope and approach and ensuring no unjustified restrictions or limitations have been placed on the scope;

(iv) approving the remuneration and terms of engagement of the external auditors;

(v) monitoring and assessing the independence of external auditors and their performance;

(vi) ensuring significant findings and recommendations made by the external and internal auditors are received and discussed in a timely manner and recommendations are responded by management;

(vii) reviewing the activities and organisational structure of the internal audit function and ensuring there are no unjustified restrictions or limitations;

(viii) reviewing the internal audit program with regard to the complementary roles of the internal and external audit functions;

(ix) ensuring an appropriate system is established to identify and report areas of potential business risk promptly;

(x) reviewing the relevance and consistency of the accounting standards used by the Group, significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcement relating to the Group's financial performance;

(xi) reviewing and recommending for Board's approval on Interested Person Transactions, as specified under Chapter 9 of the Catalist Rules and/or the procedures set out in the general mandate approved by shareholders; and

(xii) reviewing the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors' of the Company.

DIRECTORS' STATEMENT

6. Audit and Risk Committee (Continued)

The Audit and Risk Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit and Risk Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting.

7. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Neo Kah Kiat
Director

Liew Oi Peng
Director

Singapore
27 June 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEO GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Neo Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 86 to 158, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2018;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Impairment Assessment of Goodwill and Trademarks	
As at 31 March 2018, the Group's goodwill and trademarks amounted to $5.2 million and $8.3 million, respectively. Under FRS 36 Impairment of Assets, the Group is required to test goodwill and intangible assets with an indefinite useful life for impairment annually, or more frequently if there are indicators that these assets may be impaired. For the purpose of impairment assessment, management prepared discounted cash flows forecasts for the respective cash generating units to determine if any impairment is required. Based on management's assessment, no impairment was required.	Our procedures on the impairment assessment of these assets included, amongst others, the following: ■ Discussed with management and evaluated the key assumptions made by management, including comparing revenue growth rate against historical performance and terminal growth rate against market data; ■ Performed sensitivity analysis around the key assumptions, including the revenue growth rate, discount rate and terminal growth rate, used in the cash flow forecasts; and ■ Assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEO GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
1 Impairment Assessment of Goodwill and Trademarks (Continued)	
We have determined the impairment assessment of these assets to be a key audit matter as the impairment assessment involved significant judgements and estimates with regard to the key assumptions on the future market conditions, growth rates and discount rates used in the discounted cash flow forecasts prepared by management. Refer to Notes 3.2(i) and 9 to the financial statements.	
2 Impairment Assessment of Investments in Subsidiaries and Advances to Subsidiaries	
As at 31 March 2018, the Company's investments in subsidiaries and advances to subsidiaries amounted to $29.2 million and $4.3 million, respectively. During the financial year ended 31 March 2018, management performed an impairment assessment of the investments in subsidiaries and advances to subsidiaries using discounted cash flow forecasts as certain subsidiaries reported loss before income tax. The assessment resulted in the recognition of an impairment loss of $0.3 million in the investments in subsidiaries in the Company's profit or loss. We have determined the impairment assessment of the investments in subsidiaries and advances to subsidiaries to be a key audit matter as the impairment assessment involved significant judgements and estimates with regard to the key assumptions on the future market conditions, growth rates and discount rates used in the discounted cash flow forecasts prepared by management. Refer to Notes 3.2(iii) and 3.2(v), 5 and 10 to the financial statements.	Our procedures on the impairment assessment of these assets included, amongst others, the following: ▪ Discussed with management and evaluated the key assumptions made by management, including comparing the revenue growth rate against historical performance and terminal growth rate against market data; ▪ Performed sensitivity analysis around the key assumptions, including the revenue growth rate, discount rate and terminal growth rate, used in cash flow forecasts; and ▪ Assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEO GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEO GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Lee Yu-Min.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 June 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Current assets					
Inventories	4	9,569	12,983	–	–
Trade and other receivables	5	22,719	21,663	2,765	2,861
Prepayments		568	323	30	9
Cash and bank balances	6	13,733	10,540	330	237
Total current assets		46,589	45,509	3,125	3,107
Non-current assets					
Property, plant and equipment	7	81,512	75,204	5	10
Investment properties	8	1,202	1,250	–	–
Intangible assets	9	14,022	13,948	8	9
Investments in subsidiaries	10	–	–	29,220	28,969
Other receivables	5	3,175	2,583	1,851	2,551
Available-for-sale financial asset	11	792	630	792	630
Total non-current assets		100,703	93,615	31,876	32,169
TOTAL ASSETS		147,292	139,124	35,001	35,276
EQUITY					
Capital and reserves					
Share capital	12	7,899	7,899	7,899	7,899
Merger and capital reserves	13	179	179	–	–
Fair value adjustment account	14	162	–	162	–
Foreign currency translation reserve	15	248	405	–	–
Retained earnings	16	26,849	24,678	1,377	2,519
Equity attributable to owners of the parent		35,337	33,161	9,438	10,418
Non-controlling interests		4,076	4,350	–	–
TOTAL EQUITY		39,413	37,511	9,438	10,418
LIABILITIES					
Current liabilities					
Trade and other payables	17	23,948	22,416	2,590	2,133
Provisions	18	368	404	–	–
Bank borrowings	19	32,164	36,938	–	–
Finance lease payables	20	1,505	1,481	–	–
Income tax payable		991	355	–	23
Total current liabilities		58,976	61,594	2,590	2,156
Non-current liabilities					
Other payables	17	1,855	1,255	22,973	22,702
Bank borrowings	19	40,686	33,192	–	–
Finance lease payables	20	3,167	2,395	–	–
Deferred tax liabilities	21	3,195	3,177	–	–
Total non-current liabilities		48,903	40,019	22,973	22,702
TOTAL LIABILITIES		107,879	101,613	25,563	24,858
TOTAL EQUITY AND LIABILITIES		147,292	139,124	35,001	35,276

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 $'000	2017 $'000
Revenue	22	178,210	162,049
Other items of income			
Interest income		183	11
Other income	23	2,353	4,427
Items of expense			
Purchases and consumables used		(83,027)	(75,912)
Changes in inventories		(182)	2,603
Delivery expenses		(3,027)	(3,344)
Employee benefits expense	24	(49,106)	(45,834)
Depreciation and amortisation expenses	25	(8,828)	(8,643)
Advertising expenses		(3,387)	(5,255)
Operating lease expenses	26	(8,934)	(7,459)
Utilities		(5,593)	(4,743)
Other expenses		(12,914)	(16,949)
Finance costs	27	(2,478)	(2,072)
Profit/(Loss) before income tax	28	3,270	(1,121)
Income tax (expense)/credit	29	(260)	2,416
Profit for the financial year		3,010	1,295
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		(280)	462
Fair value gain on available-for-sale financial asset		162	-
Other comprehensive income for the financial year, net of tax		(118)	462
Total comprehensive income for the financial year		2,892	1,757
Profit attributable to:			
Owners of the parent		3,630	3,263
Non-controlling interests		(620)	(1,968)
		3,010	1,295
Total comprehensive income attributable to:			
Owners of the parent		3,635	3,518
Non-controlling interests		(743)	(1,761)
		2,892	1,757
Earnings per share			
- Basic and diluted (in cents)	30	2.49	2.24

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Share capital $'000	Merger and capital reserves $'000	Fair value adjustment account $'000	Foreign currency translation reserves $'000	Retained earnings $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2017		7,899	179	–	405	24,678	33,161	4,350	37,511
Profit for the financial year		–	–	–	–	3,630	3,630	(620)	3,010
Other comprehensive income									
Exchange differences arising from translation of foreign operations		–	–	–	(157)	–	(157)	(123)	(280)
Fair value gain on available-for-sale financial asset	11	–	–	162	–	–	162	–	162
Total comprehensive income for the financial year		–	–	162	(157)	3,630	3,635	(743)	2,892
Transactions with non-controlling interests:									
Acquisition of a subsidiary	10	–	–	–	–	–	–	439	439
Incorporation of a subsidiary		–	–	–	–	–	–	30	30
Total transactions with non-controlling interests		–	–	–	–	–	–	469	469
Distribution to owners of the parent:									
Dividends	31	–	–	–	–	(1,459)	(1,459)	–	(1,459)
Total transaction with owners of the parent		–	–	–	–	(1,459)	(1,459)	–	(1,459)
Balance at 31 March 2018		7,899	179	162	248	26,849	35,337	4,076	39,413

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Share capital $'000	Merger and capital reserves $'000	Foreign currency translation reserves $'000	Retained earnings $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2016		7,899	(326)	150	22,874	30,597	5,660	36,257
Profit for the financial year		–	–	–	3,263	3,263	(1,968)	1,295
Other comprehensive income								
Exchange differences arising from translation of foreign operations		–	–	255	–	255	207	462
Total comprehensive income for the financial year		–	–	255	3,263	3,518	(1,761)	1,757
Transactions with non-controlling interests:								
Acquisition of a subsidiary	10	–	–	–	–	–	(189)	(189)
Acquisition of additional equity interest in a subsidiary	10	–	505	–	–	505	(1,105)	(600)
Issue of ordinary shares to non-controlling interests in subsidiaries	10	–	–	–	–	–	1,745	1,745
Total transactions with non-controlling interests		–	505	–	–	505	451	956
Distribution to owners of the parent:								
Dividends	31	–	–	–	(1,459)	(1,459)	–	(1,459)
Total transaction with owners of the parent		–	–	–	(1,459)	(1,459)	–	(1,459)
Balance at 31 March 2017		7,899	179	405	24,678	33,161	4,350	37,511

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	2018 $'000	2017 $'000
Operating activities		
Profit/(Loss) before income tax	3,270	(1,121)
Adjustments for:		
Allowance for impairment loss on third parties trade receivables	433	163
Bad third parties trade receivables written off	41	75
Reversal of allowance for impairment loss	(37)	–
Bad third parties trade receivables written back	(47)	–
Depreciation and amortisation expenses	8,828	8,643
Dividend income	(45)	(11)
Fair value (gain)/loss on derivative financial instruments	–	(23)
Gain on disposal of assets classified as held for sale	–	(1,817)
Impairment loss on investment properties	–	112
Interest expense	2,478	2,072
Interest income	(183)	(11)
Inventories written down	217	3
(Gain)/Loss on disposal of property, plant and equipment	(27)	5,131
Plant and equipment written off	260	458
Operating cash flows before working capital changes	15,188	13,674
Working capital changes:		
Inventories	3,382	(992)
Trade and other receivables	(525)	(618)
Prepayments	(212)	451
Trade and other payables	(385)	(5,248)
Provisions	(75)	(62)
Derivative financial instrument	–	(58)
Cash generated from operations	17,373	7,147
Income tax refund/(paid)	228	(469)
Net cash from operating activities	17,601	6,678

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	2018 $'000	2017 $'000
Investing activities		
Acquisition of subsidiaries, net of cash acquired (Note 10)	102	627
Acquisition of additional equity interest in a subsidiary (Note 10)	–	(600)
Deposit paid for purchase of plant and equipment	(653)	(3,484)
Purchase of property, plant and equipment	(13,371)	(20,029)
Purchase of intangible assets	(334)	(307)
Proceeds from disposal of assets classified as held for sale	–	2,860
Proceeds from disposal of property, plant and equipment	1,482	10,315
Interest received	183	11
Dividend received	45	11
Net cash used in investing activities	(12,546)	(10,596)
Financing activities		
Drawdown of bank borrowings (Note A)	59,430	52,261
Issuance of ordinary shares to non-controlling interests in a subsidiary	30	1,745
Loan from/(Repayment to) a director (Note A)	997	(500)
Loan from/(Repayment to) a related party (Note A)	300	(245)
Repayment of bank borrowings (Note A)	(58,254)	(44,861)
Repayment of finance lease payables (Note A)	(1,913)	(2,549)
Dividends paid	(1,459)	(1,459)
Interest paid	(2,468)	(2,072)
Net cash (used in)/from financing activities	(3,337)	2,320
Net change in cash and cash equivalents	1,718	(1,598)
Effect of foreign exchange rate changes on cash and cash equivalents	32	(2)
Cash and cash equivalents at beginning of financial year	9,166	10,766
Cash and cash equivalents at end of financial year (Note 6)	10,916	9,166

Note A: Reconciliation of liabilities arising from financing activities

			← Non-cash changes		→	
	2017 $'000	Cash flows $'000	Acquisition of subsidiaries, net of cash acquired $'000	Additions of property, plant and equipment under finance leases $'000	Foreign exchange differences $'000	2018 $'000
Bank borrowings	68,982	1,176	–	–	101	70,259
Finance lease payables	3,876	(1,913)	11	2,694	4	4,672
Loan from a director	300	997	–	–	–	1,297
Loan from a related party	1,255	300	–	–	–	1,555
	74,413	560	11	2,694	105	77,783

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

These notes form an integral part and should be read in conjunction with the financial statements.

1. General corporate information

Neo Group Limited (the "Company") is a public limited liability company, incorporated and domiciled in the Republic of Singapore with its registered office address and principal place of business at 1 Enterprise Road, Singapore 629813. The Company's registration number is 201207080G. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

The Group's ultimate controlling party is Mr Neo Kah Kiat.

The principal activities of the Company are those of an investment holding company and the provision of business and management consultancy services.

The principal activities of the subsidiaries are set out in Note 10 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2018 were authorised for issue in accordance with a Directors' resolution dated 27 June 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses throughout the financial year. Although these estimates are based on managements' best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The Group is in a net current liabilities position of approximately $12,387,000 for the financial year ended 31 March 2018. However, the Group's total assets exceeded its total liabilities by approximately $39,413,000 and recorded a profit before income tax of approximately $3,270,000. The management is of the view that it is appropriate for the financial statements to be prepared on a going concern basis which contemplates the realisation of assets and liabilities in the ordinary course of business and there are no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. In assessing whether the Group can meet its debt obligations for the ensuing twelve months, the management had prepared cash flow forecasts which was approved by the Board. The cash flows were derived from the financial budget for the financial year ending 31 March 2019 where it indicates that the Group has sufficient cash and cash equivalents and adequate bank facilities to support the Group's operations and pay its debts as and when they fall due.

In the current financial year, the Group and the Company adopted all the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS did not result in any changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years, except for the following:

FRS 7 *(Amendments) Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 April 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

Full IFRS convergence

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The new framework is referred to as "Singapore Financial Reporting Standards (International) ("SFRS(I)"). The Group will adopt the new framework on 1 April 2018 and will apply the SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* to the transition. This will involve restating the comparatives for the financial year ended 31 March 2018 and the opening statements of financial position as at 1 April 2017 in accordance with the new framework.

The Group has completed its assessment of the impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 March 2019, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group has elected not to reset its cumulative foreign currency translation reserve to zero balance on initial adoption of SFRS(I) 1. The Group is currently finalising the other transitional adjustments that are required under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

At the date of the authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group and the Company were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
FRS 40 (Amendments)	:	Transfers of Investment Property	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	:	Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	:	Leases	1 January 2019
INT FRS 122	:	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	:	Uncertainty over Income Tax Treatments	1 January 2019
Improvements to FRSs (March 2018)			
- FRS 12 (Amendments)	:	Income Taxes	1 January 2019

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will have no material impact on the financial statements in the period of initial application, except as discussed below.

FRS 109 *Financial Instruments*

FRS 109 supersedes *FRS 39 Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments (Continued)*

Classification and measurement (Continued)

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under FRS 109. The Group will elect to measure its quoted equity security currently classified as available-for-sale financial asset, at fair value through other comprehensive income when FRS 109 is adopted.

The Group does not have any financial liabilities which are designated at fair value through profit or loss and therefore does not expect the adoption of the standard to result in any impact in respect of these financial instruments.

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The Group and the Company are currently finalising the policies and procedures in determining the expected credit losses and the sources of forward looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 April 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Under FRS 115, the Group expects to continue to recognise revenue from food catering, food retail, supplies and trading, food manufacturing and other businesses upon the delivery and acceptance of the goods sold to the customers. The Group has the practise of issuing vouchers and making payments to certain customers (i.e. shelfing allowance and marketing support), which may impact the transaction price of each sales order. Based on the historical records and estimates, the Group believes the effects from the above will not be material to the consolidated results of the Group upon adoption of FRS 115. The Group is currently finalising the assessment and transition adjustment.

The Group plans to adopt FRS 115 in the financial year beginning on 1 April 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases.

On adoption of FRS 116, the Group will be required to capitalise its rented office premises and other operating facilities on the statement of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plans to adopt the standard in the financial year beginning on 1 April 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that have a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of subsidiaries, it derecognises the assets and liabilities of the subsidiaries. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2.3 Business combinations

<u>Business combinations from 1 January 2010</u>

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain from bargain purchase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group's equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that the future economic benefits, in excess of the standard of performance of the item before the expenditure was made, will flow to the Group and the Company, and the cost can be measured reliably. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Low value assets items which cost less than $1,500 are recognised as an expense directly in profit or loss in the financial year of acquisition.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Building	50
Leasehold properties	Over lease term of 20 to 45
Furniture and fittings	3 to 5
Kitchen and office equipment	3 to 6
Motor vehicles	10
Renovation	3 to 6
Operating supplies	2 to 3
Factory equipment	3 to 10
Plant and machinery	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Construction-in-progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction-in-progress is reclassified to the appropriate category of property, plant and equipment when it is completed and ready for use.

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2.5 Investment properties

Investment properties comprise those portions of buildings that are held for long-term rental yields and/or capital appreciation.

Investment properties are initially recorded at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses, if any.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the carrying amount and the cost of the property transferred do not change for measurement or disclosure purposes. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as set out in Note 2.4 to the financial statements, up to the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the financial year of retirement or disposal.

Depreciation is calculated using the straight-line method to allocate the depreciable amount of the investment properties over their estimated useful lives of their lease terms of 27 to 50 years.

The residual values, useful lives and depreciation method of investment properties are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of investment properties.

2.6 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individual or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the changes in useful life from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

Computer software

Acquired computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Subsequent to initial recognition, computer software is carried at cost less accumulated amortisation and impairment losses, if any. The cost of computer software is amortised to profit or loss using the straight-line method over the estimated useful life of 3 to 10 years.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Trademarks

Trademarks are stated at cost less accumulated impairment losses. The management has assessed the useful life of the trademarks to be indefinite and thus the intangible asset is not amortised. The useful life of the trademarks is being reviewed at least annually to determine whether the indefinite useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.7 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's statement of financial position.

2.8 Impairment of non-financial assets excluding goodwill

The carrying amounts of non-financial assets excluding goodwill are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment losses recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

The costs of raw materials and trading goods are determined on a first-in, first-out basis. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, costs include cost of material, direct labour and an appropriate portion of manufacturing overheads.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.9 Inventories (Continued)

Work-in-progress is stated at cost which comprises direct material, direct labour and other directly attributable expenses. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility is ascertained.

Net realisable value is the estimated selling price at which the inventories can be realised in the ordinary course of business less costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

2.10 Financial assets

The Group and the Company classify their financial assets as loans and receivables and available-for-sale financial asset. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

(ii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivative financial asset that is either designated as available-for-sale or not classified in any of the other categories. It is presented as non-current assets unless the management intends to dispose of the asset within 12 months after the end of the reporting period.

Recognition and derecognition

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss. Any cumulative gain or loss in the fair value adjustment account relating to the asset is also recognised in profit or loss.

Initial and subsequent measurement

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially recognised at fair value.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

Initial and subsequent measurement (Continued)

After initial recognition, available-for-sale financial asset is re-measured at fair value with gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised or is determined to be impaired.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments.

Impairment

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment loss of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Available-for-sale financial asset

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment security classified as available-for-sale financial asset is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss, is transferred from other comprehensive income to profit or loss. Reversals of impairment losses on equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits, net of fixed deposits pledged with banks and bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities are classified as at FVTPL if the financial liability is either held for trading or it is designated as such upon initial recognition, including derivative not designated and effective as hedging instrument, or it is designated as such upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

(ii) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the bank borrowings using the effective interest method.

Certain bank borrowings are presented as current bank borrowings even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other bank borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current bank borrowings in the statements of financial position.

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 Offsetting and netting

Financial assets and financial liabilities are only offset and the net amount reported on the statements of financial position when there is a legally enforceable right to set off the recognised amounts and where the Group and the Company intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.14 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the operating period. These provisions are discounted to present value where the effect is material and a pre-tax discount rate is used that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.16 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from food catering, food retail and other businesses are recognised upon the delivery and acceptance of the goods sold to the customers.

Revenue from supplies and trading and food manufacturing and sales of goods are recognised when goods are delivered to the customer and the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Initial franchise fee is recognised upon the grant of rights, completion of designated phases of the franchise set-up and transfer of know-how to the franchisee in accordance with the terms stated in the franchise agreement. Subsequent monthly franchise fee is recognised when the rights to receive payment has been established, which generally coincides with the use of the continuing rights granted in the franchise agreement.

Food reimbursement income is recognised upon the delivery and acceptance of the goods sold to the employees.

Interest income is recognised on a time-apportionment basis using the effective interest method.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.17 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.18 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the reporting period.

2.19 Leases

When the Group as lessor of operating leases

Leases where the Group retains substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included in investment properties.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

When the Group as lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Contingent rents are recognised as an expense in profit or loss in the financial year in which they are incurred.

When the Group as lessee of finance leases

Leases in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The corresponding liability to the lessor is included in the statements of financial position as a finance lease payable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.19 Leases (Continued)

When the Group as lessee of finance leases (Continued)

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

2.20 Borrowing costs

Borrowing costs comprise interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

All other borrowing costs are recognised in profit or loss in the financial year in which they are incurred using the effective interest method.

2.21 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in prior years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates enacted or substantively enacted by the end of the reporting period.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.21 Income tax (Continued)

Deferred tax (Continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statements of financial position.

2.22 Foreign currencies

In preparing the financial statements of the individual entities, transactions in a currency other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are taken to the foreign currency translation reserve. On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that operation is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

2. Summary of significant accounting policies (Continued)

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assessing performance of the operating segments.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below:

(i) Impairment of goodwill and trademarks

Management performs impairment test on goodwill and trademarks on an annual basis and whenever there is objective evidence or indication that they are impaired. The process of evaluating the potential impairment of goodwill and trademarks is subjective and requires significant judgement. Management estimates the recoverable amount based on the expected future cash flows from the cash generating units to which the trademarks and goodwill belong. The carrying values of the cash generating units are then compared against the recoverable amounts. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss.

The carrying amounts of goodwill and trademarks as at 31 March 2018 were approximately $5,219,000 (2017: $5,165,000) and $8,329,000 (2017: $8,329,000) respectively.

(ii) Impairment of property, plant and equipment and investment properties

The Group assesses whether there are any indicators of impairment for its property, plant and equipment and investment properties at each reporting date. These assets are tested for impairment when there are indicators that the carrying amount may not be recovered.

The carrying amounts of property, plant and equipment of the Group and the Company as at 31 March 2018 were approximately $81,512,000 (2017: $75,204,000) and $5,000 (2017: $10,000) respectively. The carrying amount of investment properties of the Group as at 31 March 2018 was approximately $1,202,000 (2017: $1,250,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Impairment of investments in subsidiaries

The Company assesses annually whether its investment in subsidiaries exhibit any indication of impairment. Where such indications exist, the recoverable amounts of the investments will be determined based on the estimated value-in-use by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the investments in subsidiaries as at 31 March 2018 was approximately $29,220,000 (2017: $28,969,000).

(iv) Inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using first-in, first-out basis. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on accumulation of aged inventories, estimated future demand and related forecast uncertainty, recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of inventories of the Group as at 31 March 2018 was approximately $9,569,000 (2017: $12,983,000).

(v) Allowance for impairment loss on receivables

The management establishes allowance for impairment loss on receivables when it believes that payment of amounts owed is unlikely to occur. In establishing the allowance, the management considers the historical experience and changes to the debtors' financial position. If the financial conditions of these debtors were to deteriorate, resulting in impairment of the ability to make the required payments, additional allowance may be required. The carrying amounts of trade and other receivables of the Group and the Company as at 31 March 2018 were approximately $25,894,000 (2017: $24,246,000) and $4,616,000 (2017: $5,412,000) respectively.

(vi) Income taxes

The Group and the Company recognise expected liabilities for income tax based on estimation of the likely tax payable, which requires significant judgement as to the ultimate tax determination of certain items. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, in the financial year in which such determination is made. The carrying amounts of current income tax payable of the Group and the Company as at 31 March 2018 were approximately $991,000 (2017: $355,000) and $Nil (2017: $23,000) respectively. The carrying amount of deferred tax liabilities of the Group as at 31 March 2018 was approximately $3,195,000 (2017: $3,177,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

4. Inventories

	Group	
	2018	2017
	$'000	$'000
Raw materials	3,123	2,961
Trading goods	6,030	6,959
Work in progress	175	131
Goods-in-transit	241	2,932
	9,569	12,983

During the financial year ended 31 March 2018, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of write down of inventories of approximately $217,000 (2017: $3,000) as expenses which was included in "Purchases and consumables used" line item in the Group's profit or loss.

5. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Trade receivables				
- third parties	18,266	15,292	–	–
- related parties	7	–	–	–
Allowance for impairment loss				
- third parties	(557)	(163)	–	–
	17,716	15,129	–	–
Non-trade receivables				
- third parties	1,388	396	14	24
- employees	147	180	–	–
- subsidiaries	–	–	2,448	2,763
- related parties	185	6	–	–
	1,720	582	2,462	2,787
Goods and services tax receivable	–	70	–	–
Advances to suppliers	324	595	–	–
Deferred expenses	64	53	–	53
Deposits	2,895	5,234	303	21
	5,003	6,534	2,765	2,861
Total current trade and other receivables	22,719	21,663	2,765	2,861
Non-current				
Non-trade receivables				
– employees	3,175	2,583	–	–
– subsidiaries	–	–	1,851	2,551
Total non-current other receivables	3,175	2,583	1,851	2,551
Total trade and other receivables	25,894	24,246	4,616	5,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5. Trade and other receivables (Continued)

Trade receivables are unsecured, non-interest bearing and generally on 3 to 90 (2017: 3 to 90) days' credit terms.

Current non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand except for an amount due from a subsidiary of approximately $1,800,000 (2017: $1,800,000) which is unsecured, bear effective interest rate of 2.8% (2017: 2.8%) and repayable on demand.

Non-current non-trade amounts due from subsidiaries are unsecured, bear effective interest rate at 3% to 5% (2017: 3% to 5%) and repayable within 3 to 5 (2017: 5) years.

The carrying amount of non-current non-trade amount due from subsidiaries approximates its fair value as they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

Non-trade amount due from related parties are unsecured, non-interest bearing and repayable on demand.

Current non-trade amounts due from employees are loans which are unsecured, non-interest bearing and repayable on demand.

Non-current non-trade amounts due from employees are loans which are unsecured, non-interest bearing and are for a period of 5 years from November 2014 to November 2019, except for non-current non-trade amounts due from employees of approximately $2,948,000 (2017: $2,356,000) which are unsecured, bear effective interest rate at 5% (2017: 5%) per annum and repayable within 6 years. The non-interest bearing loans are stated at fair value at inception. The difference between the fair value and the loan amounts at inception are recognised in "Finance costs" line item in the Group's profit or loss. Subsequent to initial recognition, the loans are measured at amortised cost using the effective interest method approximating the market rate. The unwinding of the difference is recognised in "Interest income" line item in the Group's profit or loss over the expected repayment period. The carrying amount of loans to employees approximate its fair value.

Advances to suppliers relates to advance payments made to the suppliers for the purchase of goods.

Deferred expenses represents amounts invoiced by vendors for which services are yet to be rendered.

Deposits mainly relate to the rental deposits of retail outlets, offices spaces, central kitchens and deposits made to suppliers for the purchase of plant and equipment.

During the financial year ended 31 March 2018, third parties trade receivables written off of approximately $41,000 (2017: $75,000) was recognised in "Other expenses" line item in the Group's profit or loss.

During the financial year ended 31 March 2018, reversal of allowance for impairment loss of third parties trade receivables of approximately $37,000 (2017: $Nil) was recognised in "Other income" line item in the Group's profit or loss.

During the financial year ended 31 March 2018, allowance for impairment loss on third parties trade receivables of approximately $433,000 (2017: $163,000) was recognised in "Other expenses" line item in the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

5. Trade and other receivables (Continued)

Movements in the allowance for impairment of trade receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At 1 April	163	–	–	–
Allowances charged to profit or loss	433	163	–	–
Allowance written off	(2)	–	–	–
Reversal of allowance for impairment loss	(37)	–	–	–
At 31 March	557	163	–	–

The currency profiles of the Group's and the Company's trade and other receivables as at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore dollar	22,360	22,685	4,616	5,412
United States dollar	1,351	889	–	–
Malaysian ringgit	2,183	642	–	–
Australian dollar	–	30	–	–
	25,894	24,246	4,616	5,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

6. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash and bank balances	13,356	10,163	330	237
Fixed deposits	377	377	–	–
Cash and cash equivalents on statements of financial position	13,733	10,540	330	237
Fixed deposits pledged	(226)	(226)		
Bank overdraft	(2,591)	(1,148)		
Cash and cash equivalents on consolidated statement of cash flows	10,916	9,166		

Fixed deposits are placed for a period of 8 to 12 (2017: 8 to 12) months and bear effective interest rate at 0.2% to 0.35% (2017: 0.3%) per annum for the financial year ended 31 March 2018. The Group's fixed deposits are readily convertible to cash at minimal cost.

The currency profiles of the Group's and the Company's cash and cash equivalents as at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore dollar	13,321	9,611	330	237
United States dollar	52	736	–	–
Malaysian ringgit	360	193	–	–
	13,733	10,540	330	237

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

7. Property, plant and equipment

	Freehold land	Building	Leasehold properties	Furniture and fittings	Kitchen and office equipment	Motor vehicles	Renovation	Operating supplies	Factory equipment	Plant and machinery	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group												
Cost												
Balance at 1 April 2017	2,127	2,147	45,241	1,807	8,968	12,533	9,556	1,232	495	3,111	8,980	96,197
Acquisition of subsidiaries (Note 10)	-	-	-	2	83	18	-	-	2	66	-	171
Additions	1,010	-	239	800	1,845	706	3,484	262	276	4,960	2,512	16,094
Disposals	-	-	(1,736)	(5)	(79)	(134)	(51)	-	(43)	(88)	-	(2,136)
Written off	-	-	-	(203)	(308)	(121)	(599)	-	(8)	(122)	-	(1,361)
Reclassification	-	1,668	-	-	-	-	-	-	-	-	(1,668)	-
Currency re-alignment	7	29	-	1	30	18	64	-	61	298	103	611
Balance at 31 March 2018	3,144	3,844	43,744	2,402	10,539	13,020	12,454	1,494	783	8,225	9,927	109,576
Accumulated depreciation and accumulated impairment losses												
Balance at 1 April 2017	136	221	3,400	1,224	6,477	3,398	4,421	868	319	529	-	20,993
Depreciation for the financial year	-	48	1,726	486	1,742	1,370	2,033	250	152	659	-	8,466
Disposals	-	-	(409)	(2)	(54)	(131)	(26)	-	(27)	(32)	-	(681)
Written off	-	-	-	(149)	(290)	(121)	(448)	-	(5)	(88)	-	(1,101)
Currency re-alignment	-	-	-	-	23	9	58	-	59	238	-	387
Balance at 31 March 2018	136	269	4,717	1,559	7,898	4,525	6,038	1,118	498	1,306	-	28,064
Carrying amount												
Balance at 31 March 2018	3,008	3,575	39,027	843	2,641	8,495	6,416	376	285	6,919	9,927	81,512

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

7. Property, plant and equipment (Continued)

	Freehold land $'000	Building $'000	Leasehold properties $'000	Furniture and fittings $'000	Kitchen and office equipment $'000	Motor vehicles $'000	Renovation $'000	Operating supplies $'000	Factory equipment $'000	Plant and machinery $'000	Construction-in-progress $'000	Total $'000
Group												
Cost												
Balance at 1 April 2016	2,127	2,147	42,756	1,706	8,291	11,215	9,259	919	606	3,053	9,688	91,767
Acquisition of subsidiaries (Note 10)	-	-	-	3	91	291	31	-	-	55	-	471
Additions	-	-	15,621	288	1,495	1,429	1,053	362	83	688	696	21,715
Disposals	-	-	(15,800)	(6)	(96)	(323)	(81)	(7)	(19)	(62)	-	(16,394)
Written off	-	-	-	(184)	(792)	(64)	(770)	(42)	(102)	(266)	-	(2,220)
Reclassification	-	-	1,264	-	-	-	140	-	-	-	(1,404)	-
Reclassification from investment properties (Note 8)	-	-	1,400	-	-	-	-	-	-	-	-	1,400
Currency re-alignment	-	-	-	-	(21)	(15)	(76)	-	(73)	(357)	-	(542)
Balance at 31 March 2017	2,127	2,147	45,241	1,807	8,968	12,533	9,556	1,232	495	3,111	8,980	96,197
Accumulated depreciation and accumulated impairment losses												
Balance at 1 April 2016	136	176	2,395	927	5,429	2,452	3,174	643	179	372	-	15,883
Depreciation for the financial year	-	45	1,538	472	1,846	1,243	1,909	271	271	604	-	8,199
Disposals	-	-	(578)	(6)	(63)	(244)	(47)	(4)	(6)	-	-	(948)
Written off	-	-	-	(169)	(720)	(44)	(554)	(42)	(61)	(172)	-	(1,762)
Reclassification from investment properties	-	-	45	-	-	-	-	-	-	-	-	45
Currency re-alignment	-	-	-	-	(15)	(9)	(61)	-	(64)	(275)	-	(424)
Balance at 31 March 2017	136	221	3,400	1,224	6,477	3,398	4,421	868	319	529	-	20,993
Carrying amount												
Balance at 31 March 2017	1,991	1,926	41,841	583	2,491	9,135	5,135	364	176	2,582	8,980	75,204

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

7. Property, plant and equipment (Continued)

	Company	
	2018	217
	$'000	$'000
Renovation		
Cost		
Balance at beginning of financial year and end of the financial year	27	27
Accumulated depreciation		
Balance at beginning of financial year	17	13
Depreciation for the financial year	5	4
Balance at end of financial year	22	17
Carrying amount		
Balance at end of financial year	5	10

In the previous financial year, the Group disposed a leasehold property for a consideration of approximately $10,000,000 and recognised a loss on disposal of approximately $5,222,000. The property was disposed as part of a relocation exercise of the manufacturing plant of a subsidiary of the Group.

As at 31 March 2018, the carrying amounts of plant and equipment of the Group which were acquired under finance lease agreements were approximately $6,803,000 (2017: $3,749,000).

The freehold land, building, leasehold properties and construction-in-progress of the Group with aggregate carrying amounts of approximately $55,537,000 (2017: $54,738,000) as at 31 March 2018 are mortgaged as security for the banking facilities as set out in Note 19 to the financial statements.

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial year were financed as follows:

	Group	
	2018	2017
	$'000	$'000
Additions to property, plant and equipment	16,094	21,715
Provision for dismantlement, removal or restoration	(29)	(66)
Acquired under finance lease arrangements	(2,694)	(1,620)
Cash payments to acquire property, plant and equipment	13,371	20,029

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

8. Investment properties

	Group 2018 $'000	Group 2017 $'000
Cost		
Balance at beginning of financial year	1,431	2,831
Reclassified as property, plant and equipment (Note 7)	–	(1,400)
Balance at end of financial year	1,431	1,431
Accumulated depreciation and accumulated impairment losses		
Balance at beginning of financial year	181	44
Depreciation for the financial year	48	70
Impairment losses	–	112
Reclassified as property, plant and equipment (Note 7)	–	(45)
Balance at end of financial year	229	181
Carrying amount		
Balance at end of financial year	1,202	1,250

In the previous financial year, there was change in use of an investment property to owner-occupied property. Accordingly, the property was transferred from investment properties to property, plant and equipment.

The fair value of investment properties as at 31 March 2018 amounted to approximately $1,230,000 (2017: $1,250,000). In the prior financial year, as the carrying amount of the investment properties exceeded the fair value, this resulted in the recognition of an impairment loss of approximately $112,000 in the previous financial year's profit or loss. On 4 May 2018, the investment properties were valued by an independent and licensed appraiser who has recent experience in the locations and categories of the investment properties being valued, using the direct comparative method. Sales prices of comparable properties in similar locations are adjusted for differences in key attributes such as tenure, age, size, design, floor level, condition and standard of finishes amongst other factors. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use.

The following table presents the valuation technique and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Country	Description	Fair value at 31 March 2018	Fair value at 31 March 2017	Valuation technique	Unobservable inputs
Singapore	Commercial property	$650,000	$650,000	Direct comparative method	Market price per square metre
Singapore	Commercial property	$580,000	$600,000	Direct comparative method	Market price per square metre

There have been no change in the valuation techniques of investment properties as at end of the reporting period. There were no transfers between levels during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

8. Investment properties (Continued)

The following amounts are recognised in profit or loss:

	Group	
	2018 $'000	2017 $'000
Rental income	26	78
Property taxes and other direct operating expenses arising from investment properties	11	12

The investment properties of the Group with carrying amounts of approximately $1,202,000 (2017: $1,250,000) as at 31 March 2018 are mortgaged as security for the banking facilities as set out in Note 19 to the financial statements.

The Group's investment properties are as follows:

Location	Description	Tenure	Approximate site area (sq m)
50 Tuas Avenue 11, #02-12 Tuas Lot, Singapore 639107	Warehouse	99 years leasehold from 1 April 1980	352
16 Jalan Kilang Timor #03-07, Redhill Forum, Singapore 159308	General office	99 years leasehold from 1 January 1961	90

9. Intangible assets

	Computer software $'000	Goodwill $'000	Trademarks $'000	Total $'000
Group				
Cost				
Balance at 1 April 2017	1,088	5,165	8,329	14,582
Acquisition of subsidiaries (Note 10)	–	54	–	54
Additions	334	–	–	334
Written off	(55)	–	–	(55)
Balance at 31 March 2018	1,367	5,219	8,329	14,915
Accumulated amortisation				
Balance at 1 April 2017	634	–	–	634
Amortisation for the financial year	314	–	–	314
Written off	(55)	–	–	(55)
Balance at 31 March 2018	893	–	–	893
Carrying amount				
Balance at 31 March 2018	474	5,219	8,329	14,022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

9. Intangible assets (Continued)

	Computer software $'000	Goodwill $'000	Trademarks $'000	Total $'000
Group (Continued)				
Cost				
Balance at 1 April 2016	739	2,095	7,034	9,868
Acquisition of subsidiaries (Note 10)	42	3,070	1,295	4,407
Additions	307	–	–	307
Balance at 31 March 2017	1,088	5,165	8,329	14,582
Accumulated amortisation				
Balance at 1 April 2016	260	–	–	260
Amortisation for the financial year	374	–	–	374
Balance at 31 March 2017	634	–	–	634
Carrying amount				
Balance at 31 March 2017	454	5,165	8,329	13,948

	2018 $'000	2017 $'000
Company		
Computer software		
Cost		
Balance at beginning of financial year	24	18
Additions	6	6
Balance at end of financial year	30	24
Accumulated amortisation		
Balance at beginning of financial year	15	8
Amortisation for the financial year	7	7
Balance at end of financial year	22	15
Carrying amount		
Balance at end of financial year	8	9

The management determines the useful life of trademarks to be indefinite as the management intends and has the ability to maintain the trademarks for foreseeable future and it is expected to contribute to net cash inflows indefinitely.

Amortisation of intangible assets is included in "Depreciation and amortisation expenses" line item in the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

9. Intangible assets (Continued)

Impairment test for goodwill and trademarks

Goodwill and trademarks arising on the acquisition of Thong Siek Group, U-Market Place Enterprise Pte. Ltd., and Hi-Q Plastic Industries Sdn. Bhd. (Note 10) are allocated to the food manufacturing segment and supplies and trading segment respectively, and are expected to benefit from the business combinations.

The Group tests the cash generating units ("CGU") for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period and projection to terminal year. The key assumptions for the value in use calculations are those regarding the revenue growth rates, terminal growth rate and discount rates during the financial year as follow:

	Revenue growth rate	Terminal growth rate	Discount rate
2018			
Food manufacturing segment	4.0% to 12.0%	2.0%	9.0%
Supplies and trading segment	-20.7% to 24.1%	0.5%	13.6%
2017			
Food manufacturing segment	6.0% to 9.0%	2.0%	13.5%
Supplies and trading segment	5.0%	0.5%	13.6%

Management estimates the discount rate using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs. The growth rate is based on management's estimates and expectations from historical trends and market data.

Sensitivity analysis

As at 31 March 2018, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

10. Investments in subsidiaries

	Company	
	2018	2017
	$'000	$'000
Unquoted equity shares, at cost	30,475	29,894
Allowance for impairment loss	(1,255)	(925)
	29,220	28,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Movement in unquoted equity shares, at cost was as follows:

	Company	
	2018	2017
	$'000	$'000
Balance at beginning of financial year	29,894	22,076
Additions	–	4,463
Acquisition of subsidiaries	511	2,500
Acquisition of additional equity interest in a subsidiary	–	600
Incorporation of subsidiaries	70	255
Balance at end of financial year	30,475	29,894

Movement in allowance for impairment loss was as follows:

	Company	
	2018	2017
	$'000	$'000
Balance at beginning of financial year	925	725
Impairment loss on investments in subsidiaries	330	200
Balance at end of financial year	1,255	925

Impairment on investments in subsidiaries

As at the end of the financial year, the Company carried out a review of the investments in subsidiaries, having regard for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. The recognition of impairment loss on an investment in a subsidiary of $330,000 (2017: $200,000) has been recognised based on value in use calculations from cash flow projections from financial budgets approved by management covering a five-year period and projection to terminal year. Based on the value in use calculations, the subsidiary had a recoverable amount of Nil (2017: $330,000). The key assumptions for the value in use calculations are those regarding the revenue growth rates, terminal growth rate and discount rates during the financial year as follow:

	Company	
	2018	2017
Revenue growth rate	-21% to 24%	5% to 20%
Terminal growth rate	1% to 2%	1% to 2%
Discount rate	3% to 14%	5% to 14%

Management estimates the discount rate using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the subsidiary. The growth rate is based on management's estimates and expectations from historical trends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2018	2017	2018	2017	
	%	%	%	%	
Held by the Company					
Deli Hub Catering Pte. Ltd. (1) (Singapore)	100	100	–	–	Provision of food catering services
Liang Yuan Pte. Ltd. (1) (formerly known as H-Cube F&B Pte. Ltd.) (Singapore)	100	100	–	–	Processing and supply of food products
Neo Garden Catering Pte. Ltd. (1) (Singapore)	100	100	–	–	Provision of food catering services
Niwa Sushi Pte. Ltd. (1) (Singapore)	100	100	–	–	Food retail outlets
NKK Import & Export Trading Pte. Ltd.(1) (Singapore)	100	100	–	–	General trading
Orange Clove Catering Pte. Ltd. (1) (Singapore)	100	100	–	–	Provision of food catering services
Best Catering Pte. Ltd. (1) (Singapore)	100	100	–	–	Provision of food catering services
Neo Global Pte. Ltd. (1) (Singapore)	100	100	–	–	Leasing of vehicle and provision of after-sales services
I DO Flowers & Gifts Pte. Ltd. (1) (Singapore)	100	100	–	–	Design, marketing and distribution of floral arrangements, gifts and hampers
Choz Confectionery Pte. Ltd. (1) (Singapore)	100	100	–	–	Manufacturing of bread, cakes and confectionery
Thong Siek Global Pte. Ltd. (1) (formerly known as Thong Siek Holdings Pte. Ltd.) (Singapore)	55	55	45	45	Investment holding
CT Vegetables & Fruits Pte. Ltd. (1) (Singapore)	100	100	–	–	Importers, exporters and wholesalers of fruits and vegetables

NOTES TO THE FINANCIAL STATEMENTS

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10. Investments in subsidiaries (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2018	2017	2018	2017	
	%	%	%	%	
Held by the Company (Continued)					
G&C Food Investment Pte. Ltd. (1) (Singapore)	100	100	–	–	Food retail outlets
Gourmetz Pte. Ltd. (1) (Singapore)	51	51	49	49	Provision of food catering services
U-Market Place Enterprise Pte. Ltd. (1) (Singapore)	75	75	25	25	General trading of frozen food, retail and manufacture of cooked food preparations
Hi-Q Plastic Industries Sdn. Bhd. (2) (Malaysia)	51	–	49	–	Manufacturer and supplier of all kinds of plastics, resins, moulds and packaging products for food industry
Kim Paradise Pte. Ltd. (1) (Singapore)	70	–	30	–	Provision of food catering services
Savoury Catering Pte. Ltd. (1) (Singapore)	100	–	–	–	Provision of food catering services
Held by Thong Siek Global Pte. Ltd.					
Thong Siek Food Industry Pte. Ltd. (1) (Singapore)	55	55	45	45	Manufacturing of food products, processing, curing and preserving of fish and other seafood products
Dodo Marketing Pte. Ltd. (1) (Singapore)	55	55	45	45	Import, export and wholesale in food products and F&B supplies
TSF Engineering Pte. Ltd. (1) (Singapore)	55	55	45	45	Provision of services relating to mechanical and electrical engineering works
TS Food Industry Sdn. Bhd. (2) (Malaysia)	55	55	45	45	Manufacturing and retailing in processed seafood products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2018	2017	2018	2017	
	%	%	%	%	
Held by CT Vegetables & Fruits Pte Ltd					
C T Fresh Pte. Ltd. (1) (Singapore)	100	100	–	–	Importers, exporters and wholesalers of fruits and vegetables.
Harborlift Fresh Food Pte. Ltd. (1) (formerly known as Cool Fresh Marketing Pte. Ltd.) (Singapore)	100	100	–	–	Importers, exporters and wholesalers of fruits and vegetables.

(1) Audited by BDO LLP, Singapore
(2) Audited by BDO Chartered Accountants, Malaysia

Non-controlling interests

The summarised financial information before intra-group elimination of the subsidiaries that have material non-controlling interests as at the end of each reporting period are as follows:

	Hi-Q Plastic Industries Sdn. Bhd.	U-Market Place Enterprise Pte. Ltd.	Thong Siek Group
	2018	2018	2018
	$'000	$'000	$'000
Assets and liabilities			
Non-current assets	3,341	4,638	38,804
Current assets	704	7,022	16,777
Non-current liabilities	(2,393)	(8,042)	(20,593)
Current liabilities	(614)	(8,801)	(23,824)
Net assets	1,038	(5,183)	11,164
Accumulated non-controlling interests	509	(1,296)	5,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Non-controlling interests (Continued)

	Hi-Q Plastic Industries Sdn. Bhd. Period from 4 April 2017 (Date of acquisition) to 31 March 2018 $'000	U-Market Place Enterprise Pte. Ltd. 2018 $'000	Thong Siek Group 2018 $'000
Revenue	2,087	28,814	50,677
Profit/(Loss) for the financial year	71	(3,861)	1,936
Other comprehensive income for the financial year	72	–	(352)
Total comprehensive income for the financial year	143	(3,861)	1,584
Profit/(Loss) allocated to non-controlling interests	35	(965)	871
Total comprehensive income allocated to non-controlling interests	70	(965)	713
Net cash from/(used in) operating activities	24	(6,198)	6,592
Net cash used in investing activities	(2,628)	(92)	(5,832)
Net cash from/(used in) financing activities	2,615	6,413	(1,246)
Net change in cash and cash equivalents	11	123	(486)

	U-Market Place Enterprise Pte. Ltd. 2017 $'000	Thong Siek Group 2017 $'000
Assets and liabilities		
Non-current assets	4,144	33,898
Current assets	8,116	17,170
Non-current liabilities	(2,000)	(21,521)
Current liabilities	(11,582)	(19,389)
Net assets	(1,322)	10,158
Accumulated non-controlling interests	(331)	4,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Non-controlling interests (Continued)

	U-Market Place Enterprise Pte. Ltd. Period from 31 January 2017 (Date of acquisition) to 31 March 2017 $'000	Thong Siek Group 2017 $'000
Revenue	3,735	48,919
Loss for the financial year	(563)	(3,906)
Other comprehensive income for the financial year	–	462
Total comprehensive income for the financial year	(563)	(3,444)
Loss allocated to non-controlling interests	(141)	(1,757)
Total comprehensive income allocated to non-controlling interests	(141)	(1,550)
Net cash (used in)/from operating activities	(1,791)	6,193
Net cash used in investing activities	(9)	(9,722)
Net cash from financing activities	1,402	5,719
Net change in cash and cash equivalents	(398)	2,190

Increase of share capital in subsidiaries of the Company

On 2 June 2016, the issued and paid-up capital of wholly-owned subsidiaries, I Do Flowers & Gifts Pte. Ltd. ("I Do") and Niwa Sushi Pte. Ltd. ("Niwa") were increased by additional allotment of 330,000 and 2,000,000 ordinary shares respectively, for an aggregate consideration of $2,330,000, which was satisfied in full by capitalisation of the intercompany balances owing by I Do and Niwa to the Company.

On 30 September 2016, Thong Siek Global Pte. Ltd. (formerly known as Thong Siek Holdings Pte. Ltd.) ("TSG"), a subsidiary of the Company, increased its issued and paid-up share capital by way of allotment and issuance of new ordinary shares. The Company was alloted 154,413 new ordinary shares for a consideration of $1,833,000 which was satisfied in full by capitalisation of the intercompany balance owing by TSG.

Transfer of share ownership of a subsidiary within the Group

On 9 January 2017, following an internal restructuring exercise, the Company acquired the entire equity interest in G&C Food Investment Pte. Ltd., which was previously wholly-owned by a wholly-owned subsidiary of the Company, Niwa Sushi Pte. Ltd., at a consideration of $300,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Acquisition of subsidiary - Hi-Q Plastic Industries Sdn. Bhd. ("Hi-Q")

On 4 April 2017, the Company obtained control over Hi-Q by acquiring a 51% equity interest with a cash consideration of an amount of RM1,602,859 (equivalents to $511,000). The acquisition of Hi-Q represents a strategic advancement of the Group's business into the upstream of the supply chains and provides vertical integration that will complement and support the Group's existing catering and manufacturing businesses and operation.

The fair values of the identifiable assets and liabilities of Hi-Q as at the date of acquisition were:

	Hi-Q 2018 $'000
Plant and equipment	171
Inventories	129
Trade and other receivables	239
Prepayments	50
Cash and cash equivalents	613
Total assets	1,202
Trade and other payables	279
Borrowings and hire purchases	11
Deferred tax liabilities	16
Total liabilities	306
Net identifiable assets acquired	896
Purchase consideration	(511)
Less: Non-controlling interest measured at the non-controlling interests' proportionate share of net identifiable liabilities	(439)
Goodwill arising from acquisition	(54)

Acquisition of subsidiary – U-Market Place Enterprise Pte. Ltd. ("U-Market")

On 31 January 2017, the Company obtained control over U-Market by acquiring a 75% equity interest via a capitalisation of an amount of $2,500,000 due from U-Market to the Company. The acquisition of U-Market represents a strategic investment into the upstream of the supply chains and provides vertical integration to support the Group's existing catering and manufacturing businesses as well as increase the Group's brand portfolio and offerings with the addition of the well-known Singapore homegrown brand of "Joo Chiat Kim Choo" rice dumplings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Acquisition of subsidiary – U-Market Place Enterprise Pte. Ltd. ("U-Market") (Continued)

The fair values of the identifiable assets and liabilities of U-Market as at the date of acquisition were:

	U-Market 2017 $'000
Plant and equipment	471
Intangible assets – Computer software	42
Intangible assets – Trademark	1,295
Inventories	3,072
Trade and other receivables	4,002
Cash and cash equivalents	627
Total assets	9,509
Trade and other payables	8,858
Borrowings and hire purchases	1,190
Deferred tax liabilities	220
Total liabilities	10,268
Net identifiable liabilities acquired	(759)
Purchase consideration (non-cash)	(2,500)
Less: Non-controlling interest measured at the non-controlling interests' proportionate share of net identifiable liabilities	189
Goodwill arising from acquisition	(3,070)

Goodwill on acquisition

Goodwill of approximately $54,000 (2017: $3,070,000) arising from the acquisitions are mainly due to the expected synergies which will be achieved by integrating the investees into the Group's existing business.

None of the goodwill are expected to be deductible for tax purposes.

Transaction costs related to the acquisitions of approximately $14,000 (2017: $104,000) have been recognised in "Other expenses" line item in the Group's profit or loss for the financial year.

The effects of acquisition of subsidiaries on the consolidated statement of cash flows were as follows:

	2018 $'000	2017 $'000
Total purchase consideration	511	2,500
Less: Capitalisation of debt	–	(2,500)
Less: Cash and cash equivalents of subsidiaries acquired	(613)	(627)
Net cash inflow on acquisition	(102)	(627)

Had the business combination during the financial year ended 31 March 2018 been effected at 1 April 2017, the revenue of the Group would have been approximately $178,210,000 (2017: $173,864,000) and the profit for the year would have been approximately $3,010,000 (2017: loss for the year of $6,223,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

10. Investments in subsidiaries (Continued)

Acquisition of additional equity interest in a subsidiary

On 3 January 2017, the Company acquired the remaining 10% equity interest in CT Vegetables & Fruits Pte Ltd ("CT Vege"), for a cash consideration of $600,000. CT Vege has two wholly-owned subsidiaries, namely Cool Fresh Marketing Pte. Ltd. and C T Fresh Pte. Ltd. (collectively referred to as "CT Vege Group"). The carrying value of the net assets of CT Vege Group as at 3 January 2017 was $11,050,000 and the deemed fair value of additional 10% equity interest acquired was $1,105,000. The difference of $505,000 between the consideration and the deemed fair value of the additional 10% equity interest acquired has been recognised as "Acquisition of non-controlling interests without a change in control" within equity.

	2017 $'000
Carrying amount of non-controlling interests acquired	1,105
Consideration paid to non-controlling interests	(600)
Discount received recognised in equity	505

Incorporation of a subsidiary

On 8 January 2018, the Company established a partially-owned subsidiary with 70% equity interest in the Republic of Singapore, namely Kim Paradise Pte. Ltd. with a registered capital of $100,000. The remaining 30% equity interest of the subsidiary is held by a third party. The investment of 70% equity interest in the subsidiary amounted to $70,000.

On 26 March 2018, the Company established a wholly-owned subsidiary in the Republic of Singapore, namely Savoury Catering Pte. Ltd. with a registered capital of $1.

On 11 November 2016, the Company established a partially-owned subsidiary with 51% equity interest in the Republic of Singapore, namely Gourmetz Pte. Ltd. with a registered capital of $500,000. The remaining 49% equity interest of the subsidiary is held by a third party. The investment of 51% equity interest in the subsidiary amounted to $255,000.

11. Available-for-sale financial asset

	Group and Company	
	2018 $'000	2017 $'000
Quoted equity securities, at fair value		
Balance at beginning of financial year	630	630
Fair value gain recognised in other comprehensive income	162	–
Balance at end of financial year	792	630

The investment in quoted equity securities has no fixed maturity date or coupon rate. The fair value of the securities is based on closing quoted market prices on the last market day of the financial year. The securities are listed on Singapore Exchange Securities Trading Limited (SGX-ST).

The currency profile of the Group's and the Company's available-for-sale financial asset as at the end of the reporting period is Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

12. Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		$'000	$'000
Issued and fully-paid:				
Balance at beginning and end of financial year	145,907,100	145,907,100	7,899	7,899

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

13. Merger and capital reserves

Merger reserves represent the differences between the consideration paid and the share capital of subsidiaries acquired in prior years.

Capital reserves represent the differences between the consideration paid and the deemed fair value of non-controlling interests acquired during the financial year.

14. Fair value adjustment account

Fair value adjustment account represents the cumulative fair value changes, net of tax, of available-for-sale financial asset until it is disposed of or impaired.

15. Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

16. Retained earnings

Retained earnings are distributable and the movement of retained earnings of the Company are as follows:

	Company	
	2018	2017
	$'000	$'000
Balance at beginning of financial year	2,519	3,748
Profit for the financial year, representing total comprehensive income for the financial year	317	230
Dividends (Note 31)	(1,459)	(1,459)
Balance at end of financial year	1,377	2,519

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

17. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current				
Trade payables				
- third parties	8,282	10,923	–	–
Non-trade payables				
- third parties	5,301	2,939	271	163
- subsidiaries	–	–	306	1,008
- related parties	239	102	68	94
- directors of the Company	73	140	9	8
	5,613	3,181	654	1,273
Goods and services tax payable	1,194	908	36	44
Deferred income	297	403	–	–
Deposits received	137	130	–	–
Loan from a director of the Company	997	300	997	–
Accrued operating expenses	7,062	6,167	903	816
Unutilised annual leave	366	404	–	–
	15,666	11,493	2,590	2,133
Total current trade and other payables	23,948	22,416	2,590	2,133
Non-current				
Non-trade payables				
– subsidiaries	–	–	21,418	21,447
Loan from related parties	1,555	1,255	1,555	1,255
Loan from a director of the Company	300	–	–	–
Total non-current other payables	1,855	1,255	22,973	22,702
Total trade and other payables	25,803	23,671	25,563	24,835

Trade payables are unsecured, non-interest bearing and generally on 7 to 90 (2017: 7 to 90) days credit terms.

Current non-trade amount due to subsidiaries, related parties and directors of the Company are unsecured, non-interest bearing and repayable on demand, except for, in previous financial year, current non-trade amount due to subsidiaries of approximately $300,000 which are unsecured, bear effective interest at 5% per annum and repayable on demand. The amount was fully repaid in the current financial year.

Current loan from a director of the Company is unsecured, non-interest bearing and repayable on demand.

Non-current non-trade amount due to subsidiaries of the Company are unsecured, bear effective interest at 3% to 5% (2017: 2.7% to 5%) per annum and repayable within 5 (2017: 5) years.

Non-current loan from related parties of the Group are unsecured, bear effective interest at 5% (2017: 5%) per annum and repayable within 5 (2017: 5) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

17. Trade and other payables (Continued)

Non-current loan from a director of the Company is unsecured, bear effective interest at 3.5% per annum and repayable within 5 years.

The carrying amount of non-current non-trade payables approximates its fair value as they are floating rate instruments that are repriced to market interest rates on or near the date of statement of financial position.

Deferred income represents the amount of billing raised and received in advance for uncompleted orders from customers.

The currency profiles of the Group's and the Company's trade and other payables as at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore dollar	23,527	20,187	25,561	24,835
Chinese renminbi	3	3	–	–
Euro	3	3	–	–
United States dollar	401	2,388	–	–
Malaysian ringgit	1,869	1,090	2	–
	25,803	23,671	25,563	24,835

18. Provisions

	Group	
	2018	2017
	$'000	$'000
Balance at beginning of financial year	404	400
Provision made during the financial year	29	66
Utilisation during the financial year	(75)	(83)
Amortisation of discount	10	21
Balance at end of financial year	368	404

Provision for dismantlement, removal or restoration are the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

19. Bank borrowings

	Group	
	2018	2017
	$'000	$'000
Current		
Secured		
Term loans	6,475	5,965
Revolving loans	3,000	5,000
Bank overdrafts	2,046	1,148
Trust receipts	3,853	4,179
Unsecured		
Term loans	463	833
Revolving loans	9,000	10,535
Bank overdrafts	545	–
Trust receipts	6,782	9,278
	32,164	36,938
Non-current		
Secured		
Term loans	38,611	32,885
Unsecured		
Term loans	2,075	307
	40,686	33,192
	72,850	70,130

Non-current bank borrowings are repayable as follows:

	Group	
	2018	2017
	$'000	$'000
In the second year	7,036	4,614
In the third year	7,141	4,317
In the fourth year	2,827	2,933
In the fifth year	6,294	1,806
After five years	17,388	19,522
	40,686	33,192

The carrying amount of non-current bank borrowings approximates its fair value as they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

19. Bank borrowings (Continued)

The effective interest rates per annum of the bank borrowings during the financial year are as follows:

	Group	
	2018	2017
	%	%
Term loans	2.50 – 6.00	2.22 - 11.00
Revolving loans	3.30	2.97
Bank overdrafts	5.39	5.13
Trust receipts	2.95	2.66

Bank borrowings are arranged at floating rates, thus exposing the Group to interest rate risk.

The Group's secured term loans are secured as follows:

(i) legal mortgage on leasehold properties (Note 7) and investment properties (Note 8);

(ii) legal charge over freehold properties (Note 7);

(iii) guarantee provided by the Company, a subsidiary, joint and several guarantees of certain Directors of a subsidiary; and

(iv) pledges over fixed deposits.

The term loans have maturity dates between 2019 and 2036.

Revolving loans have maturity periods ranging from 30 to 180 (2017: 30 to 180) days. Revolving loans amounted to $3,000,000 (2017: $5,000,000) are secured by legal mortgage on leasehold properties with carrying amount of approximately $15,254,000 (2017: $15,483,000) and supported by joint and several guarantees of certain Director of the subsidiary, corporate guarantees provided by the Company and a subsidiary of the Company.

Bank overdrafts are repayable on demand. As at 31 March 2018, bank overdrafts are secured by legal mortgage on leasehold properties, investment properties and fixed deposits (2017: leasehold properties and investment properties) with aggregate carrying amount of approximately $27,872,000 (2017: $16,830,000).

Trust receipts are repayable within 37 to 182 days (2017: 30 to 150 days). As at 31 March 2018, trust receipts are secured by legal mortgage on leasehold properties and investment properties with aggregate carrying amount of approximately $15,254,000 (2017: $16,830,000) and supported by corporate guarantees provided by the Company and the subsidiaries of the Company.

As at the end of the reporting period, the Group has banking facilities as follows:

	Group	
	2018	2017
	$'000	$'000
Banking facilities granted	112,412	100,166
Banking facilities utilised	90,399	84,365

The currency profiles of the Group's bank borrowings as at the end of the reporting period is Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

20. Finance lease payables

The Group has finance leases for certain items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$'000	$'000	$'000
Group			
2018			
Current			
Within one financial year	1,642	(137)	1,505
Non-current			
After one financial year but within five financial years	3,418	(275)	3,143
After five financial years	27	(3)	24
	3,445	(278)	3,167
	5,087	(415)	4,672
2017			
Current			
Within one financial year	1,589	(108)	1,481
Non-current			
After one financial year but within five financial years	2,574	(247)	2,327
After five financial years	73	(5)	68
	2,647	(252)	2,395
	4,236	(360)	3,876

The finance lease terms range from 1 to 7 years (2017: 1 to 7 years) for the financial year ended 31 March 2018. The effective interest rates for the finance lease obligations for the financial year ended 31 March 2018 range from 1.50% to 6.40% (2017: 2.04% to 6.40%) per annum.

The fair values of the Group's non-current finance lease payables approximate its carrying amount as at 31 March 2017 and 31 March 2018.

All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group. As at 31 March 2018, certain finance lease payables are supported by the corporate guarantee provided by the Company to banks amounted to approximately $2,290,000 (2017: $3,123,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

20. Finance lease payables (Continued)

The currency profiles of the Group's finance lease payables as at the end of the reporting period are as follows:

	Group	
	2018	2017
	$'000	$'000
Singapore dollar	4,610	3,781
Malaysian ringgit	62	95
	4,672	3,876

21. Deferred tax liabilities

	Group	
	2018	2017
	$'000	$'000
Balance at beginning of financial year	3,177	4,678
Acquisition of subsidiaries	16	220
Charge to profit or loss	1	179
Reversal of deferred tax	–	(1,900)
Currency realignment	1	–
Balance at end of financial year	3,195	3,177

Deferred tax liabilities arise as a result of temporary differences of the following computed at statutory tax rate of 17% (2017: 17%):

	Group	
	2018	2017
	$'000	$'000
Accelerated tax depreciation	920	676
Accrued unutilised leave	(25)	(18)
Acquisition of subsidiaries		
– Fair value of property, plant and equipment	783	979
– Fair value of investment properties	101	124
– Fair value of intangible assets	1,416	1,416
	3,195	3,177

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

22. Revenue

	Group	
	2018	**2017**
	$'000	**$'000**
Sales of food and beverages		
- Food catering	65,981	63,077
- Food retail	16,757	18,796
- Supplies and trading	45,001	31,119
- Food manufacturing	49,364	47,972
Franchise fee	–	4
Other businesses	1,107	1,081
	178,210	162,049

23. Other income

	Group	
	2018	**2017**
	$'000	**$'000**
Reversal of allowance for impairment loss	37	–
Bad third parties trade receivables written back	47	–
Food reimbursement income	26	37
Dividend income	45	11
Fair value gain on derivative financial instruments	–	23
Foreign exchange gain, net	96	–
Gain on disposal of assets classified as held for sale	–	1,817
Gain on disposal of property, plant and equipment	27	–
Government grants	1,120	1,141
Rental income	502	752
Compensation claim	131	90
Scrap income	148	92
Others	174	464
	2,353	4,427

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

24. Employee benefits expense

	Group	
	2018	2017
	$'000	$'000
Salaries, wages, bonuses and other staff benefits	42,151	39,692
Contributions to defined contribution plans	6,723	5,909
Directors' fees	232	233
	49,106	45,834

Included in the employee benefits expense were the remuneration of Directors and key management personnel of the Group as set out in Note 32 to the financial statements.

25. Depreciation and amortisation expenses

	Group	
	2018	2017
	$'000	$'000
Depreciation of property, plant and equipment	8,466	8,199
Depreciation of investment properties	48	70
Amortisation of intangible assets	314	374
	8,828	8,643

26. Operating lease expenses

	Group	
	2018	2017
	$'000	$'000
Rental of equipment, vessel and vehicles	2,018	1,474
Rental of hostel, kitchens and warehouse	2,673	1,498
Rental of offices	1,230	1,186
Rental of outlets		
- minimum lease payments	2,745	3,190
- contingent rent	268	111
	8,934	7,459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

27. Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expenses		
- loan from a related party	75	71
- term loans	1,435	1,460
- finance leases	151	129
- amortisation of discount on provision	10	21
- bank overdraft	74	35
- revolving loans	110	80
- trust receipts	623	276
	2,478	2,072

28. Profit/(Loss) before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2018	2017
	$'000	$'000
Other expenses		
Audit fees paid/payable to auditors of the Company	235	223
Non-audit fees paid/payable to auditors of the Company	92	65
Bad third parties trade receivables written off	41	75
Allowance for impairment loss on third parties trade receivables	433	163
Credit card charges	610	576
Foreign exchange loss, net	–	562
Impairment loss on investment properties	–	112
Insurance	686	692
Inventories written down	217	3
Laundry and dish washing expenses	119	140
Loss on disposal of property, plant and equipment	–	5,131
Low value assets items expensed	636	635
Printing and stationery expenses	289	299
Professional and legal fees	987	977
Plant and equipment written off	260	458
Repairs and maintenance	1,451	1,166
Software and programming expenses	645	423
Telephone and internet charges	490	415
Upkeep of motor vehicles	1,088	878

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

29. Income tax expense/(credit)

	Group	
	2018	2017
	$'000	$'000
Current income tax		
- current financial year	709	557
- over-provision in prior financial years	(450)	(1,252)
	259	(695)
Deferred income tax		
- current financial year	(188)	179
- under-provision in prior financial year	189	–
- reversal during the year (Note 21)	–	(1,900)
	1	(1,721)
Total income tax expense/(credit) recognised in profit or loss	260	(2,416)

Reconciliation of effective income tax rate

	Group	
	2018	2017
	$'000	$'000
Profit/(Loss) before income tax	3,270	(1,121)
Income tax calculated at Singapore's statutory income tax rate of 17% (2017: 17%)	556	(190)
Effect of difference in tax rate	67	(19)
Expenses not deductible for income tax purposes	908	1,136
Income not subject to income tax	(42)	(592)
Income tax exemption	(179)	(183)
Enhance tax deduction and tax rebate	(336)	(462)
Over-provision of income tax in prior financial years	(450)	(1,252)
Under-provision of deferred tax in prior financial years	189	–
Deferred tax assets not recognised	104	976
Utilisation of previously unrecognised deferred tax assets	(437)	–
Reversal of deferred tax	–	(1,900)
Others	(120)	70
	260	(2,416)

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

29. Income tax expense/(credit) (Continued)

Unrecognised deferred tax assets

	Group 2018 $'000	Group 2017 $'000
Balance at beginning of financial year	2,004	1,028
Amount not recognised during the financial year	104	976
Utilisation of previously unrecognised deferred tax assets	(437)	–
Balance at end of financial year	1,671	2,004

The unrecognised deferred tax assets are attributable to the following temporary differences:

	Group 2018 $'000	Group 2017 $'000
Unutilised tax losses	854	1,112
Unabsorbed capital allowances	764	749
Accelerated tax depreciation	28	130
Accrued unutilised leave	7	3
Others	18	10
	1,671	2,004

As at 31 March 2018, the Group has unutilised tax losses of approximately $5,024,000 (2017: $6,541,000) and unabsorbed capital allowances of approximately $4,494,000 (2017: $4,406,000) available for offset against future taxable profits which has no expiry date and subject to the agreement by the tax authorities and provisions of the tax legislations of Singapore. No deferred tax assets have been recognised in respect of the unutilised tax losses and unabsorbed capital allowances of approximately $1,618,000 (2017: $1,861,000) as at 31 March 2018 as it is not certain whether future taxable profits will be available against which the Group can utilise these benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.21 to the financial statements.

30. Earnings per share

The calculation for earnings per share is based on:

	Group 2018	Group 2017
Profit attributable to owners of the parent ($'000)	3,630	3,263
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share	145,907,100	145,907,100
Basic and diluted earnings per share (in cents)	2.49	2.24

The basic earnings per share is computed by dividing the profit attributable to owners of the parent in each financial year by the actual number of ordinary shares in issue during the respective financial year.

The diluted earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive options for the relevant periods.

NOTES TO THE FINANCIAL STATEMENTS

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31. Dividends

	Group	
	2018	2017
	$'000	$'000
A final tax exempt dividend of $0.01 per share on 145,907,100 ordinary shares in respect of financial year ended 31 March 2017	1,459	–
A final tax exempt dividend of $0.01 per share on 145,907,100 ordinary shares in respect of financial year ended 31 March 2016	–	1,459
	1,459	1,459

The Board of Directors proposed that a final tax-exempt dividend of $0.01 per ordinary share amounting to approximately $1,459,000 be paid in respect of current financial year ended 31 March 2018. This final dividend has not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the Annual General Meeting of the Company.

32. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Group and the Company;
- (ii) Has significant influence over the Group and the Company; or
- (iii) Is a member of the key management personnel of the Group and the Company or of a parent of the Group.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

32. Significant related party transactions (Continued)

In addition to the related party information disclosed elsewhere in these financial statements, the following were significant related party transactions at terms and rates agreed between the Group and the Company with its related parties during the financial year:

	2018 $'000	2017 $'000
Group		
With related parties*		
Sales to	2	2
Loan from	300	–
Loan interest to	68	71
Provision of IT services by	82	87
Purchases of IT equipment from	209	150
Rental income received from	(18)	(18)
Operating lease expenses paid to	342	344
Utilities income received from	(6)	(6)
With directors of the Company		
Sales to	(10)	(24)
Operating lease expenses paid to	305	309
Company		
With subsidiaries		
Dividend income from	(2,000)	(1,250)
Rental income from	(35)	(12)
Membership income from	(46)	–
Expenses made on behalf of	(722)	(1,232)
Loan from	511	6,647
Loan interest to	(1,020)	(709)
Loan to	(450)	(340)
Loan interest from	132	132
Capitalisation of amount due from subsidiaries into share capital	–	(3,833)
Management fee income from	(2,837)	(2,837)

* *Related parties refer to entities in which the directors of the Company have beneficial interests*

As the Group employs foreign workers in Singapore, a security bond of $5,000 (2017: $5,000) is required to be furnished to the Ministry of Manpower Singapore ("MOM") for each foreign worker before the Group is allowed to engage such foreign workers. Instead of furnishing the security bonds, the Group entered into arrangements with an insurance company for letters of guarantee to be issued to MOM by such insurance company in respect of each foreign worker. In return for the issuance of such letters of guarantee, the Group pays the insurance company an insurance premium and three Directors of the Company provided indemnities to the insurance company to secure the Group's obligations amounting to approximately $1,190,000 (2017: $960,000) as at 31 March 2018. As at 31 March 2018, no fee was paid by the Group to the Directors for the provision of the above indemnities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

32. Significant related party transactions (Continued)

Compensation of key management personnel

Key management personnel are Directors of the Company and subsidiaries and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The remuneration of Directors of the Company and subsidiaries and key management personnel of the Group during the financial year was as follows:

	Group	
	2018	2017
	$'000	$'000
Directors of the Company		
- short-term benefits	1,774	1,858
- post-employment benefits	71	72
- directors' fee	227	233
Directors of subsidiaries		
- short-term benefits	854	1,133
- post-employment benefits	91	86
Other key management personnel		
- short-term benefits	755	780
- post-employment benefits	63	81
	3,835	4,243

33. Operating lease commitments

The Group as a lessor

The Group leased out office spaces under non-cancellable operating leases. The leases are contracted for an average of 2 (2017: 1) years.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one financial year	445	474
Later than one financial year but not later than five financial years	433	–
	878	474

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

33. Operating lease commitments (Continued)

The Group as a lessee

The Group leased industrial land, various retail outlets, office spaces and central kitchens under non-cancellable operating leases. The operating lease commitments are based on existing rental rates as at the end of the reporting period. Some of the operating leases of premises provide for rentals based on percentage of sales derived from the rented premises. The Group has the options to renew certain agreements on the lease premises for an average of 3 (2017: 3) years.

The future minimum lease payable under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one financial year	3,655	4,621
Later than one financial year but not later than five financial years	4,049	5,547
Later than five financial years	2,848	3,975
	10,552	14,143

34. Capital commitments

As at 31 March 2018, the Group has capital commitments on plant and equipment amounting to approximately $1,178,000 (2017: $3,244,000).

35. Segment information

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its services, and has five reportable operating segments as follows:

a) Food catering business

b) Food retail business

c) Supplies and trading

d) Food manufacturing

e) Other businesses

Food catering business segment provides events catering services under five catering brands to corporate, community or private functions. Food catering business segment also provides daily meal delivery services to families, Halal-certified food as well as catering for last minute events or emergency orders.

Food retail business segment operates a chain of food retail outlets specialising in Japanese cuisine and generates franchise fee from franchise outlets specialising in Japanese cuisine.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

35. Segment information (Continued)

Supplies and trading business segment supplies food ingredients used in food catering business and food retail business and the supply of food products for third parties' catering business. Supplies and trading business segment also imports, exports and wholesale fruits, vegetables and meat products to a wide customer base.

Food manufacturing segment manufactures, distributes and retails surimi-based seafood products, the "DoDo" brand of fishballs.

Other businesses segment involved in the design, marketing and distribution of floral arrangements, gifts and hampers and manufacturing of bread, cakes and confectionery.

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before income tax expense not including non-recurring gains and losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for inter-segment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These inter-segment transactions are eliminated in the financial statements. Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and expenses.

Segment assets comprise primarily of inventories, receivables, prepayment, cash and cash equivalents, property, plant and equipment, investment properties, intangible assets and available-for-sale financial asset. Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

35. Segment information (Continued)

	Food catering business $'000	Food retail business $'000	Supplies and trading $'000	Food manufacturing $'000	Other businesses $'000	Unallocated $'000	Elimination $'000	Total $'000
Group								
2018								
Revenue								
External revenue	65,981	16,757	45,001	49,364	1,107	-	-	178,210
Inter-segment revenue	229	2	33,988	1,313	942	-	(36,474)	-
	66,210	16,759	78,989	50,677	2,049	-	(36,474)	178,210
Results								
Segment results	10,003	963	(438)	5,083	(18)	1,640	(2,000)	15,233
Interest income	1,153	14	793	-	4	131	(1,912)	183
Interest expense	(703)	(21)	(1,438)	(1,127)	(13)	(1,088)	1,912	(2,478)
Depreciation of property, plant and equipment	(3,650)	(865)	(1,364)	(2,365)	(217)	(5)	-	(8,466)
Depreciation of investment properties	-	-	-	-	-	(48)	-	(48)
Amortisation of intangible assets	(113)	(10)	(88)	(88)	(8)	(7)	-	(314)
Plant and equipment written off	(3)	(112)	(129)	(14)	(2)	-	-	(260)
Gain/(Loss) on disposal of property, plant and equipment	24	40	(3)	(34)	-	-	-	27
Other non-cash expenses:								
- Inventories written down	-	-	(217)	-	-	-	-	(217)
- Allowance for impairment loss on third parties trade receivables	-	-	(433)	-	-	-	-	(433)
- Bad third parties trade receivables written off	(18)	-	(18)	(4)	(1)	-	-	(41)
- Reversal of allowance for impairment loss	-	-	37	-	-	-	-	37
- Bad third parties trade receivables written back	-	-	-	47	-	-	-	47
Profit/(Loss) before income tax	6,693	9	(3,298)	1,498	(255)	623	(2,000)	3,270
Income tax expense								(260)
Profit for the financial year								3,010

35. Segment information (Continued)

	Food catering business $'000	Food retail business $'000	Supplies and trading $'000	Food manufacturing $'000	Other businesses $'000	Unallocated $'000	Elimination $'000	Total $'000
Group (Continued)								
2018 (Continued)								
Capital expenditure								
Property, plant and equipment	3,016	928	3,674	8,631	16	-	-	16,265
Intangible assets	37	16	166	100	10	5	-	388
Assets and liabilities								
Assets	72,578	3,359	55,931	57,676	1,746	6,983	(50,981)	147,292
Liabilities	38,770	3,444	42,402	42,862	1,613	25,563	(50,961)	103,693
Less:								
- Income tax payable								991
- Deferred tax liabilities								3,195
								107,879

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

35. Segment information (Continued)

	Food catering business $'000	Food retail business $'000	Supplies and trading $'000	Food manufacturing $'000	Other businesses $'000	Unallocated $'000	Elimination $'000	Total $'000
Group								
2017								
Revenue								
External revenue	63,077	18,800	31,119	47,972	1,081	-	-	162,049
Inter-segment revenue	151	-	31,701	946	942	-	(33,740)	-
	63,228	18,800	62,820	48,918	2,023	-	(33,740)	162,049
Results								
Segment results	10,259	493	1,844	2,902	6	(546)	(1,250)	13,708
Interest income	833	11	331	3	2	132	(1,301)	11
Interest expense	(741)	(32)	(769)	(1,051)	-	(780)	1,301	(2,072)
Depreciation of property, plant and equipment	(3,647)	(1,179)	(1,201)	(1,960)	(207)	(5)	-	(8,199)
Depreciation of investment properties	-	-	-	-	-	(70)	-	(70)
Amortisation of intangible assets	(126)	(8)	(21)	(205)	(7)	(7)	-	(374)
Plant and equipment written off	(115)	(73)	-	(270)	-	-	-	(458)
Gain/(Loss) on disposal of property, plant and equipment	65	6	-	(5,201)	(1)	-	-	(5,131)
Gain on disposal of assets classified as held for sale	-	-	-	-	-	1,817	-	1,817
Other non-cash expenses:								
- Inventories written down	-	-	(3)	-	-	-	-	(3)
- Impairment loss on investment properties	-	-	-	-	-	(112)	-	(112)
- Allowance for impairment loss on third parties trade receivables	-	-	(163)	-	-	-	-	(163)
- Bad third parties trade receivables written off	(70)	-	-	(5)	-	-	-	(75)
Profit/(Loss) before income tax	6,458	(782)	18	(5,787)	(207)	429	(1,250)	(1,121)
Income tax credit								2,416
Profit for the financial year								1,295

35. Segment information (Continued)

	Food catering business $'000	Food retail business $'000	Supplies and trading $'000	Food manufacturing $'000	Other businesses $'000	Unallocated $'000	Elimination $'000	Total $'000
Group (Continued)								
2017 (Continued)								
Capital expenditure								
Property, plant and equipment	3,061	651	1,283	17,060	131	-	-	22,186
Intangible assets	88	12	4,452	153	3	6	-	4,714
Assets and liabilities								
Assets	65,062	1,726	61,387	44,034	1,894	7,556	(42,535)	139,124
Liabilities	36,508	1,819	49,900	39,544	1,503	24,835	(56,028)	98,081
Less:								
- Income tax payable								355
- Deferred tax liabilities								3,177
								101,613

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

35. Segment information (Continued)

Geographical information

The Group operates mainly in Singapore with revenue generated in the Singapore market. Accordingly, an analysis of assets and profits of the Group by geographical distribution has not been presented.

	Singapore $'000	Others $'000	Total $'000
Group			
2018			
Total revenue from external customers	164,278	13,932	178,210
Non-current assets	96,339	4,364	100,703
2017			
Total revenue from external customers	147,971	14,078	162,049
Non-current assets	92,547	1,068	93,615

Major customer

The Group's customers comprise the general public, households, community clubs and corporations. Due to the diverse base of customers to whom the Group sells products in each of the reporting period, the Group is not reliant on any customer for its sales and no one single customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

36. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to financial risks (including credit risk, foreign currency risk, interest rate risk and liquidity risk) arising in the ordinary course of business. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets in the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which they manage and measure the risk. The Group and the Company do not hold or issue derivative financial instruments for trading purposes, if any, in interest rates and foreign exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

36. Financial instruments, financial risks and capital management (Continued)

36.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. As at 31 March 2018, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to approximately $4,299,000 (2017: $5,314,000).

The Group's and the Company's major classes of financial assets are cash and cash equivalents and trade and other receivables.

Cash and cash equivalents are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by a nominal amount of $86,413,000 (2017: $77,881,000) relating to a corporate guarantee provided by the Company to banks on subsidiaries' bank loans and the major classes of financial assets.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of third parties trade receivables that are past due but not impaired as at end of the reporting period is as follows:

	Group	
	2018	2017
	$'000	$'000
Past due for 1 to 30 days	5,746	4,237
Past due for 31 to 60 days	2,081	1,435
Past due for 61 to 90 days	735	261
Past due for more than 90 days	1,017	177

36.2 Foreign currency risk

The Group and the Company do not have significant exposure to foreign currency risk at the end of the reporting period as the Group and the Company mainly operate in Singapore and deal with local customers and suppliers which transact in Singapore dollar.

36.3 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 19 to the financial statements. The Company is not exposed to interest rate risk as it does not have any bank borrowings at the end of the reporting period.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

36. Financial instruments, financial risks and capital management (Continued)

36.3 Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 0.5% (2017: 0.5%) change in the interest rates from the end of the reporting period, with all variables held constant.

If the interest rate increases or decreases by 0.5%, the Group's profit or loss, will decrease or increase by:

	Group	
	2018	2017
	$'000	$'000
Bank borrowings	364	351

36.4 Equity price risk

The Group and the Company are exposed to equity price risk arising from quoted equity investment classified as available-for-sale financial asset. The quoted equity investment is held for strategic rather than for trading purposes. The Group and the Company do not actively trade available-for-sale financial asset.

Further details of this quoted equity investment are set out in Note 11 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

The sensitivity analysis assumes an instantaneous 20% (2017: 20%) increase or decrease in the equity prices from the end of the reporting period, with all variables held constant, the Group's other comprehensive income will, increase or decrease by:

	Group	
	2018	2017
	$'000	$'000
Available-for-sale financial asset	158	126

36.5 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to ensure that all repayment needs are met. As part of its overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintains sufficient levels of cash to meet working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

36. Financial instruments, financial risks and capital management (Continued)

36.5 Liquidity risk (Continued)

Contractual maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

	Within one financial year	After one financial year but within five financial years	After five financial years	Total
	$'000	$'000	$'000	$'000
Group				
2018				
Financial liabilities				
Trade and other payables	22,157	2,023	–	24,180
Bank borrowings	33,344	27,159	21,506	82,009
Finance lease payables	1,642	3,418	27	5,087
Total undiscounted financial liabilities	57,143	32,600	21,533	111,276
2017				
Financial liabilities				
Trade and other payables	20,770	1,469	–	22,239
Bank borrowings	37,941	18,262	22,685	78,888
Finance lease payables	1,589	2,574	73	4,236
Total undiscounted financial liabilities	60,330	22,305	22,758	105,363
Company				
2018				
Financial liabilities				
Trade and other payables	3,598	25,577	–	29,175
Total undiscounted financial liabilities	3,598	25,577	–	29,175
Financial corporate guarantee	86,413	–	–	86,413
2017				
Financial liabilities				
Trade and other payables	3,142	26,345	–	29,487
Total undiscounted financial liabilities	3,142	26,345	–	29,487
Financial corporate guarantee	77,881	–	–	77,881

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

36. Financial instruments, financial risks and capital management (Continued)

36.5 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

The earliest period that the guarantee could be called is within 1 year from the end of the reporting period. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. The financial guarantees have not been recognised in the financial statements of the Group as the Directors do not consider it probable that a claim will be made against the Group under the guarantees.

The Group's and the Company's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the Group's non-current bank borrowings are disclosed in Note 19 to the financial statements.

36.6 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and maintain an optimal capital structure so as to maximise shareholders' value.

The Group and the Company constantly review the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's and the Company's overall strategy remains unchanged from 31 March 2017.

As at 31 March 2018 and 31 March 2017, the Group is subject to financial covenant in respect of most of the bank borrowings as disclosed in Note 19 to the financial statements. The Group has complied with these externally imposed capital requirements.

The Group monitors capital based on a gearing ratio, which is net debt divided by total equity. The Group includes within net debt, bank borrowings and finance lease payables less cash and cash equivalents. Total equity comprises capital and reserves attributable to owners of the parent.

	Group	
	2018	2017
	$'000	$'000
Bank borrowings	72,850	70,130
Finance lease payables	4,672	3,876
Less: Cash and cash equivalents	(13,733)	(10,540)
Net debt	63,789	63,466
Total equity	35,337	33,161
Gearing ratio	180.5%	191.4%

36.7 Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE FINANCIAL STATEMENTS

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36. Financial instruments, financial risks and capital management (Continued)

36.7 Fair values of financial assets and financial liabilities (Continued)

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial instruments that are not carried at fair value

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments.

Fair values of financial instruments carried at fair value

The fair value of non-current financial asset carried at fair value in relation to available-for-sale financial asset is disclosed in Note 11 to the financial statements.

The table below classified financial instruments carried at fair value by level of fair value hierarchy as at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Available-for-sale financial asset	792	–	–	792
2017				
Available-for-sale financial asset	630	–	–	630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

36. Financial instruments, financial risks and capital management (Continued)

36.8 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables	38,705	30,584	4,946	5,596
Available-for-sale financial asset	792	630	792	630
	39,497	31,214	5,738	6,226
Financial liabilities				
Other financial liabilities, at amortised cost	101,745	95,962	25,527	24,791

37. Events after the reporting period

Proposed acquisition of Lavish Dine Catering Pte. Ltd.

On 16 April 2018, the Company entered into a sale and purchase agreement ("SPA") with the owners of Lavish Dine Catering Pte. Ltd. ("Lavish Dine") to acquire 51% equity interest in Lavish Dine, for a purchase consideration of approximately $1,785,000. The completion of the SPA is conditional upon the fulfilment of certain conditions and the SPA shall automatically lapse and terminate if the completion does not take place on or before 31 August 2018 or a mutually agreed date.

Lavish Dine is principally engaged in the provision of high-end catering services and in the business as a patisserie and sells, amongst others, bespoke edible flavours, cakes, dessert tables and dessert platters. The proposed acquisition represents a good opportunity for the Group to extend its catering offering to the high-end market by adding a reputable and well-known brand with a good customer base to its stable of brands. The proposed acquisition will also enable the Group to take advantage of synergies arising from shared marketing, procurement and operation functions while maintaining individual brand identities.

As at the date of these financial statements, the Company is in the midst of finalising the due diligence of the proposed acquisition. Accordingly, no disclosure on the effect of the of the proposed acquisition has been made under the requirements of FRS 103 Business Combinations as the fair value of the net assets of the acquiree is not determinable as at the date of financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 20 JUNE 2018

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total
Substantial Shareholders	Number of Shares	%	Number of Shares	%	%
Neo Kah Kiat	101,116,550	69.30	8,064,000	5.53	74.83[1]
Liew Oi Peng	8,064,000	5.53	101,116,550	69.30	74.83

Note:

1 By virtue of Section 7 of the Act, Mr Neo Kah Kiat is deemed to have interests in the shares of all the wholly-owned subsidiaries of the Company. Mr Neo Kah Kiat is also deemed to be interested in the shares held by his spouse, Ms Liew Oi Peng, and vice versa.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 19.23% of the shareholding of the Company is held in the hands of the public as at 20 June 2018 and Rule 723 of the Catalist Rule is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	132	23.20	109,700	0.07
1,001 - 10,000	248	43.59	1,414,500	0.97
10,001 - 1,000,000	180	31.63	16,408,192	11.25
1,000,001 AND ABOVE	9	1.58	127,974,708	87.71
TOTAL	**569**	**100.00**	**145,907,100**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	NEO KAH KIAT	101,116,550	69.30
2	LIEW OI PENG	8,064,000	5.53
3	LEE KWANG BOON (LI GUANGWEN)	5,200,000	3.56
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,933,600	2.01
5	POON WAI	2,850,000	1.95
6	SIRIUS VENTURE CAPITAL PTE LTD	2,500,000	1.71
7	CHIN MAY YEE EMILY	1,920,000	1.32
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,699,000	1.16
9	LIEW CHOH KHING	1,691,558	1.16
10	CITIBANK NOMINEES SINGAPORE PTE LTD	1,000,000	0.69
11	LIM BOON CHAY	1,000,000	0.69
12	TEO HWEE AI (ZHANG HUI'AI)	986,200	0.68
13	KHOO HANG CHOONG	957,800	0.66
14	TONY PHUA	907,100	0.62
15	TEO HEE HUAT (ZHANG XIFA)	713,400	0.49
16	DBS NOMINEES (PRIVATE) LIMITED	617,500	0.42
17	SOH CHWEE SENG	529,700	0.36
18	TAN KOK CHING	500,000	0.34
19	CHOO KWE YEN	414,000	0.28
20	JAMES ALVIN LOW YIEW HOCK	400,600	0.27
	TOTAL	**136,001,008**	**93.20**

NOTICE OF SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at Meeting Room @ Level 2, 1 Enterprise Road, Singapore 629813 on Thursday, 26 July 2018 at 9.30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.01 per ordinary share in respect of the financial year ended 31 March 2018. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$227,000 for the financial year ended 31 March 2018. (2017:S$232,500) **(Resolution 3)**

4. To re-elect the following Directors of the Company who retired by rotation in accordance with Article 98 of the Company's Constitution and who being eligible, offer themselves for re-election:

   (a) Mr Neo Kah Kiat *[See Explanatory Note (a)]* **(Resolution 4)**
   (b) Mr Ng How Hwan, Kevin *[See Explanatory Note (b)]* **(Resolution 5)**
   (c) Mr Yeo Kok Tong *[See Explanatory Note (c)]* **(Resolution 6)**

5. To record the retirement of Mr Wong Hin Sun, Eugene as a Director pursuant to Article 98 of the Constitution of the Company who will not be seeking for re-election.

6. To re-appoint Messrs BDO LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. **AUTHORITY TO ALLOT AND ISSUE SHARES**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to (i) issue and allot new shares ("**Shares**") in the capital of the Company (whether by way of rights, bonus or otherwise); and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force, provided that:

   (1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

NOTICE OF SIXTH ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time this resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules of the SGX-ST; and

(c) any subsequent consolidation or subdivision of the Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

(4) unless revoked or varied by the Company in a general meeting, the authority so conferred shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (d)] **(Resolution 8)**

9. **AUTHORITY TO ISSUE SHARES UNDER THE NEO GROUP EMPLOYEE SHARE OPTION SCHEME**

"That pursuant to Section 161 of the Companies Act, Chapter 50 and the provisions of the Neo Group Employee Share Option Scheme ("**ESOS**"), authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the ESOS, provided that the aggregate number of additional ordinary Shares to be issued pursuant to the ESOS and Neo Group Performance Share Plan ("**PSP**") collectively shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time."

[See Explanatory Note (e)] **(Resolution 9)**

10. **AUTHORITY TO ISSUE SHARES UNDER THE NEO GROUP PERFORMANCE SHARE PLAN**

"That pursuant to Section 161 of the Companies Act, Chapter 50 and the provisions of the Neo Group Performance Share Plan ("**PSP**"), authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the PSP, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to the ESOS and PSP collectively shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time."

[See Explanatory Note (f)] **(Resolution 10)**

11. **RENEWAL OF SHARE PURCHASE MANDATE**

"That:

(a) the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Ordinary Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST; and/or

NOTICE OF SIXTH ANNUAL GENERAL MEETING

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**"),

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of the Shares pursuant to Share Purchase Mandate are carried out to the full extent mandated.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Ordinary Shares representing 5% of the total number of the issued Ordinary Shares as at the date of the passing of this Resolution (excluding any Ordinary Shares which are held as treasury shares and subsidiary holdings as at that date);

"**Maximum Price**", in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed: -

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase, 105% of Average Closing Price or Highest Last Dealt Price (as defined hereinafter), pursuant to an equal access scheme;

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST immediately preceding the date of Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five Market Days;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase.

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company be and are hereby authorised to deal with the Shares purchased by the Company pursuant to the Share Purchase Mandate in any manner as they think fit, which is allowed under the Companies Act, Chapter 50; and

NOTICE OF SIXTH ANNUAL GENERAL MEETING

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."
[See Explanatory Note (g)] **(Resolution 11)**

By Order of the Board

Ong Bee Choo
Company Secretary

11 July 2018
Singapore

Explanatory Notes:

(a) Key information on Mr Neo Kah Kiat, who is seeking re-election as a Director of the Company, is found on page 19 of the Annual Report. Details of the share interests of Mr Neo Kah Kiat in the Company can be found on page 79 of the Annual Report. Mr Neo Kah Kiat is the Founder, Executive Chairman and Chief Executive Officer of the Company. He is the spouse of Ms Liew Oi Peng, who is also the Executive Director of the Company.

(b) Key information on Mr Ng How Hwan, Kevin, who is seeking re-election as a Director of the Company, is found on page 22 of the Annual Report. Details of the share interests of Ng How Hwan, Kevin in the Company can be found on page 79 of the Annual Report. Mr Ng How Hwan, Kevin will remain as Independent Director and Chairman of the Nominating Committee, as well as member of the Remuneration Committee upon re-election as a Director of the Company. There are no relationships (including immediate family relationships) between Mr Ng How Hwan, Kevin and the other Directors, or the Company, or its 10% shareholders.

(c) Key information on Mr Yeo Kok Tong, who is seeking re-election as a Director of the Company, is found on page 22 of the Annual Report. Details of the share interests of Mr Yeo Kok Tong in the Company can be found on page 79 of the Annual Report. Mr Yeo Kok Tong will remain as Independent Director and Chairman of the Remuneration Committee, as well as member of the Audit Committee upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Yeo Kok Tong and the other Directors, or the Company, or its 10% shareholders.

(d) The proposed ordinary resolution 8, if passed, will empower the Directors of the Company from the date of the above meeting to issue shares in the Company up to an amount not exceeding 100% of the total number of issued shares in the capital of the Company with a sub-limit of 50% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interest of the Company. The authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(e) The proposed ordinary resolution 9, if passed, will empower the Directors of the Company to allot and issue Shares pursuant to the exercise of such options under the ESOS. The aggregate amount of new Shares over which the Company may grant options on any date, when added to the amount of new Shares to be issued in respect of all options granted under the ESOS, and all awards vested under PSP of the Company and for the time being in force, collectively shall not exceed total 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

(f) The proposed ordinary resolution 10, if passed, will empower the Directors of the Company to allot and issue Shares in the Company collectively of up to a number not exceeding in total 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company from time to time pursuant to the grant of share awards under the PSP.

(g) The proposed ordinary resolution 11, if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to purchase or acquire up to 5% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution. Details of the proposed Renewal of Share Purchase Mandate are set out in the Addendum to this Annual Report.

NOTICE OF SIXTH ANNUAL GENERAL MEETING

Notes:

(1) A member of the Company (other than a "Relevant Intermediary") entitled to attend and vote at the Sixth Annual General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(2) A Relevant Intermediary may appoint more than two proxies provided that each proxy must be appointed to exercise the rights attached to different shares held by him (which number and class of shares shall be specified). Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(3) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(4) The instrument appointing a proxy must be duly deposited at the registered office of the Company at 1 Enterprise Road, Singapore 629813 at least forty-eight (48) hours before the time appointed for the holding of the Sixth Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Sixth Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Sixth Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Sixth Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NEO GROUP LIMITED

Registration Number: 201207080G
(Incorporated in the Republic of Singapore)

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap.50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Sixth Annual General Meeting.
2. By submitting an instrument appointing a proxy (ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Sixth Annual General Meeting dated 11 July 2018.

PROXY FORM

I / We, ______________________________ (name) ____________________ (NRIC/Passport No.)

of ____ (address)

being a member/members of Neo Group Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

and/or

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Sixth Annual General Meeting ("**AGM**") of the Company to be held at Meeting Room @ Level 2, 1 Enterprise Road, Singapore 629813 on Thursday, 26 July 2018 at 9.30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Sixth AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Sixth AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the Sixth AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the Sixth AGM as indicated hereunder, for *me/us and on *my/our behalf at the Sixth AGM and at any adjournment thereof.

No.	Resolutions	**For	**Against
ORDINARY BUSINESS			
1.	Adoption of Audited Financial Statements of the Company for the financial year ended 31 March 2018 and the Directors' Statement and the Independent Auditor's Report thereon.		
2.	Declaration of final one tier tax-exempt dividend of 1 Singapore cent per ordinary share for the financial year ended 31 March 2018.		
3.	Approval for payment of proposed Directors' fees of S$227,000 for the financial year ended 31 March 2018.		
4.	Re-election of Mr Neo Kah Kiat as Director.		
5.	Re-election of Mr Ng How Hwan, Kevin as Director.		
6.	Re-election of Mr Yeo Kok Tong as Director.		
7.	Re-appointment of Messrs BDO LLP as Auditors.		
SPECIAL BUSINESS			
8.	Authority to allot and issue shares.		
9.	Authority to issue shares under the Neo Group Employee Share Option Scheme.		
10.	Authority to allot and issue shares under the Neo Group Performance Share Plan.		
11.	Approval for the proposed renewal of Share Purchase Mandate.		

* *Delete accordingly*

** *Voting will be conducted by poll. Indicate your vote "For" or "Against" with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" next to each resolution.*

Dated this ____________ day of ____________________, 2018

Total Number of Shares Held

____

Signature(s) of Member(s)/ Common Seal

IMPORTANT: Please read notes overleaf

Affix
postage
stamp
Here

The Company Secretary
NEO GROUP LIMITED
1 Enterprise Road
Singapore 629813

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Notes:-

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Sixth AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.
   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Sixth AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the registered office of the Company at 1 Enterprise Road, Singapore 629813 at least forty-eight (48) hours before the time appointed for the Sixth AGM.
6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Sixth AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Sixth AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the Sixth AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the Sixth AGM, as certified by The Central Depository (Pte) Limited to the Company.

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NEO GROUP LIMITED
Co. Reg. No.: 201207080G

1 Enterprise Road Singapore 629813
Tel: (65) 68967757
Fax: (65) 65151235
www.neogroup.com.sg