ANNUAL REPORT 2014

A NEO JOURNEY

NEO GROUP LIMITED

Financial Content

Corporate Governance Report

The Board of Directors (the "**Board**") of Neo Group Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to observing and maintaining high standards of corporate conduct in conformity with the spirit of the Revised Code of Corporate Governance 2012 (the "**Code**") to protect the interest of the shareholders and to promote the investors' confidence as well as support. This report describes the Company's corporate governance practices with specific references to the Code pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX–ST**").

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 which would be reviewed as and when is needed.

The Board is pleased to report that for the financial year ended 31 January 2014, the Company is adhered to the principles and guidelines of the Code as set out below. Where there are deviations from the Code, appropriate explanation are provided.

BOARD MATTERS

The Board's Conduct of its Affair

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its 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 affect 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 oversees 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 Committee ("**AC**") (collectively, the "**Board Committees**"). They assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. 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

For the financial year ended 31 January 2014 ("**FY2014**"), the Board has met on a quarterly basis as warranted by particular circumstances. Ad hoc meetings are also convened to discuss and deliberate on urgent substantive matters or issues. The Company's Articles of Association provide 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 7 days in advance and most materials dispatched 1 week before the meetings.

The details of the number of meetings held for the Board and Board Committees during FY2014 and the attendance of each Director at those meetings are disclosed below:

Name of Directors	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meeting		No. of meeting		No. of meeting		No. of meeting	
	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	2	2	2	2
Ng How Hwan, Kevin	4	4	4	4	–	–	2	2
Yeo Guat Kwang	4	1	–	–	2	1	–	–
Wong Hin Sun, Eugene	4	4	4	4	2	2	2	1

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. This matrix is reviewed on a regular basis and revised accordingly when necessary. The Board Committees and the Management remain accountable to the Board.

During FY2014, 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. As specified under the Delegation of Authority matrix mentioned earlier, significant matters which require the Board's specific approval include:

(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

Guideline 1.6 & 1.7
Appointment for first–time Directors and Continuous Training & Development of Directors

The Board ensures that incoming new Directors are given comprehensive and tailored induction on joining the Board including onsite visits, if necessary, to get familiarised with the business of the Group and corporate governance practices upon their appointment and to facilitate the effectiveness in discharging their duties. 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. 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.

Board Composition and Guidance

Principle 2: Strong and Independent Element on the Board

Guideline 2.1
Composition and Independent Element of the Board

As at the date of this report, the Board comprises eight (8) Directors, four (4) of whom are Non–Executive Directors with three (3) of them are independent. The current members of the Board and their membership on the Board Committees of the Company are as follows:–

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Neo Kah Kiat	Executive Chairman & Chief Executive Officer	–	–	–
Liew Oi Peng	Executive Director	–	–	–
Liew Choh Khing	Executive Director	–	–	–
Lee Kwang Boon	Executive Director	–	–	–
Tan Lye Huat	Lead Independent Director	Chairman	Member	Member
Ng How Hwan, Kevin	Independent Director	Member	–	Chairman
Yeo Guat Kwang	Independent Director	–	Chairman	–
Wong Hin Sun, Eugene	Non–Executive Director	Member	Member	Member

During FY2014, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code.

Guidance 2.2
Composition of Independent Director on the Board

As the Chairman is not an Independent Director, the NC is reviewing the composition of Independent Directors on the Board to consider increasing the independence element such that Independent Directors make up at least half of the Board.

Guideline 2.3 & 2.4
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 Guat Kwang 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.

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.

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 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.

Guidelines 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.

Guidelines 2.8
Regular Meetings of Non–Executive Directors

The Non–Executive Directors communicated 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.

Guidelines 3.1, 3.2 & 3.3
Chairman and CEO

Mr Neo Kah Kiat is the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company. He 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.

Prior to each Board meeting, the Chairman determines the agenda for the meeting and instructs the Company Secretary to disseminate it to all Directors at least seven (7) days before the meeting. He leads the meetings and ensures full discussion of each agenda item, as appropriate. The Chairman ensures that Board members engage the Management in constructive debate on various matters including strategic issues. He also oversees the quality and timeliness of information flow between the Management and the Board.

In view of the concurrent appointment of Mr Neo Kah Kiat as the Executive Chairman and CEO, 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 Executive 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.

The Board is of the view that given the current board composition, there are sufficient safeguards and checks to ensure that the process of decision–making without the Chairman and CEO being able to exercise considerable power and influence.

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

Led 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 Yeo Guat Kwang, Chairman	(Independent and Non–Executive Director)
Mr Tan Lye Huat	(Independent and Non–Executive Director)
Mr Wong Hin Sun, Eugene	(Non–Independent and Non–Executive Director)

The NC will meet at least once a year. The NC carries out its duties in accordance with a set of 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 FY2014, the NC held two scheduled meetings with majority attendance.

Guidelines 4.2 & 4.3
Roles and Responsibilities of NC

The NC considered the requirements of the Company's Articles of Association 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 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 Second AGM:

<u>Pursuant to Article 98 of the Articles of Association of the Company</u>

(i) Ms Liew Oi Peng
(ii) Mr Tan Lye Huat
(iii) Mr Ng How Hwan, Kevin
(iv) Mr Wong Hin Sun, Eugene

Mr Yeo Guat Kwang, Independent Director of the Company who is also retiring at the forthcoming Second AGM in accordance with Article 98 of the Company's Articles of Association, will not be seeking for re–election.

In making the recommendations, the NC considers the overall contribution performance of the Directors. Each of the NC members 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 Guat Kwang are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his 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.

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.

For the year under review, no new Director was appointed to the Board.

Guideline 4.7
Key Information of Directors

Key information of each member of the Board including his/her directorships and chairmanships both present and those held over the preceding 3 years in other listed companies, other principal appointments, academic/professional qualifications, membership/chairmanship in Board committees, date of first appointment and last re–election, etc. can all be found under the Board of Directors' section of this Annual Report.

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 and Board Committees performance evaluations to assess the effectiveness of the Board and its Board Committees and to facilitate discussion to enable the Board to discharge its duties more effectively.

Guideline 5.2
Board Evaluation

The annual Board and Board Committees performance evaluations will be carried out by means of a 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. Completed questionnaires will be collated by the Company Secretary and the findings analysed and discussed with the Board and Board Committees. Recommendations to further enhance the effectiveness of the Board and Board Committees will be implemented, as appropriate.

Guideline 5.3
Evaluation of Individual Director

The NC reviewed the individual Director's self–assessment, takes note of the skill and knowledge in consideration of the board composition, takes note of every individual director's attendance at meetings of the Board and its 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.

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 FY2014, 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. The incumbent Company Secretaries were appointed on 22 March 2012.

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 talents 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.

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

The RC will meet at least once a year. The RC carries out its duties in accordance with a set of terms of reference which includes, mainly, the following:

- reviewing and recommending to the Board a framework of remuneration policies to determine the specific remuneration packages for each of the Directors and key management executives;
- reviewing and administering the award of shares to Directors and employees under the employee performance share plan and employee share option scheme adopted by the Company; and
- reviewing and determining the contents of any service contracts for any Directors or key management executives.

During FY2014, the RC held two meetings attended by majority of the members.

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 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.

During the year, the RC considered and approved the CEO's remuneration package which includes salary, bonus and benefits–in–kind. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package.

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 review and approval of 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.

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

Role	Member	Chairman
Board of Directors	$25,000	N/A
Audit Committee	$7,500	Additional $7,500
Other Committees	$2,500	Additional $2,500
Lead Independent Director	$5,000	N/A

No member of the RC was involved in deciding his own remuneration.

Guideline 7.3
RC Access to Advice on Remuneration Matters

The RC has access to the advice of external experts in the field of executive compensation, where required. The service of Freshwater Advisers Pte. Ltd. was engaged to conduct a review on the Executive Directors' remuneration and Non–Executive Directors' fees. Freshwater Advisers Pte. Ltd. is an external professional firm with no relationship with the Company and hence, its independence and objectivity in the said remuneration review has been maintained.

Guidelines 7.4
Service Contract

Each of the Executive Directors has a service agreement 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 three (3) months' notice of termination. The appointment of such senior position is on a long term basis and no onerous removal clauses are contained in their respective service agreement.

Principle 8: Level and Mix of Remuneration

Guidelines 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 the 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 key performance indicators ("**KPI**") are clearly set out for each financial year and such KPI comprise both quantitative and qualitative factors.

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 these boards.

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**") in conjunction with the listing of the Company on the Catalist of SGX–ST, which were approved by its shareholders at an Extraordinary General Meeting held on 11 Jun 2012. Both the PSP and 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. 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 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 January 2014. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive, taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors.

The fees for Non–Executive Directors are subject to shareholders' approval at the AGM.

Guideline 8.4
Contractual provision to reclaim incentive components of remuneration

The RC is of the view that the institution of contractual provisions in the employment of Executive Directors and Key Management Personnel to reclaim any incentive components of their remuneration paid in prior years is not applicable under the year of review as the Company has not granted any awards under the PSP and ESOS.

Principle 9: Disclosure on Remuneration

Guidelines 9.1, 9.2 & 9.3
Remuneration of Directors & Top 5 Key Management Personnel

Details on the remuneration of Directors and Key Management Personnel for the year under review are presented below. During FY2014, there was no termination, retirement and post–employment benefits granted to any Director and Key Management Personnel. A summary of each Non–Executive Directors' and Executive Directors' remuneration paid or payable by the Company for FY2014 is set out below:

	Breakdown of Remuneration in Percentage (%)					
Name of Directors	**Fees[1] (%)**	**Salary[2] (%)**	**Benefits (%)**	**Variable Bonus[3] (%)**	**Total (%)**	**Total Remuneration**
Neo Kah Kiat	–	82	–	18	100	$500,001 – $750,000
Liew Oi Peng	–	80	–	20	100	$250,001 – $500,000
Lee Kwang Boon	–	79	–	21	100	< $250,000
Liew Choh Khing	–	79	–	21	100	< $250,000
Tan Lye Huat	100	–	–	–	100	$50,000
Wong Hin Sun, Eugene	100	–	–	–	100	$37,500
Ng How Hwan, Kevin	100	–	–	–	100	$37,500
Yeo Guat Kwang	100	–	–	–	100	$30,000
Total of Directors' Remuneration	10	73	–	17	100	$1,619,400

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.

Remuneration of Key Management Personnel (Other than the Company's Executive Directors)

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:

Name of Top 5 Key Management Personnel	Position	Breakdown of Remuneration in Percentage (%) Salary [1] (%)	Benefits–in–kind (%)	Variable Bonus [2] (%)	Total (%)	Total Remuneration in Compensation Bands of $250,000
Lim Li Ling	Group Financial Controller	91	–	9	100	< $250,000
Liew Oi Yen	Director (Operations)	72	–	28	100	< $250,000
Quak Chay Ghee, Christine	Deputy Director (Marketing)	92	–	8	100	< $250,000
Seah Boon Choon	Deputy Director (Operations)	91	–	9	100	< $250,000
Teo Hwee Ai	Chief Operating Officer	70	–	30	100	< $250,000
Total of Key Management Personnel Remuneration		81	–	19	100	$648,462

Notes:
1. The salary amount shown is inclusive of allowances such as fixed transport allowance and CPF.
2. The variable bonus amount shown is inclusive of CPF.

Taking note of competitive pressures in the talent market, the board has, on review, decided not to disclose the remuneration of each individual Executive Directors and the top 5 Key Management Personnel.

Guideline 9.4
Employee Related to Directors/CEO

Save as disclosed above, there were no employees of the Group who are immediate family members of a Director or the CEO or a substantial shareholder of the Company, and whose remuneration exceeded $50,000 for the financial year ended 31 January 2014.

Guideline 9.5
Employee Share Scheme

The Company have adopted a share option scheme known as the "Neo Group Employee Share Option Scheme" ("**ESOS**") in conjunction with the listing on Catalist of Singapore Exchange Securities Trading Limited, which was approved by its shareholders at an Extraordinary General Meeting held on 11 June 2012. 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. In this respect, the AC reviews all financial statements and recommends them to the Board for approval. In addition, the AC 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 of providing accurate relevant information on a timely basis, the Board ensures the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects and the results are released in a timely manner.

On a quarterly basis, the Management issues a representation letter to the AC confirming that the financial processes and controls are in place, highlighting material financial risks and impacts and providing updates on status of significant financial issues of the Group.

In accordance with the Stock Exchange's requirements, the Board issued negative assurance statements in its half–year 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

The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate. The Independent Directors in consultation with the Management will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

Guideline 10.3
Management Accounts

On a quarterly basis, the Management provides AC and the Board with relevant update on status of significant financial matters and information as well as management accounts of the Group.

The Management updated the Board regularly on the Group's business activities and financial performance by providing verbal updates on any business, operations and financial related matters on a quarterly basis. They also highlight key business indicators and major issues that are relevant to the Group's performance for the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Prior to the release of half yearly and full year results to the public, the Management will present the Group's financial performance together with notes explaining in details of the operations and trends to the AC, 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. The AC 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 Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance. The Group recognizes 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 Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

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

The risk management system has been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, Management reports to the Board on the Group's risk profile, evaluates results and counter–measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned.

During the year, the AC also reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology controls.

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

Based on the framework of risk management controls and internal controls established and maintained in the Company, the work performed by the internal auditors and the review undertaken by the external auditors as part of their statutory audit, a written assurance from the CEO and Group Financial Controller, including back–to–back assurances received, that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) an effective risk management and internal control systems have been put in place, the Board is of the view that the Group's risk management and internal control systems are adequate and effective.

The Board, with the concurrence of the AC, is of the opinion that there are adequate internal controls in place to address the risks relating to financial, operational, compliance and information technology controls for the financial year ended 31 January 2014.

Guideline 11.4
Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC 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 Board will look into the need for establishment of a separate board risk committee at the relevant time.

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

Guidelines 12.1
AC Membership

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

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

During the year, the AC has held 4 scheduled meetings with full attendance.

Guideline 12.2
Expertise of AC Members

The AC members bring with them invaluable professional expertise in the accounting and financial management domains. The Board has ensured that all the AC members, having the necessary accounting and/or related financial management expertise, are appropriately qualified to discharge their responsibilities.

Guidelines 12.3 and 12.4
Roles, Responsibilities and Authorities of AC

The AC is guided by its Terms of Reference which stipulate that its principal functions include, *inter alia*, reviewing the annual audit plans (internal and external), the system of internal controls and management of financial risks, the effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm, regulatory compliance matters, the risk management framework, recommendation on the appointment/re–appointment/removal of external auditors and their remuneration. Key Terms of Reference of the AC are set out below:

- reviewing with the external auditors, the audit plan and their evaluation of the system of internal accounting controls and monitor Management's response and actions to correct noted deficiencies;

- reviewing with the internal auditors of the Company, the scope and results of the internal audit and monitor Management's response to their findings to ensure that appropriate follow–up measures are taken;
- reviewing the co–operation given by the Management to the external auditors and internal auditors, where applicable;
- reviewing the internal control procedures and ensure coordination between the external auditors and Management;
- reviewing the effectiveness and adequacy of the Company's administrative, operating internal accounting and financial control procedures;
- evaluating the effectiveness of both the internal and external audit efforts through regular meetings;
- determining that no unwarranted management restrictions are being placed upon to either the internal or external auditors;
- reviewing the half–year and full year financial statements before submission to the Board particularly in relation to changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, compliance with the SGX–ST and statutory/regulatory requirements;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- reviewing the interested person transactions;
- evaluating the independence of the external auditors annually and nominate them for re–appointment;
- reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors; and
- undertaking generally such other functions and duties as may be required by law or the Catalist Rules of SGX–ST, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co–operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings.

Guidelines 12.5
External & Internal Auditors

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

Guideline 12.6
Independence of External Auditors

The AC also reviews the independence and objectivity of the external auditors and having reviewed the scope and value of non–audit services provided to the Group by the external auditors, BDO LLP. The aggregate amount of audit and non–audit fees paid or payable to the external auditors for FY2014 are $97,000 and $35,300 respectively. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of BDO LLP for re–appointment as auditors of the Company at the forthcoming Second AGM. The Group has also complied with Rules 712 and 715 (1) of the Catalist Rules of SGX–ST in relation to the appointment of its external auditors.

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 implemented a Whistle Blowing Policy. The Policy stipulates 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 AC Chairman 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 victimization for whistle blowing in good faith.

Assisted by the WBC, the AC addresses issues/concerns raised and arranges for investigation and/or follow–up of appropriate action. The AC reports to the Board any issues/concerns received by it and the WBC, at the ensuing Board meeting. Should the AC 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.

Whistle Blowing Committee

The WBC consists of an Executive Director, the Group Financial Controller and the Group Human Resource Manager.

The WBC is empowered to:

- 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 AC);

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

- 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 was established 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. The whistle blowers could also email to the AC directly and in confidence and his/her identity is protected from reprisals within the limits of the law.

Guideline 12.8
AC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfill its responsibilities, the AC 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.

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 AC.

Principle 13: Independent Internal Audit Function

Guideline 13.1 & 13.2
Internal Auditors

The AC'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 IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. The IA's primary line of reporting is to the Chairman of the AC. The IA carries out their functions under the direction of the AC, and reports their findings and make recommendations to the AC.

Guidelines 13.3, 13.4 and 13.5
Adequacy of Internal Audit Function

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the IA is staffed by qualified and experienced personnel.

The IA is 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 prepared and approved by the AC. The AC also reviews the IA's reports and remedial actions implemented by Management to address any internal control inadequacies identified.

The IA completed one review during the financial year ended 31 January 2014 in accordance with the internal audit plan approved by the AC. The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

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.

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 Company has adopted a set of Articles of Association which provided therein to allow not more than two proxies for nominee companies only to attend any general meeting as proxies.

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, Cap. 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 SGXST via SGXNET. Financial results of the Company and the Group were released within 45 days from the half year ended and 60 days from the full year financial year ended during the year. In addition, the Annual Report 2014 is distributed to shareholders at least 14 days before the AGM to be held on 30 May 2014.

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.

Guideline 15.5
Dividend Policy

The Company does not have a fixed dividend policy. The Board is recommending 1.51 Singapore cents per ordinary shares for FY2014 as the final one–tier tax exempt dividend payable to shareholders, subject to the approval of shareholders at the forthcoming Second 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 may only be possible following careful study to ensure that the integrity of the information and authentication of the identity of shareholder via the internet 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 and the legal advisers are also present 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.

Guideline 16.5
Voting by poll at general meetings

The Company conducted poll voting for all resolutions passed at its last AGM held on 30 May 2013. To accord due respect to the full voting rights of shareholders, the Company will continue to put all resolutions to vote by poll at the forthcoming Second AGM to be held on 30 May 2014.

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 FY2014, the Company issues half–yearly circulars to its Directors, officers and employees prohibiting dealing in its shares during the one month before the announcement of the Company's half–year and 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 FY2014.

INTERESTED PERSON TRANSACTIONS

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

Details of the interested person transactions for FY2014 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) GUI Solutions Pte Ltd		
– Cost of goods and services purchased	212	Nil
(ii) Perdure Technology Pte Ltd		
– Cost of goods and services purchased	16	Nil
– Rental and utilities income	27	Nil
– Printing and stationary	9	Nil
(iii) Office premise lease expense	84	Nil
Neo Kah Kiat and Liew Oi Peng		
(i) Office premise lease expense	287	Nil
(ii) Twinkle Investment Pte Ltd		
– Office premise lease expense	84	Nil
– Rental of yacht	146	Nil

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee 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 service agreements between the Company and the Executive Directors and disclosures above in the "Interested Person Transactions" as well as except as disclosed in the Directors' Report 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 FY2014.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING ("IPO")

(Rule 1204(22) of the Catalist Rules of SGX–ST)

Pursuant to the IPO, the Company received total proceeds of $6.60 million and as at the date of this report, the IPO proceeds have been utilised as follows:

Intended Usage in accordance with the Offer Document	Allocation ($'000)	Amount utilised ($'000)	Amount unutilised ($'000)
Expand and develop the Food Catering Business and Food Retail Business (which may include acquisitions, joint ventures and / or strategic alliances)	5,000	(3,700)	1,300
IPO expenses	1,600	(1,598)	2 [1]
Total	**6,600**	**(5,298)**	**1,302**

Note:

1. As all IPO expenses had been settled, the Board has agreed to transfer the unutilised amount of $2,000 to working capital in FY2015.

CODE OF CONDUCT & 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.

Report of the Directors

The Directors of the Company present their report to the members together with the audited consolidated financial statements of Neo Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 January 2014 and the statement of financial position of the Company as at 31 January 2014.

1. Directors

The Directors of the Company in office at the date of this report are:

Neo Kah Kiat
Liew Oi Peng
Lee Kwang Boon
Liew Choh Khing
Wong Hin Sun, Eugene
Tan Lye Huat
Yeo Guat Kwang
Ng How Hwan, Kevin

2. 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.

3. Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as detailed below:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 February 2013	Balance at 31 January 2014	Balance at 1 February 2013	Balance at 31 January 2014
	Number of ordinary shares			
Company				
Neo Kah Kiat	102,333,992	100,741,550	11,520,000	8,064,000
Liew Oi Peng	11,520,000	8,064,000	102,333,992	100,741,550
Lee Kwang Boon	1,691,558	7,200,000	–	–
Liew Choh Khing	1,691,558	1,691,558	–	–
Wong Hin Sun, Eugene	–	–	4,320,000	4,520,000
Ng How Hwan, Kevin	175,000	389,000	–	–

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 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.

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 February 2014 in the shares of the Company have not changed from those disclosed as at 31 January 2014.

4. **Directors' contractual benefits**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those corporations as disclosed in Note 31 of the accompanying financial statements.

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.

Neo Group Employee Share Option Scheme ("ESOS") and Performance Share Plan ("PSP")

The Company has implemented a share option scheme known as ESOS and performance share plan known as PSP. The ESOS and PSP 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.

6. **Audit Committee**

The Audit 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 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)
Ng How Hwan, Kevin	(Independent and Non-Executive Director)

The Audit Committee performed the functions specified in Section 201B (5) of the Singapore Companies Act, Chapter 50, and the Singapore Code of Corporate Governance, including the following:

(i) reviewing the audit plans and results of the external audit;
(ii) reviewing the audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;
(iii) reviewing the Group's financial and operating results and accounting policies;
(iv) reviewing the consolidated financial statements of the Group and the statement of financial position of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;
(v) reviewing the half yearly and annual announcements on the results of the Company and the Group;
(vi) ensuring the co-operation and assistance given by the management to the Group's internal and external auditors;
(vii) making recommendation to the Board on the re-appointment of the Group's internal and external auditors; and
(viii) reviewing the Interested Person Transactions as required and defined in Chapter 9 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (SGX-ST) and ensuring that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

6. **Audit Committee (Continued)**

The Audit 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 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 Committee.

The Audit 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. **Auditors**

The 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
28 April 2014

Statement By Directors

In the opinion of the Board of Directors,

(a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 31 January 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; 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.

On behalf of the Board of Directors

Neo Kah Kiat
Director

Liew Oi Peng
Director

Singapore
28 April 2014

Independent Auditors' Report

To the Members of Neo Group Limited

Report on the financial statements

We have audited the accompanying financial statements of Neo Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 28 to 85, which comprise the statements of financial position of the Group and of the Company as at 31 January 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
28 April 2014

Statements of Financial Position

As at 31 January 2014

	Note	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Non-current assets					
Property, plant and equipment	4	27,954,212	14,574,809	4,058	6,271
Investment properties	5	1,501,289	1,542,782	–	–
Intangible assets	6	244,253	–	–	–
Investments in subsidiaries	7	–	–	5,685,905	1,375,905
Available-for-sale financial asset	8	693,000	–	693,000	–
		30,392,754	16,117,591	6,382,963	1,382,176
Current assets					
Inventories	9	1,129,611	702,831	–	–
Trade and other receivables	10	3,086,327	1,881,616	3,192,442	2,607,151
Prepayments		513,410	317,343	22,187	28,857
Cash and cash equivalents	11	8,459,592	11,732,745	1,414,455	6,005,716
		13,188,940	14,634,535	4,629,084	8,641,724
Less:					
Current liabilities					
Trade and other payables	12	4,920,880	4,294,453	2,231,488	2,000,824
Provisions	13	206,735	150,040	–	–
Bank borrowings	14	1,268,996	784,344	–	–
Finance lease payables	15	111,572	174,992	–	–
Current income tax payable		1,490,850	1,157,056	22,617	22,617
		7,999,033	6,560,885	2,254,105	2,023,441
Net current assets		5,189,907	8,073,650	2,374,979	6,618,283
Less:					
Non-current liabilities					
Bank borrowings	14	14,888,467	6,666,675	–	–
Deferred tax liabilities	16	209,000	106,000	–	–
		15,097,467	6,772,675	–	–
		20,485,194	17,418,566	8,757,942	8,000,459
Capital and reserves					
Share capital	17	6,399,133	6,399,133	6,399,133	6,399,133
Merger reserves	18	(325,903)	(325,903)	–	–
Fair value adjustment account	19	(207,000)	–	(207,000)	–
Retained earnings	20	14,618,964	11,345,336	2,565,809	1,601,326
Total equity attributable to owners of the parent		20,485,194	17,418,566	8,757,942	8,000,459

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 January 2014

	Note	2014 $	2013 $
Revenue	21	52,358,133	41,699,411
Other items of income			
Interest income		17,813	617
Other income	22	893,117	1,353,880
Items of expense			
Purchases and consumables used		(16,268,326)	(14,089,593)
Changes in inventories		307,582	120,775
Delivery expenses		(1,675,874)	(1,506,050)
Employee benefits expense	23	(15,805,806)	(12,370,289)
Depreciation and amortisation expenses	24	(2,031,959)	(1,730,705)
Advertising expenses		(1,913,220)	(1,686,995)
Operating lease expenses	25	(3,255,708)	(2,712,753)
Utilities		(1,375,865)	(1,285,942)
Other expenses		(4,209,334)	(4,050,116)
Finance costs	26	(188,972)	(210,910)
Profit before income tax	27	6,851,581	3,531,330
Income tax expense	28	(453,153)	(511,348)
Profit for the financial year		6,398,428	3,019,982
Other comprehensive income:			
Items that will or may be reclassified subsequently to profit or loss			
Loss on fair value changes of available-for-sale financial asset		(207,000)	–
Income tax relating to items that will or may be reclassified		–	–
Other comprehensive income for the financial year, net of tax		(207,000)	–
Total comprehensive income for the financial year		6,191,428	3,019,982
Profit attributable to owners of the parent		6,398,428	3,019,982
Total comprehensive income attributable to owners of the parent		6,191,428	3,019,982
Earnings per share			
– Basic and diluted (in cents)	29	4.44	2.87

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 January 2014

	Note	Share capital $	Merger reserves $	Fair value adjustment account $	Retained earnings $	Total equity attributable to owners of the parent $
Balance at 1 February 2013		6,399,133	(325,903)	–	11,345,336	17,418,566
Profit for the financial year		–	–	–	6,398,428	6,398,428
Other comprehensive income						
Loss on fair value changes of available-for-sale financial asset		–	–	(207,000)	–	(207,000)
Total comprehensive income for the financial year		–	–	(207,000)	6,398,428	6,191,428
Distribution to owners of the parent:						
Dividends	30	–	–	–	(3,124,800)	(3,124,800)
Total transaction with owners of the parent		–	–	–	(3,124,800)	(3,124,800)
Balance at 31 January 2014		6,399,133	(325,903)	(207,000)	14,618,964	20,485,194

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 January 2014

	Note	Share capital $	Merger reserves $	Retained earnings $	Total equity attributable to owners of the parent $
Balance at 1 February 2012		650,002	100,000	9,530,954	10,280,956
Profit for the financial year		–	–	3,019,982	3,019,982
Total comprehensive income for the financial year		–	–	3,019,982	3,019,982
Contribution by and distribution to owners of the parent:					
Issuance of subscriber's share at date of incorporation of the Company	17	1	–	–	1
Issuance of ordinary shares pursuant to the restructuring exercise	17	499,999	–	–	499,999
Deemed distribution to owners pursuant to the restructuring exercise	17	(650,002)	(425,903)	–	(1,075,905)
Issuance of ordinary shares pursuant to the initial public offering	17	6,600,000	–	–	6,600,000
Share issue expenses	17	(700,867)	–	–	(700,867)
Dividends	30	–	–	(1,205,600)	(1,205,600)
Total transactions with owners of the parent		5,749,131	(425,903)	(1,205,600)	4,117,628
Balance at 31 January 2013		6,399,133	(325,903)	11,345,336	17,418,566

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

Consolidated Statement of Cash Flows

For the financial year ended 31 January 2014

	2014	2013
	$	$
Operating activities		
Profit before income tax	6,851,581	3,531,330
Adjustments for:		
Allowance for impairment loss on third parties trade receivables	21,400	–
Allowance for impairment loss on third parties trade receivables written back	–	(50,383)
Depreciation and amortisation expenses	2,031,959	1,730,705
Bad third parties trade receivables written off	3,004	6,186
Bad third parties non-trade receivables written off	8,325	–
Gain on disposal of asset held for sale	–	(369,838)
Gain on disposal of property, plant and equipment	(865)	(188,011)
Interest income	(17,813)	(617)
Interest expense	188,972	210,910
Plant and equipment written off	34,754	58,052
Dividend income	(11,250)	–
Operating cash flows before working capital changes	9,110,067	4,928,334
Working capital changes:		
Inventories	(426,780)	97,680
Trade and other receivables	(1,235,876)	608,422
Prepayments	(196,067)	(22,211)
Trade and other payables	626,427	(865,766)
Provisions	–	(4,900)
Cash generated from operations	7,877,771	4,741,559
Income tax paid	(16,038)	(124,077)
Net cash from operating activities	7,861,733	4,617,482
Investing activities		
Acquisition of subsidiaries pursuant to the restructuring exercise	–	(391,492)
Purchase of property, plant and equipment	(15,047,901)	(1,479,574)
Purchase of intangible asset	(246,010)	–
Purchase of available-for-sale financial asset	(900,000)	–
Proceeds from disposal of property, plant and equipment	1,500	1,238,085
Proceeds from disposal of asset held for sale	–	1,187,461
Interest received	15,928	617
Dividend received	11,250	–
Net cash (used in)/from investing activities	(16,165,233)	555,097

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

Consolidated Statement of Cash Flows

For the financial year ended 31 January 2014

	Note	2014 $	2013 $
Financing activities			
Fixed deposits pledged with bank		(75)	(10,052)
Proceeds from issuance of ordinary shares		–	7,100,000
Share issue expenses		–	(700,867)
Drawdown of bank borrowings		11,100,000	–
Repayment of bank borrowings		(2,393,556)	(1,627,306)
Repayment of finance lease payables		(372,420)	(280,599)
Dividends paid		(3,124,800)	(1,205,600)
Interest paid		(178,877)	(203,446)
Net cash from financing activities		5,030,272	3,072,130
Net change in cash and cash equivalents		(3,273,228)	8,244,709
Cash and cash equivalents at beginning of financial year		11,682,010	3,437,301
Cash and cash equivalents at end of financial year	11	8,408,782	11,682,010

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

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 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 7 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 January 2014 were authorised for issue in accordance with a Directors' resolution dated 28 April 2014.

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") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 periods, and the reported amounts of revenue and expenses throughout the financial years. 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.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial 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 as detailed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 require that items presented in other comprehensive income must be grouped separately into those that may be reclassified subsequently to profit or loss and those that will never be reclassified. As the amendments only affect the presentation of items recognised in other comprehensive income, there is no impact on the Group's financial position or financial performance on initial adoption of this standard on 1 February 2013.

FRS 113 Fair Value Measurement

FRS 113 provides a single source of guidance on fair value measurement and fair value disclosure requirements when fair value measurement and/or disclosure is required by other FRSs. It also provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope.

The adoption of FRS 113 does not have any material impact on any of the Group's fair value measurements, therefore there has been no material impact on the financial position or financial performance of the Group. The Group has included the additional required disclosures in the financial statements. In line with the transitional requirements, FRS 113 has been adopted prospectively from 1 February 2013 and therefore comparative information has not been presented for the new disclosure requirements.

FRS and INT FRS issued but not yet effective

As at the date of the authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 19	: Amendments to FRS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 27	: Separate Financial Statements	1 January 2014
	: Amendments to FRS 27 – Investment Entities	1 January 2014
FRS 28	: Investments in Associates and Joint Ventures	1 January 2014
FRS 32	: Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36	: Amendments to FRS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
FRS 39	: Amendments to FRS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
FRS 110	: Consolidated Financial Statements	1 January 2014
	: Amendments to FRS 110 – Investment Entities	1 January 2014
FRS 111	: Joint Arrangements	1 January 2014
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
	: Amendments to FRS 112 – Investment Entities	1 January 2014
INT FRS 121	: Levies	1 January 2014
Improvements to FRSs (2014)		1 July 2014

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)

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 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 February 2014 with full retrospective application.

Management is currently in the process of determining the impact on the Group, but does not expect that there will be any changes to the entities being consolidated by the Group.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. This new standard is likely to result in more extensive disclosures in the financial statements, however, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 February 2014.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

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.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of 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 jointly controlled entity.

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 equity. Any difference between the cash paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.3 Property, plant and equipment

Property, plant and equipment are initially recorded 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 expenditure that is directly attributable to the acquisition of the items. 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 relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. 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.

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.

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

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
Leasehold properties	Over lease term of 20 to 45
Furniture and fittings	3 to 5
Computers	3
Kitchen and office equipment	3 to 5
Motor vehicles	6
Renovation	3 to 6
Operating supplies	2 to 3

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.

Land held for development represents land held for future development and subsequent use as owner-occupied property, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of acquisition of the land and costs of preparing the land for its intended 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.

2.4 Investment properties

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

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.

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

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 2.3 to the financial statements, up to the date of change in use.

2. Summary of significant accounting policies (Continued)

2.4 Investment properties (Continued)

Investment properties are derecognised when either it has been disposed of or when the investment property is 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 term 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.

2.5 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 any accumulated impairment losses.

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.

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 accumulated impairment losses. The cost of computer software is amortised to profit or loss using the straight-line method over the estimated useful life of 3 years.

2. Summary of significant accounting policies (Continued)

2.6 Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

2.7 Impairment of non-financial assets

The carrying amounts of non-financial assets 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, 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 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. Summary of significant accounting policies (Continued)

2.8 Inventories

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

The cost of raw materials for the food catering and food retail businesses is determined on a weighted average basis. The cost of trading goods for the food catering supplies business is 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.

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.

2.9 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 assets

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.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

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 is recognised in other comprehensive income except the 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 available-for-sale financial asset is derecognised.

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 through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is 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 either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale financial assets

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 securities classified as available-for-sale financial assets are 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 debt 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. Summary of significant accounting policies (Continued)

2.10 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 and cash at bank net of fixed deposits pledged with bank.

2.11 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. The Group and the Company have not designated any financial liabilities as FVTPL 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.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(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 taken to profit or loss over the period of the bank borrowings using the effective interest method.

Bank borrowings which are due to be settled within 12 months after the end of the reporting period 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. Summary of significant accounting policies (Continued)

2.12 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.

2.13 Provisions

Provisions are recognised when the Group has a present 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 reporting period, and are discounted to present value where the effect is material.

2.14 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 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 and retail sales are recognised upon the delivery and acceptance of the goods sold to the customers.

Revenue from food and catering supplies sales is 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.

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

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

Advertising sponsorship income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

2.15 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. Summary of significant accounting policies (Continued)

2.16 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense 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.

2.17 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 lessee) 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.

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. Summary of significant accounting policies (Continued)

2.18 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.

2.19 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Foreign currencies

Items included in 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 (“functional currency”).

The consolidated financial statements 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 financial statements.

2. Summary of significant accounting policies (Continued)

2.20 Foreign currencies (Continued)

In preparing the financial statements, 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.

2.21 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.

2.22 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 assess its performance.

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 except as discussed below.

(i) Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 on determining when investments in subsidiaries or financial assets are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of investments in subsidiaries or financial assets are less than their cost and the financial health of and near-term business outlook for investments in subsidiaries or financial assets, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

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

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) Depreciation of property, plant and equipment and investment properties

The property, plant and equipment and investment properties are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 2 to 45 years and 27 to 50 years respectively. The carrying amounts of property, plant and equipment of the Group and the Company as at 31 January 2014 were $27,954,212 (2013: $14,574,809) and $4,058 (2013: $6,271) respectively. The carrying amount of investment properties of the Group as at 31 January 2014 was $1,501,289 (2013: $1,542,782). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation could be revised.

(ii) Inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the weighted average basis for food catering and food retail businesses, and first-in, first-out basis for food catering supplies business. 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 January 2014 was $1,129,611 (2013: $702,831).

(iii) 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 customers' financial position. If the financial conditions of these customers 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 January 2014 were $3,086,327 (2013: $1,881,616) and $3,192,442 (2013: $2,607,151) respectively.

(iv) 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 January 2014 were $1,490,850 (2013: $1,157,056) and $22,617 (2013: $22,617) respectively. The carrying amount of deferred tax liabilities of the Group as at 31 January 2014 was $209,000 (2013: $106,000).

4. Property, plant and equipment

	Land held for development $	Leasehold properties $	Furniture and fittings $	Computers $	Kitchen and office equipment $	Motor vehicles $	Renovation $	Operating supplies $	Construction-in-progress $	Total $
Group										
Cost										
Balance at 1 February 2013	8,856,100	2,573,333	436,644	324,214	2,760,924	2,086,931	1,735,505	–	–	18,773,651
Additions	–	12,354,600	103,456	289,533	613,877	1,132,821	268,095	367,019	274,100	15,403,501
Disposals	–	–	–	–	(4,227)	–	–	–	–	(4,227)
Written off	–	–	(17,500)	(22,950)	(1,300)	–	(78,382)	–	–	(120,132)
Reclassification	–	–	–	–	30,697	–	166,553	–	(197,250)	–
Balance at 31 January 2014	8,856,100	14,927,933	522,600	590,797	3,399,971	3,219,752	2,091,771	367,019	76,850	34,052,793
Accumulated depreciation										
Balance at 1 February 2013	–	597,105	225,719	222,381	1,591,755	805,946	755,936	–	–	4,198,842
Depreciation for the financial year	–	207,493	114,878	84,297	693,489	432,135	384,161	72,256	–	1,988,709
Disposals	–	–	–	–	(3,592)	–	–	–	–	(3,592)
Written off	–	–	(7,920)	(22,950)	(1,047)	–	(53,461)	–	–	(85,378)
Balance at 31 January 2014	–	804,598	332,677	283,728	2,280,605	1,238,081	1,086,636	72,256	–	6,098,581
Carrying amount										
Balance at 31 January 2014	8,856,100	14,123,335	189,923	307,069	1,119,366	1,981,671	1,005,135	294,763	76,850	27,954,212

4. Property, plant and equipment (Continued)

	Land held for development	Leasehold properties	Furniture and fittings	Computers	Kitchen and office equipment	Motor vehicles	Renovation	Construction-in-progress	Total
	$	$	$	$	$	$	$	$	$
Group									
Cost									
Balance at 1 February 2012	8,856,100	3,347,459	422,551	258,785	2,264,721	1,582,541	1,335,857	85,000	18,153,014
Additions	–	84,000	69,721	65,429	485,223	686,683	479,964	–	1,871,020
Disposals	–	(943,126)	–	–	–	(182,293)	–	–	(1,125,419)
Written off	–	–	(31,123)	–	(2,020)	–	(91,821)	–	(124,964)
Reclassification	–	85,000	(24,505)	–	13,000	–	11,505	(85,000)	–
Balance at 31 January 2013	8,856,100	2,573,333	436,644	324,214	2,760,924	2,086,931	1,735,505	–	18,773,651
Accumulated depreciation									
Balance at 1 February 2012	–	388,950	142,908	148,902	951,113	556,496	463,519	–	2,651,888
Depreciation for the financial year	–	252,168	104,203	73,479	633,300	280,782	345,279	–	1,689,211
Disposals	–	(44,013)	–	–	–	(31,332)	–	–	(75,345)
Written off	–	–	(12,909)	–	(1,141)	–	(52,862)	–	(66,912)
Reclassification	–	–	(8,483)	–	8,483	–	–	–	–
Balance at 31 January 2013	–	597,105	225,719	222,381	1,591,755	805,946	755,936	–	4,198,842
Carrying amount									
Balance at 31 January 2013	8,856,100	1,976,228	210,925	101,833	1,169,169	1,280,985	979,569	–	14,574,809

4. Property, plant and equipment (Continued)

	Company	
	2014	**2013**
	$	**$**
Renovation		
Cost		
Balance at beginning of financial year/date of incorporation	6,640	–
Additions	–	6,640
Balance at end of financial year/period	6,640	6,640
Accumulated depreciation		
Balance at beginning of financial year/date of incorporation	369	–
Depreciation for the financial year/period	2,213	369
Balance at end of financial year/period	2,582	369
Carrying amount		
Balance at end of financial year/period	4,058	6,271

As at 31 January 2014, the carrying amounts of motor vehicles of the Group which were acquired under finance lease agreements were $551,589 (2013: $542,053). Finance lease assets are pledged as securities for the related finance lease payables as set out in Note 15 to the financial statements.

The land held for development and leasehold properties of the Group with aggregate carrying amounts of $22,979,435 (2013: $9,295,971) as at 31 January 2014 are mortgaged as security for the banking facilities as set out in Note 14 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 comprised:

	Group	
	2014	**2013**
	$	**$**
Additions to property, plant and equipment	15,403,501	1,871,020
Provision for dismantlement, removal or restoration	(46,600)	(91,446)
Acquired under finance lease arrangements	(309,000)	(300,000)
Cash payments to acquire property, plant and equipment	15,047,901	1,479,574

As at 31 January 2014, the Group's land held for development is as follows:

Location	**Description**	**Tenure**	**Approximate site area (sq m)**
30B Quality Road, Singapore 618826	Land held for development	60 years leasehold from 1 September 1969	11,348

5. Investment properties

	Group	
	2014	2013
	$	$
Cost		
Balance at beginning and end of financial year	1,680,656	1,680,656
Accumulated depreciation		
Balance at beginning of financial year	137,874	96,380
Depreciation for the financial year	41,493	41,494
Balance at end of financial year	179,367	137,874
Carrying amount		
Balance at end of financial year	1,501,289	1,542,782

The fair value of investment properties of the Group as at 31 January 2014 amounted to approximately $3,711,000. The investment properties of the Group were valued by Premas Valuers & Property Consultants Pte Ltd, an independent professional valuation firm using the direct comparison approach. Sale 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 is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of investment properties are considered level 2 recurring fair value measurements.

In the previous financial year, the fair value of investment properties of the Group as at 31 January 2013 amounted to approximately $2,758,000. The fair value of the investment properties was determined based on the management's estimation by reference to the recent market evidences of transaction prices for similar properties.

The Group's investment properties is held under leasehold interest.

The following amounts are recognised in profit or loss:

	Group	
	2014	2013
	$	$
Rental income	151,164	148,028
Property taxes and other direct operating expenses arising from investment properties	55,228	82,431

The carrying amount of investment properties of the Group was $1,501,289 (2013: $1,542,782) as at 31 January 2014 are mortgaged as security for the banking facilities as set out in Note 14 to the financial statements.

5. Investment properties (Continued)

As at 31 January 2014, the Group's investment properties are as follows:

Location	Description	Tenure	Approximate site area (sq m)
8A Admiralty Street #06-01, Singapore 757437	General office	60 years leasehold from 9 October 2000	345
8A Admiralty Street #06-02, Singapore 757437	General office	60 years leasehold from 9 October 2000	345
10E Enterprise Road, Singapore 629831	General office (2nd storey and 3rd storey)	30 years leasehold from 12 June 2007	322

6. Intangible assets

	Group 2014 $	Group 2013 $
Computer software		
Cost		
Balance at beginning of financial year	–	–
Additions	246,010	–
Balance at end of financial year	246,010	–
Accumulated amortisation		
Balance at beginning of financial year	–	–
Amortisation for the financial year	1,757	–
Balance at end of financial year	1,757	–
Carrying amount		
Balance at end of financial year	244,253	–

Amortisation of intangible assets is included in "Depreciation and amortisation expenses" line item in the Group's profit or loss.

7. Investments in subsidiaries

	Company	
	2014	2013
	$	$
Unquoted equity shares, at cost	5,685,905	1,375,905

The details of the subsidiaries are as follows:

Name of company (Country of incorporation)	Effective equity interest 2014 %	2013 %	Principal activities
Held by the Company			
Deli Hub Catering Pte. Ltd.[1] (Singapore)	100	100	Investment holding and provision of food catering services
H-Cube F&B Pte. Ltd.[1] (Singapore)	100	100	Processing and supply of Japanese food product
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	–	Proprietors of food establishments and catering and manufacture of cooked food preparations
Neo Global Pte. Ltd.[1] (Singapore)	100	–	Investment holding and business and management consultancy services
Held by Niwa Sushi Pte. Ltd.			
G&C Food Investment Pte. Ltd.[1] (Singapore)	100	–	Franchising or licensing activities in F&B concepts

(1) Audited by BDO LLP, Singapore

7. Investments in subsidiaries (Continued)

Restructuring exercise of the Group

In the previous financial year, a restructuring exercise (the "Restructuring Exercise") was carried out prior to the listing of the Company which resulted in the Company becoming the holding company of the Group. The following steps were taken in the Restructuring Exercise:

(i) Novation and assignment of indebtedness

Pursuant to a deed of novation dated 31 January 2012 entered into between Neo Kah Kiat, Neo Garden Catering Pte. Ltd. ("Neo Garden Catering"), Perdure Technology Pte. Ltd. ("Perdure Technology"), GUI Solutions Pte. Ltd. ("GUI Solutions"), Neo @ 406 Restaurant Pte. Ltd. ("Neo @ 406 Restaurant", formerly known as Neo Garden Restaurant Pte. Ltd.) and Poh Wee Leong ("Poh"), each of Perdure Technology, GUI Solutions, Neo @ 406 Restaurant and Poh transferred and novated to Neo Kah Kiat the benefit and burden of the following:

(a) the indebtedness of $600,000 owed by Perdure Technology to Neo Garden Catering ("Perdure Loan");

(b) the indebtedness of $415,000 owed by GUI Solutions to Neo Garden Catering ("GUI Loan");

(c) the indebtedness of $40,000 owed by Neo @ 406 Restaurant to Neo Garden Catering ("Neo @ 406 Restaurant Loan"); and

(d) the indebtedness of $460,000 owed by Poh to Neo Garden Catering ("Poh Loan").

On 31 March 2012, the following deeds of assignment and novation were entered into:

(a) Pursuant to a deed of assignment dated 31 March 2012 entered into between the Company and Neo Garden Catering, Neo Garden Catering assigned to the Company all of Neo Garden Catering's rights, title, benefits and interests in and to the Perdure Loan, the GUI Loan, the Neo @ 406 Restaurant Loan and the Poh Loan, together with all interest (if any) due and become due under the same, and the full benefit and advantage thereof to the Company.

(b) Pursuant to a deed of assignment dated 31 March 2012 entered into between the Company and NKK Import & Export Trading Pte. Ltd. ("NKK Import & Export"), NKK Import & Export assigned to the Company all of NKK Import & Export's rights, title, benefits and interests in and to the indebtedness of $3,525 owed by Neo Kah Kiat to NKK Import & Export, together with all interest (if any) due and become due under the same, and the full benefit and advantage thereof to the Company.

(c) Pursuant to a deed of assignment and novation dated 31 March 2012 entered into between the Company, Neo Kah Kiat, H-Cube F&B Pte. Ltd. ("H-Cube") and Liew Choh Khing:

    (i) Liew Choh Khing assigned to Neo Kah Kiat all of his rights, title, benefits and interests in and to the indebtedness of $306,752 owed by H-Cube to Liew Choh Khing ("H-Cube indebtedness"); and

    (ii) H-Cube transferred and novated to the Company the benefit and burden of the H-Cube indebtedness.

(d) Pursuant to a deed of assignment and novation dated 31 March 2012 entered into between the Company, Neo Kah Kiat, Niwa Sushi Pte. Ltd. ("Niwa Sushi") and Liew Choh Khing:

    (i) Liew Choh Khing assigned to Neo Kah Kiat all of his rights, title, benefits and interests in and to the indebtedness of $125,157 owed by Niwa Sushi to Liew Choh Khing ("Niwa Sushi indebtedness"); and

    (ii) Niwa Sushi transferred and novated to the Company the benefit and burden of the Niwa Sushi indebtedness.

7. Investments in subsidiaries (Continued)

Restructuring exercise of the Group (Continued)

(i) Novation and assignment of indebtedness (Continued)

(e) Pursuant to a deed of assignment dated 31 March 2012 entered into between the Company and Neo Garden Catering, Neo Garden Catering assigned and transferred to the Company all of Neo Garden Catering's rights, title, benefits and interests in and to the indebtedness of $151,820 owed by Neo Kah Kiat to Neo Garden Catering, together with all interest (if any) due and become due under the same, and the full benefit and advantage thereof to the Company.

(f) Pursuant to a deed of novation dated 31 March 2012 entered into between the Company, Orange Clove Catering Pte. Ltd. ("Orange Clove") and Neo Kah Kiat, Orange Clove transferred and novated to the Company the benefit and burden of the indebtedness of $113,650 owed by Orange Clove to Neo Kah Kiat.

(g) Pursuant to a deed of novation dated 31 March 2012 entered into between the Company, Deli Hub Catering Pte. Ltd. ("Deli Hub") and Neo Kah Kiat, Deli Hub transferred and novated to the Company the benefit and burden of the indebtedness of $440,372 owed by Deli Hub to Neo Kah Kiat.

Following the completion of the above deeds of assignment and novation, Neo Kah Kiat owed the Company a sum of $684,414.

(ii) Subscription of shares in the Company

On 8 June 2012, Neo Kah Kiat (Founder, Chairman and CEO) subscribed for 999,997 shares at an aggregate subscription consideration of $499,999.

(iii) Acquisition of Neo Garden Catering

Pursuant to a sale and purchase agreement dated 11 June 2012 entered into between the Company (as the purchaser) and Neo Kah Kiat and Liew Oi Peng (as the vendors), the Company acquired the entire issued and paid-up share capital of Neo Garden Catering, comprising 200,000 ordinary shares, for an aggregate cash consideration of approximately $606,254. The purchase consideration was arrived at based on a discount of approximately 89% to the audited combined group NAV of Neo Garden Catering and its subsidiaries (namely, Niwa Sushi and H-Cube) as at 31 January 2012 (after adjusting for the dividends of $500,000 declared in FY2013) of approximately $5,511,401.

(iv) Declaration of dividend by way of distribution in specie by Neo Garden Catering of its shareholding interests in Niwa Sushi and H-Cube

Pursuant to the articles of association of Neo Garden Catering, Neo Garden Catering may from time to time declare a dividend to be paid out of its profits. Immediately prior to the distribution in specie, Neo Garden Catering held 300,000 ordinary shares in Niwa Sushi and 100,000 ordinary shares in H-Cube (the "Distributed Shares"), representing the entire issued and paid-up share capital of Niwa Sushi and H-Cube respectively.

On 11 June 2012, Neo Garden Catering declared an interim dividend in respect of FY2013 amounting to $300,000 by way of a distribution in specie. Pursuant thereto, all the Distributed Shares were distributed to the sole shareholder of Neo Garden Catering, namely Neo Group Limited on 11 June 2012. The Distributed Shares were distributed free of encumbrances, together with all rights attached thereto on and from the date on which the distribution is affected.

Following the completion of the distribution in specie, Neo Group Limited became the sole shareholder of Niwa Sushi and H-Cube.

7. Investments in subsidiaries (Continued)

Restructuring exercise of the Group (Continued)

(v) Acquisition of Orange Clove

Pursuant to a sale and purchase agreement dated 11 June 2012 entered into between the Company (as the purchaser) and Neo Kah Kiat and Liew Oi Peng (as the vendors), the Company acquired the entire issued and paid-up share capital of Orange Clove, comprising 100,000 ordinary shares, for an aggregate cash consideration of approximately $192,874. The purchase consideration was arrived at based on a discount of approximately 89% to the audited NAV of Orange Clove as at 31 January 2012 of approximately $1,753,403. On 11 June 2012, the transfer of such shares was completed.

(vi) Transfer of shares of Deli Hub

Pursuant to an agreement dated 11 June 2012 entered into between Neo Kah Kiat (as the purchaser) and Ng Kah Lye and Liew Choh Khing (as the vendors), Neo Kah Kiat acquired an aggregate of 25,000 shares representing approximately 50.0% of the issued share capital of Deli Hub for an aggregate cash consideration of $1,014,935. The purchase consideration was arrived at on a willing-seller willing-buyer basis based on the audited NAV of Deli Hub as at 31 January 2012 of approximately $2,030,682. On 11 June 2012, the transfer of such shares was completed.

(vii) Acquisition of Deli Hub

Pursuant to an agreement dated 11 June 2012 entered into between the Company (as the purchaser) and Neo Kah Kiat and Liew Oi Peng (as the vendors), the Company acquired the entire issued and paid-up share capital of Deli Hub, comprising 50,002 ordinary shares, for an aggregate cash consideration of approximately $223,375. The purchase consideration was arrived at based on a discount of approximately 89% to the audited NAV of Deli Hub as at 31 January 2012 of approximately $2,030,682. On 11 June 2012, the transfer of such shares was completed.

(viii) Acquisition of NKK Import & Export

Pursuant to an agreement dated 11 June 2012 entered into between the Company (as the purchaser) and Neo Kah Kiat and Liew Oi Peng (as the vendors), the Company acquired the entire issued and paid-up share capital of NKK Import & Export, comprising 300,000 ordinary shares, for an aggregate cash consideration of approximately $53,402. The purchase consideration was arrived at based on a discount of approximately 89% to the audited NAV of NKK Import & Export as at 31 January 2012 of approximately $485,470. On 11 June 2012, the transfer of such shares was completed.

Following the completion of the Restructuring Exercise, Neo Kah Kiat owed the Company $82,626 and the Company owed Liew Oi Peng $474,118. On 11 June 2012, such indebtedness owing to and from the Company were fully settled.

Increase of share capital in wholly-owned subsidiaries of the Company

On 1 March 2013, Niwa Sushi, a wholly-owned subsidiary of the Company increased its issued and paid-up share capital by way of allotment and issuance of 500,000 new ordinary shares to the Company at a consideration of $500,000.

On 26 September 2013, NKK Import & Export and Neo Garden Catering, the wholly-owned subsidiaries of the Company increased their issued and paid-up share capital by way of allotment and issuance of 1,000,000 and 1,500,000 new ordinary shares respectively to the Company at a consideration of $1,000,000 and $1,500,000 respectively.

On 29 November 2013, Neo Garden Catering further increased its issued and paid-up share capital by way of allotment and issuance of 1,200,000 new ordinary shares to the Company at a consideration of $1,200,000.

7. Investments in subsidiaries (Continued)

Restructuring exercise of the Group (Continued)

Incorporation of G&C Food Investment Pte. Ltd. by Niwa Sushi

On 1 March 2013, Niwa Sushi established a wholly-owned subsidiary in Singapore, namely, G&C Food Investment Pte. Ltd. ("G&C Food") with an initial issued and paid-up capital of $1. On 2 April 2013, G&C Food increased its issued and paid-up share capital by way of allotment and issuance of 299,999 new ordinary shares to Niwa Sushi at a consideration of $299,999.

Incorporation of Best Catering Pte. Ltd. and Neo Global Pte. Ltd. by the Company

On 9 September 2013, the Company established two wholly-owned subsidiaries in Singapore, namely, Best Catering Pte. Ltd. ("Best Catering") and Neo Global Pte. Ltd. ("Neo Global") with initial issued and paid-up capital of $100,000 and $10,000 respectively.

8. Available-for-sale financial asset

	Group and Company	
	2014	**2013**
	$	**$**
Quoted equity securities, at fair value		
Balance at beginning of financial year	–	–
Addition	900,000	–
Fair value changes recognised in other comprehensive income	(207,000)	–
Balance at end of financial year	693,000	–

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 denominated in Singapore dollar.

9. Inventories

	Group	
	2014	**2013**
	$	**$**
Good-in-transit	–	50,130
Raw materials	200,489	296,455
Trading goods	929,122	356,246
	1,129,611	702,831

The cost of inventories recognised as an expense and included in "Purchases and consumables used" line item in the Group's profit or loss for the financial year ended 31 January 2014 amounted to $16,040,133 (2013: $13,709,197).

10. Trade and other receivables

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Trade receivables				
– third parties	1,216,239	853,709	–	–
– related parties	2,214	10,700	–	–
	1,218,453	864,409	–	–
Allowance for impairment loss on third parties trade receivables	(21,400)	(4,397)	–	–
	1,197,053	860,012	–	–
Non-trade receivables				
– third parties	149,590	99,316	35,859	18,000
– subsidiaries	–	–	3,156,583	2,589,151
– related parties	62,513	53,600	–	–
	212,103	152,916	3,192,442	2,607,151
Goods and services tax receivable	261,595	–	–	–
Advances to suppliers	112,715	117,547	–	–
Deposits	1,302,861	741,465	–	–
Staff loan	–	9,676	–	–
	3,086,327	1,881,616	3,192,442	2,607,151

Trade receivables are unsecured, non-interest bearing and generally on 7 to 30 (2013: 7 to 30) days' credit terms.

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

Deposits mainly relate to the rental deposits of retail outlets, offices spaces and central kitchens.

Movements in allowance for impairment loss on third parties trade receivables were as follows:

	Group 2014 $	Group 2013 $
Balance at beginning of financial year	4,397	54,780
Allowance made during the financial year	21,400	–
Allowance for impairment loss on third parties trade receivables written back	–	(50,383)
Allowance written off	(4,397)	–
Balance at end of financial year	21,400	4,397

The allowance for impairment loss on third parties trade receivables amounting to $21,400 (2013: $Nil) was recognised in "Other expenses" line item in the Group's profit or loss subsequent to the debt recovery assessment performed on trade receivables by the management as at 31 January 2014.

During the financial year ended 31 January 2014, allowance written back of $Nil (2013: $50,383) was recognised in "Other income" in the Group's profit or loss when the related trade receivables were recovered.

10. Trade and other receivables (Continued)

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

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Singapore dollar	3,075,936	1,881,616	3,192,442	2,607,151
United States dollar	10,391	–	–	–
	3,086,327	1,881,616	3,192,442	2,607,151

11. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Cash and bank balances	7,097,308	11,682,010	603,455	6,005,716
Fixed deposits	1,362,284	50,735	811,000	–
Cash and cash equivalents on statements of financial position	8,459,592	11,732,745	1,414,455	6,005,716
Fixed deposits pledged	(50,810)	(50,735)		
Cash and cash equivalents on consolidated statement of cash flows	8,408,782	11,682,010		

Fixed deposits are placed for a period of 12 (2013: 12) months and bear effective interest rate on the fixed deposits range from between 0.23% to 0.55% (2013: 0.075% to 0.450%) per annum for the financial year ended 31 January 2014.

The currency profile of the Group's and the Company's cash and cash equivalents as at the end of the reporting period is denominated in Singapore dollar.

12. Trade and other payables

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Trade payables				
– third parties	1,458,937	1,486,677	–	–
– related parties	1,096	6,813	–	–
	1,460,033	1,493,490	–	–
Deferred income	334,328	372,891	–	–
Non-trade payables				
– third parties	1,199,639	358,442	61,044	50,602
– subsidiaries	–	–	1,666,820	1,681,901
– related parties	59,905	–	–	–
– directors of the Company	11,600	11,600	–	–
	1,271,144	370,042	1,727,864	1,732,503
Goods and services tax payable	–	396,124	29,204	20,447
Deposits received	28,719	61,130	–	–
Accrued operating expenses	1,689,770	1,482,118	474,420	247,874
Unutilised annual leave	136,886	118,658	–	–
	4,920,880	4,294,453	2,231,488	2,000,824

Trade payables are unsecured, non-interest bearing and generally on 7 to 30 (2013: 7 to 30) days' credit terms.

Deferred income represents the amount of billing raised and received in advance for uncompleted orders from customers.

Non-trade amount due to subsidiaries, related parties and directors of the Company are unsecured, non-interest bearing and repayable on demand.

The currency profile of the Group's and the Company's trade and other payables as at the end of the reporting period is denominated in Singapore dollar.

13. Provisions

	Group 2014 $	Group 2013 $
Balance at beginning of financial year	150,040	56,030
Provision made during the financial year	46,600	91,446
Utilisation during the financial year	–	(4,900)
Amortisation of discount	10,095	7,464
Balance at end of financial year	206,735	150,040

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.

14. Bank borrowings

	Group 2014 $	Group 2013 $
Current		
Secured		
Term loan I	48,578	52,066
Term loan II	–	87,617
Term loan III	117,410	–
Term loan IV	680,187	644,661
Term loan V	422,821	–
	1,268,996	784,344
Non-current		
Secured		
Term loan I	482,813	531,461
Term loan II	–	549,304
Term loan III	412,351	–
Term loan IV	4,886,476	5,585,910
Term loan V	9,106,827	–
	14,888,467	6,666,675
	16,157,463	7,451,019

Non-current bank borrowings are repayable as follows:

	Group 2014 $	Group 2013 $
In the second year	1,247,059	759,517
In the third year	1,186,003	791,069
In the fourth year	1,124,672	828,305
In the fifth year	1,096,496	867,299
After five years	10,234,237	3,420,485
	14,888,467	6,666,675

The effective interest rates per annum of the bank borrowings during the financial year are as follows:

	Group 2014 %	Group 2013 %
Term loan I	2.48	4.13
Term loan II	5.00	5.00
Term loan III	1.28	–
Term loan IV	1.81	1.88
Term loan V	1.28	–

14. Bank borrowings (Continued)

Bank borrowings are arranged at floating rates, thus exposing the Group to interest rate risk.

The fair values of the Group's non-current bank borrowings approximate $14,189,000 (2013: $6,326,000).

Term loan I is repayable over 168 months commencing from February 2009 to January 2023. As at 31 January 2014, term loan I is secured by the legal mortgage on leasehold property with carrying amount of $421,219 (2013: $439,871) and investment property with carrying amount of $409,768 (2013: $427,914) and supported by corporate guarantee provided by the Company amounted to $788,000 (2013: $Nil). In the previous financial year, term loan I was supported by joint and several guarantees of the directors of the Company.

In the previous financial year, term loan II was repayable over 120 months commencing from June 2009 to May 2019. As at 31 January 2013, term loan II was secured by the legal mortgage on investment property with carrying amount of $1,114,868 and supported by joint and several guarantees of the directors of the Company for all amounts owing to the financial institution. During the financial year, the Group refinanced term loan II and replaced term loan II with term loan III.

Term loan III is repayable over 60 months commencing from June 2013 to May 2018. As at 31 January 2014, term loan III is secured by the legal mortgage on investment property with carrying amount of $1,091,520 (2013: $Nil) and supported by corporate guarantee provided by the Company amounted to $1,140,000 (2013: $Nil).

Term loan IV is repayable over 120 months commencing from November 2011 to October 2021. As at 31 January 2014, term loan IV is secured by the legal mortgage on land held for development and leasehold properties with aggregate carrying amount of $8,856,100 (2013: $8,856,100). In the previous financial year, term loan IV was supported by joint and several guarantees of the directors of the Company.

Term loan V is repayable over 240 months commencing from December 2013 to November 2033. As at 31 January 2014, term loan V is secured by legal mortgage on leasehold properties with carrying amount of $12,235,858 (2013: $Nil).

As at 31 January 2014, both term loan IV and V are jointly supported by corporate guarantee provided by the Company to a bank amounted to $17,921,000 (2013: $Nil).

As at the end of the reporting period, the Group has banking facilities as follows:

	Group	
	2014	2013
	$	$
Banking facilities granted	23,056,277	10,611,019
Banking facilities utilised	16,157,463	7,451,019

The currency profile of the Group's bank borrowings as at the end of the reporting period is denominated in Singapore dollar.

15. Finance lease payables

The Group has finance leases for certain items of property, 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 $
Group			
2014			
Current			
Within one financial year	112,450	(878)	111,572
2013			
Current			
Within one financial year	179,492	(4,500)	174,992

The finance lease terms range from 1 year from the financial year ended 31 January 2014. The effective interest rates for the finance lease obligations for the financial year ended 31 January 2014 is 3.70% (2013: 4.58% to 5.47%) per annum.

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 lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group, and supported by joint and several guarantees of the directors for all amounts owing to the financial institution.

The currency profile of the Group's finance lease payables as at the end of the reporting period is denominated in Singapore dollar.

16. Deferred tax liabilities

	Group	
	2014 $	2013 $
Balance at beginning of financial year	106,000	72,000
Charged to profit or loss	103,000	34,000
Balance at end of financial year	209,000	106,000

Deferred tax liabilities arise as a result of temporary differences of the following computed at statutory tax rate of 17% (2013: 17%):

	Group	
	2014 $	2013 $
Accelerated tax depreciation	225,000	118,000
Accrued unutilised leave	(16,000)	(12,000)
	209,000	106,000

17. Share capital

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Issued and fully-paid:				
144,000,000 ordinary shares/Balance* at the beginning of financial year/period	6,399,133	650,002	6,399,133	–
Issuance of 1 subscriber's share at date of incorporation of the Company	–	1	–	1
Sub-division of 1 ordinary share into 3 ordinary shares	–	–	–	–
Issuance of Nil (2013: 999,997) ordinary shares pursuant to the restructuring exercise	–	499,999	–	499,999
Deemed distribution to owners pursuant to the restructuring exercise	–	(650,002)	–	–
Share split of 1,000,000 ordinary shares into 122,000,000 ordinary shares	–	–	–	–
Issuance of Nil (2013: 22,000,000) ordinary shares pursuant to initial public offer exercise	–	6,600,000	–	6,600,000
Less: Share issue expenses	–	(700,867)	–	(700,867)
144,000,000 ordinary shares at end of financial year/period	6,399,133	6,399,133	6,399,133	6,399,133

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.

On 22 March 2012, the Company issued 1 subscriber share for a cash consideration of $1.50 at the date of its incorporation.

On 8 June 2012, the issued and fully paid-up capital of the Company of 1 ordinary share was sub-divided into 3 ordinary shares.

On 8 June 2012, the Company issued 999,997 ordinary shares for a consideration of $499,999 pursuant to the restructuring exercise for the acquisition of subsidiaries.

On 11 June 2012, the issued and fully paid-up capital of the Company of 1,000,000 ordinary shares were sub-divided into 122,000,000 ordinary shares.

On 10 July 2012, the Company issued 22,000,000 ordinary shares at $0.30 per share pursuant to the Company's initial public offering. The proceeds from the initial public offering will be used as working capital of the Group to expand and develop the Group's food catering business and food retail business.

In the previous financial year, included in the share issue expenses were professional fees paid to the independent reporting auditors of the Company amounting to approximately $30,560 in respect of the professional services rendered in connection with the Company's initial public offering.

* For the Group's comparative figures for financial year ended 31 January 2013, the beginning balance of the share capital of the Group represents the aggregated value of the issued and fully paid-up share capital of the Company's subsidiaries as the Company was only incorporated on 22 March 2012.

18. Merger reserves

Merger reserves represent the differences between the consideration paid and the share capital of subsidiaries acquired.

19. 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.

20. Retained earnings

Retained earnings are distributable and the movement of retained earnings of the Company are as follows:

	Company	
	2014	2013
	$	$
Balance at beginning of financial year/date of incorporation	1,601,326	–
Profit for the financial year/period, representing total comprehensive income for the financial year/period	4,089,283	2,306,926
Dividends (Note 30)	(3,124,800)	(705,600)
Balance at end of financial year/period	2,565,809	1,601,326

21. Revenue

	Group	
	2014	2013
	$	$
Sales of food and beverages		
– Food catering	38,991,848	30,705,495
– Food retail	12,629,414	10,960,791
– Food and catering supplies	698,813	33,125
Franchise fee	38,058	–
	52,358,133	41,699,411

22. Other income

	Group 2014 $	Group 2013 $
Advertising sponsorship income	46,000	131,000
Allowance for impairment loss on third parties trade receivables written back	–	50,383
Food reimbursement income	61,082	63,925
Charity fund contributed by employee	97,191	–
Dividend income	11,250	–
Gain on disposal of asset held for sale	–	369,838
Gain on disposal of property, plant and equipment	865	188,011
Government grants	432,663	67,054
Rental income	168,125	359,239
Utilities reimbursement income	5,590	10,694
Others	70,351	113,736
	893,117	1,353,880

23. Employee benefits expense

	Group 2014 $	Group 2013 $
Salaries, wages, bonuses and other staff benefits	14,709,817	11,614,016
Contributions to defined contribution plans	940,989	665,863
Directors' fees	155,000	90,410
	15,805,806	12,370,289

Included in the employee benefits expense were the remuneration of Directors and key management personnel of the Group as set out in Note 31 to the financial statements.

24. Depreciation and amortisation expenses

	Group 2014 $	Group 2013 $
Depreciation of property, plant and equipment	1,988,709	1,689,211
Depreciation of investment properties	41,493	41,494
Amortisation of intangible assets	1,757	–
	2,031,959	1,730,705

25. Operating lease expenses

	Group 2014 $	Group 2013 $
Rental of equipment, vessel and vehicles	400,190	200,084
Rental of hostel, kitchens and warehouse	574,117	494,958
Rental of offices	399,969	337,191
Rental of outlets		
– minimum lease payments	1,762,830	1,598,595
– contingent rent	118,602	81,925
	3,255,708	2,712,753

26. Finance costs

	Group 2014 $	Group 2013 $
Interest expenses		
– term loan	156,575	195,530
– finance leases	7,852	7,916
– amortisation of discount on provision	10,095	7,464
– revolving credit	14,450	–
	188,972	210,910

27. Profit 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 2014 $	Group 2013 $
Other expenses		
Audit fees paid/payable to auditors of the Company	97,000	85,000
Non-audit fees paid/payable to auditors of the Company	35,300	–
Allowance for impairment loss on third parties trade receivables	21,400	–
Bad third parties trade receivables written off	3,004	6,186
Bad third parties non-trade receivables written off	8,325	–
Consultancy fees	151,531	–
Credit card charges	255,412	156,618

27. Profit before income tax (Continued)

	Group 2014 $	Group 2013 $
Other expenses (Continued)		
Initial public offering expenses*	–	897,263
Insurance	223,193	160,489
Laundry and dish washing expenses	78,715	127,332
Low value assets items expensed	208,542	119,858
Printing and stationery expenses	187,585	220,119
Professional and legal fees	331,518	222,244
Plant and equipment written off	34,754	58,052
Repairs and maintenance	386,812	252,701
Software and programming expenses	185,612	160,764
Telephone and internet charges	207,366	154,668
Upkeep of motor vehicles	502,295	441,702

* In the previous financial year, included in this expense was an amount of approximately $169,440 paid to auditors of the Company in respect of professional services rendered as independent reporting auditors.

28. Income tax expense

	Group 2014 $	Group 2013 $
Current income tax		
– current financial year	864,065	485,384
– over-provision in prior financial years	(513,912)	(8,036)
	350,153	477,348
Deferred income tax		
– current financial year	99,000	25,000
– under-provision in prior financial years	4,000	9,000
	103,000	34,000
Total income tax expense recognised in profit or loss	453,153	511,348

28. Income tax expense (Continued)

Reconciliation of effective income tax rate

	Group 2014 $	Group 2013 $
Profit before income tax	6,851,581	3,531,330
Income tax calculated at Singapore's statutory income tax rate of 17% (2013: 17%)	1,164,767	600,326
Income not subject to income tax	(13,668)	(106,953)
Income tax exemption	(85,377)	(118,257)
Deferred tax assets not recognised	13,992	–
Enhance tax deduction and tax rebate	(306,080)	(153,320)
Expenses not deductible for income tax purposes	203,807	428,458
Over-provision of income tax in prior financial years	(513,912)	(8,036)
Under-provision of deferred income tax in prior financial years	4,000	9,000
Utilisation of previously unrecognised deferred tax assets	(18,944)	(64,769)
Others	4,568	(75,101)
	453,153	511,348
Unrecognised deferred tax assets		
Balance at beginning of financial year	112,520	177,289
Amount not recognised during the financial year	13,992	–
Utilisation of previously unrecognised deferred tax assets	(18,944)	(64,769)
Adjustment resulting from change in estimate	(93,576)	–
Balance at end of financial year	13,992	112,520

The unrecognised deferred tax assets are attributable to the following temporary differences:

	Group 2014 $	Group 2013 $
Unutilised tax losses	53,479	128,396
Unabsorbed capital allowances	22,974	35,541
Accelerated tax depreciation	(70,431)	(59,063)
Accrued unutilised leave	7,970	7,646
	13,992	112,520

As at 31 January 2014, the Group has unutilised tax losses of approximately $315,000 (2013: $755,000) and unabsorbed capital allowances of approximately $135,000 (2013: $209,000) available for offset against future taxable profits 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 $76,000 (2013: $164,000) as at 31 January 2014 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 2.19 to the financial statements.

29. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2014	2013
Profit attributable to owners of the parent ($)	6,398,428	3,019,982
Actual/Weighted number of ordinary shares in issue during the financial year applicable to basic earnings per share	144,000,000	105,079,114
– Basic and diluted earnings per share (in cents)	4.44	2.87

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners of the parent for the financial years ended 31 January 2014 and 2013 divided by the actual/weighted number of ordinary shares in the relevant periods.

The dilutive 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.

30. Dividends

	Group	
	2014 $	2013 $
Dividend paid to the owners before the restructuring exercise		
Neo Garden Catering Pte. Ltd. paid the following dividends:		
(a) In respect of financial year ended 31 January 2013		
A first interim tax exempt dividend of $0.50 per share on 200,000 ordinary shares	–	100,000
A second interim tax exempt dividend of $1.50 per share on 200,000 ordinary shares	–	300,000
A third interim tax exempt dividend of $0.50 per share on 200,000 ordinary shares	–	100,000
	–	500,000
Dividend paid to the owners after the restructuring exercise		
Neo Group Limited paid the following dividends:		
(a) In respect of financial year ended 31 January 2013		
A first interim tax exempt dividend of $0.0049 per share on 144,000,000 ordinary shares	–	705,600
A final tax exempt dividend of $0.0101 per share on 144,000,000 ordinary shares	1,454,400	–
(b) In respect of financial year ended 31 January 2014		
A first interim tax exempt dividend of $0.0116 per share on 144,000,000 ordinary shares	1,670,400	–
	3,124,800	1,205,600

The Board of Directors proposed that a final tax-exempt dividend of $0.0151 per ordinary share amounting to $2,174,400 be paid in respect of current financial year. 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.

31. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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:

	Group	
	2014	2013
	$	$
With related parties		
Sales to	6,020	–
Expenses made on behalf of	5,980	737
Provision of IT services by	183,312	182,692
Purchases from	1,940	4,000
Purchases of IT equipment from	44,679	62,506
Rental income received from	21,600	38,800
Operating lease expenses paid to	230,000	42,474
Printing and stationery expenses paid to	8,979	–
Utilities income received from	5,590	10,694
Proceeds from disposal of property, plant and equipment	–	1,241,085
With directors of the Company		
Operating lease expenses paid to	371,100	318,000

As the Group employs foreign workers in Singapore, a security bond of $5,000 (2013: $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 $380,000 (2013: $430,000) as at 31 January 2014. As at 31 January 2014, no fee was paid by the Group to the Directors for the provision of the above indemnities.

31. 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	
	2014	2013
	$	$
Directors of the Company		
– short-term benefits	1,410,000	1,037,250
– post-employment benefits	54,400	53,160
– directors' fee	155,000	90,410
Directors of subsidiaries		
– short-term benefits	78,800	78,000
– post-employment benefits	10,688	10,560
Other key management personnel		
– short-term benefits	580,830	330,464
– post-employment benefits	67,632	41,817
	2,357,350	1,641,661

32. 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 (2013: 2) 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	
	2014	2013
	$	$
Not later than one financial year	80,856	146,772
Later than one financial year but not later than five financial years	23,058	96,813
	103,914	243,585

The Group as a lessee

The Group lease 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 (2013: 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	
	2014	2013
	$	$
Not later than one financial year	3,153,740	2,350,225
Later than one financial year but not later than five financial years	2,297,625	1,846,149
	5,451,365	4,196,374

33. 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 three reportable operating segments as follows:

a) Food catering business

b) Food retail business

c) Food and catering supplies business

Food catering business segment provides events catering services under three 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.

Food and catering supplies business segment supply food ingredients used in food catering business and food retail business and the supply of food products for third parties' catering business.

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 intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment 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 property, plant and equipment, investment properties, intangible assets, inventories, receivables and cash and cash equivalents. 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.

33. Segment information (Continued)

	Food catering business $	Food retail business $	Food and catering supplies business $	Unallocated $	Elimination $	Total $
Group						
2014						
Revenue						
External revenue	38,991,848	12,667,472	698,813	–	–	52,358,133
Inter-segment revenue	5,525	–	10,509,778	–	(10,515,303)	–
	38,997,373	12,667,472	11,208,591	–	(10,515,303)	52,358,133
Results						
Segment results	8,653,848	951,249	476,960	3,345,302	(4,306,042)	9,121,317
Interest income	1,083	191	–	16,539	–	17,813
Interest expense	(178,877)	(10,095)	–	–	–	(188,972)
Depreciation of property, plant and equipment	(1,342,328)	(428,038)	(216,130)	(2,213)	–	(1,988,709)
Depreciation of investment properties	–	–	–	(41,493)	–	(41,493)
Amortisation of intangible assets	(1,757)	–	–	–	–	(1,757)
Plant and equipment written off	(6,356)	(28,398)	–	–	–	(34,754)
Gain on disposal of plant and equipment	–	865	–	–	–	865
Other non-cash expenses:						
– Allowance for impairment loss on third parties trade receivables	(21,400)	–	–	–	–	(21,400)
– Bad third parties trade receivables written off	(492)	(2,512)	–	–	–	(3,004)
– Bad third parties non-trade receivables written off	(6,325)	–	–	(2,000)	–	(8,325)
Profit before income tax	7,097,396	483,262	260,830	3,316,135	(4,306,042)	6,851,581
Income tax expense						(453,153)
Profit for the financial year						6,398,428
Capital expenditure						
Property, plant and equipment	14,630,803	489,110	283,588	–	–	15,403,501
Intangible assets	246,010	–	–	–	–	246,010
Assets and liabilities						
Assets	40,315,587	3,265,817	3,807,964	10,992,833	(14,800,507)	43,581,694
Liabilities	23,404,478	2,812,885	1,786,829	2,207,060	(8,814,602)	21,396,650
Unallocated liabilities						
– Current income tax payable						1,490,850
– Deferred tax liabilities						209,000
						23,096,500

33. Segment information (Continued)

	Food catering business $	Food retail business $	Food and catering supplies business $	Unallocated $	Elimination $	Total $
Group						
2013						
Revenue						
External revenue	30,705,495	10,960,791	33,125	–	–	41,699,411
Inter-segment revenue	136	77	7,927,883	–	(7,928,096)	–
	30,705,631	10,960,868	7,961,008	–	(7,928,096)	41,699,411
Results						
Segment results	5,207,957	636,203	713,415	1,968,759	(3,598,000)	4,928,334
Interest income	617	–	–	–	–	617
Interest expense	(202,842)	(7,464)	(604)	–	–	(210,910)
Depreciation of property, plant and equipment	(1,121,735)	(373,992)	(193,115)	(369)	–	(1,689,211)
Depreciation of investment properties	–	–	–	(41,494)	–	(41,494)
Plant and equipment written off	–	(58,052)	–	–	–	(58,052)
Gain on disposal of asset held for sale	369,838	–	–	–	–	369,838
Gain on disposal of property, plant and equipment	188,011	–	–	–	–	188,011
Allowance for impairment loss on third parties trade receivables written back	50,383	–	–	–	–	50,383
Other non-cash expenses:						
– Bad third parties trade receivables written off	(6,186)	–	–	–	–	(6,186)
Profit before income tax	4,486,043	196,695	519,696	1,926,896	(3,598,000)	3,531,330
Income tax expense						(511,348)
Profit for the financial year						3,019,982
Capital expenditure						
Property, plant and equipment	1,414,675	366,765	82,940	6,640	–	1,871,020
Assets and liabilities						
Assets	23,197,356	2,257,683	2,444,189	11,566,677	(8,713,779)	30,752,126
Liabilities	12,967,951	2,914,325	1,525,282	2,000,824	(7,337,878)	12,070,504
Unallocated liabilities						
– Current income tax payable						1,157,056
– Deferred tax liabilities						106,000
						13,333,560

33. 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.

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 5% or more of the Group's total revenue for each of the reporting period.

34. 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.

34.1 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 January 2014, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to $3,156,583 (2013: $2,589,151).

The carrying amounts of financial assets recorded in the financial statements grossed up for any allowance for losses, represents the Group's and the Company's maximum exposure to credit risk.

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 reputable banks with minimum risk of default.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

34. Financial instruments, financial risks and capital management (Continued)

34.1 Credit risk (Continued)

The age analysis of trade receivables that are past due but not impaired as at end of the reporting period is as follows:

	Group	
	2014	2013
	$	$
Past due 0 to 1 month	630,092	132,098
Past due 1 to 2 months	196,421	34,615
Past due 2 to 3 months	52,704	22,276
Past due over 3 months	44,844	6,447
	924,061	195,436

In respect of corporate guarantees given by the Company to bank in connection with finance lease facilities granted to the subsidiaries amounting to $150,000 (2013: $Nil), the subsidiaries did not utilise any of these facilities granted as at 31 January 2014.

These guarantees are financial guarantee contracts as they require the Company to reimburse the bank if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company as the Directors do not consider it probable that a claim will be made against the Company under the guarantees.

34.2 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.

34.3 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 14 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.

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% change in the interest rates from the end of the reporting period, with all variables held constant.

34. Financial instruments, financial risks and capital management (Continued)

Interest rate sensitivity analysis (Continued)

If the interest rate increases or decreases by 0.5%, the Group's profit or loss, will increase or decrease by:

	Profit or loss	
	2014	**2013**
	$	**$**
Bank borrowings	80,787	37,255

34.4 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 8 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

The sensitivity analysis assumes an instantaneous 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:

	Other comprehensive income	
	2014	**2013**
	$	**$**
Available-for-sale financial asset	138,600	–

34.5 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting 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.

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.

34. Financial instruments, financial risks and capital management (Continued)

34.5 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $	After one financial year but within five financial years $	After five financial years $	Total $
Group				
2014				
Financial assets				
Trade and other receivables	3,086,327	–	–	3,086,327
Cash and cash equivalents	8,459,592	–	–	8,459,592
Available-for-sale financial asset	–	–	693,000	693,000
Total undiscounted financial assets	11,545,919	–	693,000	12,238,919
Financial liabilities				
Trade and other payables	4,920,880	–	–	4,920,880
Bank borrowings	1,493,777	6,329,440	13,506,383	21,329,600
Finance lease payables	112,451	–	–	112,451
Total undiscounted financial liabilities	6,527,108	6,329,440	13,506,383	26,362,931
Total net undiscounted financial assets/(liabilities)	5,018,811	(6,329,440)	(12,813,383)	(14,124,012)
2013				
Financial assets				
Trade and other receivables	1,881,616	–	–	1,881,616
Cash and cash equivalents	11,732,797	–	–	11,732,797
Total undiscounted financial assets	13,614,413	–	–	13,614,413
Financial liabilities				
Trade and other payables	4,294,453	–	–	4,294,453
Bank borrowings	976,279	3,416,794	3,731,258	8,124,331
Finance lease payables	179,492	–	–	179,492
Total undiscounted financial liabilities	5,450,224	3,416,794	3,731,258	12,598,276
Total net undiscounted financial assets/(liabilities)	8,164,189	(3,416,794)	(3,731,258)	1,016,137

34. Financial instruments, financial risks and capital management (Continued)

34.5 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one financial year $	After one financial year but within five financial years $	After five financial years $	Total $
Company				
2014				
Financial assets				
Trade and other receivables	3,192,442	–	–	3,192,442
Cash and cash equivalents	1,414,455	–	–	1,414,455
Available-for-sale financial asset	–	–	693,000	693,000
Total undiscounted financial assets	4,606,897	–	693,000	5,299,897
Financial liabilities				
Trade and other payables	2,231,488	–	–	2,231,488
Total undiscounted financial liabilities	2,231,488	–	–	2,231,488
Total net undiscounted financial assets	2,375,409	–	693,000	3,068,409
2013				
Financial assets				
Trade and other receivables	2,607,151	–	–	2,607,151
Cash and cash equivalents	6,005,716	–	–	6,005,716
Total undiscounted financial assets	8,612,867	–	–	8,612,867
Financial liabilities				
Trade and other payables	2,000,824	–	–	2,000,824
Total undiscounted financial liabilities	2,000,824	–	–	2,000,824
Total net undiscounted financial assets	6,612,043	–	–	6,612,043

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 14 to the financial statements.

34. Financial instruments, financial risks and capital management (Continued)

34.6 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 shareholder's 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 2013.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 January 2014 and 2013.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group and the Company include within net debt, trade and other payables, bank borrowings and finance lease payables less cash and cash equivalents. Total equity comprises capital and reserves.

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade and other payables	4,920,880	4,294,453	2,231,488	2,000,824
Bank borrowings	16,157,463	7,451,019	–	–
Finance lease payables	111,572	174,992	–	–
Less: Cash and cash equivalents	(8,459,592)	(11,732,745)	(1,414,455)	(6,005,716)
Net debt/(cash)	12,730,323	187,719	817,033	(4,004,892)
Total equity	20,485,194	17,418,566	8,757,942	8,000,459
Total capital	33,215,517	17,606,285	9,579,975	3,995,567
Gearing ratio	38.3%	1.1%	8.5%	n.m.

n.m. – Not meaningful as the cash and cash equivalents are higher than total debt.

34.7 Fair values of financial assets and financial liabilities

The fair values of financial assets and 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.

34. Financial instruments, financial risks and capital management (Continued)

34.7 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 value 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.

The fair values of non-current financial liabilities that are not carried at fair value in relation to bank borrowings are disclosed in Note 14 to the financial statements which have been determined using discounted cash flow pricing models and are considered level 3 recurring fair value measurements. Significant inputs to the valuation include adjustments to the discount rate for credit risk associated with the Group.

Fair value 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 8 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	Level 2	Level 3	Total
	$	$	$	$
2014				
Available-for-sale financial asset	693,000	–	–	693,000
2013	–	–	–	–

34. Financial instruments, financial risks and capital management (Continued)

34.8 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Financial assets				
Loans and receivables	11,545,919	13,614,361	4,606,897	8,612,867
Available-for-sale financial asset	693,000	–	693,000	–
	12,238,919	13,614,361	5,299,897	8,612,867
Financial liabilities				
Other financial liabilities, at amortised cost	21,189,915	11,920,464	2,231,488	2,000,824

Statistics of Shareholdings

As at 29 April 2014

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%	Total %
Neo Kah Kiat	100,741,550	69.96	8,064,000	5.60	75.56[1]
Liew Oi Peng	8,064,000	5.60	100,741,550	69.96	75.56[1]
Lee Kwang Boon	7,200,000	5.00	–	–	5.00

Note:

1 By virtue of Section 7 of the Companies Act, Chapter 50, 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 vise versa.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 14.20% of the shareholding of the Company is held in the hands of the public as at 29 April 2014 and Rule 723 of the Catalist Rule of SGX-ST is complied with.

Statistics of Shareholdings

As at 29 April 2014

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
0 - 999	–	–	–	–
1,000 - 10,000	292	64.17	1,294,000	0.90
10,001 - 1,000,000	154	33.85	13,241,892	9.20
1,000,001 AND ABOVE	9	1.98	129,464,108	89.90
TOTAL	455	100.00	144,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	NEO KAH KIAT	100,741,550	69.96
2	LIEW OI PENG	8,064,000	5.60
3	LEE KWANG BOON	7,200,000	5.00
4	SIRIUS VENTURE CAPITAL PTE LTD	4,320,000	3.00
5	POON WAI	2,850,000	1.98
6	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,562,000	1.78
7	LIEW CHOH KHING	1,691,558	1.17
8	CHIN CHEE HWA	1,029,000	0.71
9	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	1,006,000	0.70
10	NG KAH LYE	944,892	0.66
11	TEO HWEE AI (ZHANG HUI'AI)	935,000	0.65
12	ONG WAI MENG	888,000	0.62
13	DBS NOMINEES (PRIVATE) LIMITED	662,000	0.46
14	TAN KOK CHING	450,000	0.31
15	LOH TAI MIN	449,000	0.31
16	ONG SONG HUAT	404,000	0.28
17	CHOO KWE YEN	394,000	0.27
18	CHEONG ZHEN WEN (ZHANG ZHENWEN)	368,000	0.26
19	POO TOON FOOK (FU DUNFU)	331,000	0.23
20	POH SUN CHING	303,000	0.21
	TOTAL	135,593,000	94.16

Notice of Second Annual General Meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at The Star Performing Arts Centre, 1 Vista Exchange Green, The Star Gallery @ Level 3, Singapore 138617, on Friday, 30 May 2014 at 11:30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 January 2014 and the Directors' Reports and the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax exempt (one-tier) final dividend of S$0.0151 per ordinary share in respect of the financial year ended 31 January 2014. **(Resolution 2)**

3. To approve the proposed Directors' fees of S$155,000 for the financial year ended 31 January 2014. **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 98 of the Company's Articles of Association:

   (a) Ms Liew Oi Peng *[See Explanatory Note (a)]* **(Resolution 4)**
   (b) Mr Tan Lye Huat *[See Explanatory Note (b)]* **(Resolution 5)**
   (c) Mr Ng How Hwan, Kevin *[See Explanatory Note (c)]* **(Resolution 6)**
   (d) Mr Wong Hin Sun, Eugene *[See Explanatory Note (d)]* **(Resolution 7)**

   Detailed information of Ms Liew Oi Peng, Mr Tan Lye Huat, Mr Ng How Hwan, Kevin and Mr Wong Hin Sun, Eugene can be found under pages 10 to 13 of the editorial section.

5. To record the retirement of Mr Yeo Guat Kwang as a Director pursuant to Article 98 of the Company's Articles of Association 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 8)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary resolutions, with or without modifications:

7. **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 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, PROVIDED ALWAYS 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) 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) in the capital of the Company (as calculated in accordance with paragraph (2) below);

(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) shall be based on the issued Shares of the Company (excluding treasury shares) 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 share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and
(c) any subsequent consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(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 Articles of Association 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 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." **(Resolution 9)**

[See Explanatory Note (e)]

8. **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) of the Company from time to time." **(Resolution 10)**

[See Explanatory Note (f)]

9. **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) of the Company from time to time. **(Resolution 11)**

[See Explanatory Note (g)]

10. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board

Pan Mi Keay
Company Secretary
15 May 2014
Singapore

Explanatory Notes:

(a) Ms Liew Oi Peng is the Executive Director and spouse of Mr Neo Kah Kiat, who is the Executive Chairman and Chief Executive Officer of the Company. Ms Liew is holding more than 10% of the direct and deemed interest in the share capital of the Company.

(b) Mr Tan Lye Huat will remain as the Lead Independent Director, Chairman of the Audit Committee and Member of the Remuneration Committee as well as the Nominating Committee upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Tan Lye Huat has no shareholdings in the Company and its related corporations, and has no relationship with the Company, its 10% shareholders, or its Directors.

(c) Mr Ng How Hwan, Kevin, will remain as the Chairman of the Remuneration Committee and the 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 Rules of Catalist. Mr Ng holds 0.27% direct interest in the share capital of the Company.

(d) Mr Wong Hin Sun, Eugene, is also the director and shareholder of Sirius Venture Capital Pte Ltd which hold 3% of the direct interest in the Company. Mr Wong is considered Non-Independent Non-Executive Director of the Company.

(e) The proposed ordinary resolution 9, 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.

(f) The proposed ordinary resolution 10, 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) of the Company from time to time.

(g) The proposed ordinary resolution 11, 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) in the share capital of the Company from time to time pursuant to the grant of share awards under the PSP.

Notes:

(1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 1 Enterprise Road, Singapore 629813 not less than 48 hours before the meeting.

(3) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

(4) In the case of joint shareholders, all holders must sign the form of proxy.

NEO GROUP LIMITED
Registration Number : 201207080G
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy Neo Group Limited's shares, this Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

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 (delete where appropriate)

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at The Star Performing Arts Centre, 1 Vista Exchange Green, The Star Gallery @ Level 3, Singapore 138617, on Friday, 30 May 2014 at 11:30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Resolution No.	Ordinary Resolutions	For	Against
1.	Adoption of Directors' and Auditors' Reports and Audited Financial Statements for the financial year ended 31 January 2014.		
2.	Approval of final one tier tax-exempt dividend of 1.51 Singapore cents per ordinary share for the financial period ended 31 January 2014.		
3.	Approval of proposed Directors' fees of S$155,000 for the financial year ended 31 January 2014.		
4.	Re-election of Ms Liew Oi Peng as Director.		
5.	Re-election of Mr Tan Lye Huat as Director.		
6.	Re-election of Mr Ng How Hwan, Kevin as Director.		
7.	Re-election of Mr Wong Hin Sun, Eugene as Director.		
8.	Re-appointment of Messrs BDO LLP as Auditors.		
9.	Authority to allot and issue shares.		
10.	Authority to issue shares under the Neo Group Employee Share Option Scheme.		
11.	Authority to allot and issue shares under the Neo Group Performance Share Plan.		

Dated this ________ day of ____________________ , 2014

Total number of Shares in :	No. of Shares held
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/ Common Seal
IMPORTANT: Please read notes overleaf

Affix Postage
Stamp here
STAMP

The Company Secretary
NEO GROUP LIMITED
1 Enterprise Road
Singapore 629813

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Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the power of attorney or a duly certified copy thereof must be lodged with the instrument.
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 Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Enterprise Road, Singapore 629813 not less than 48 hours before the time appointed for the Annual General Meeting.
6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
7. The Company shall be entitled to reject the 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. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 48 hours before the time appointed for the Annual General Meeting.

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NEO GROUP LIMITED
Company Reg. No. 201207080G

1 Enterprise Road Singapore 629813
Tel: (65) 6896 7757 Fax: (65) 6515 1235

www.neogroup.com.sg