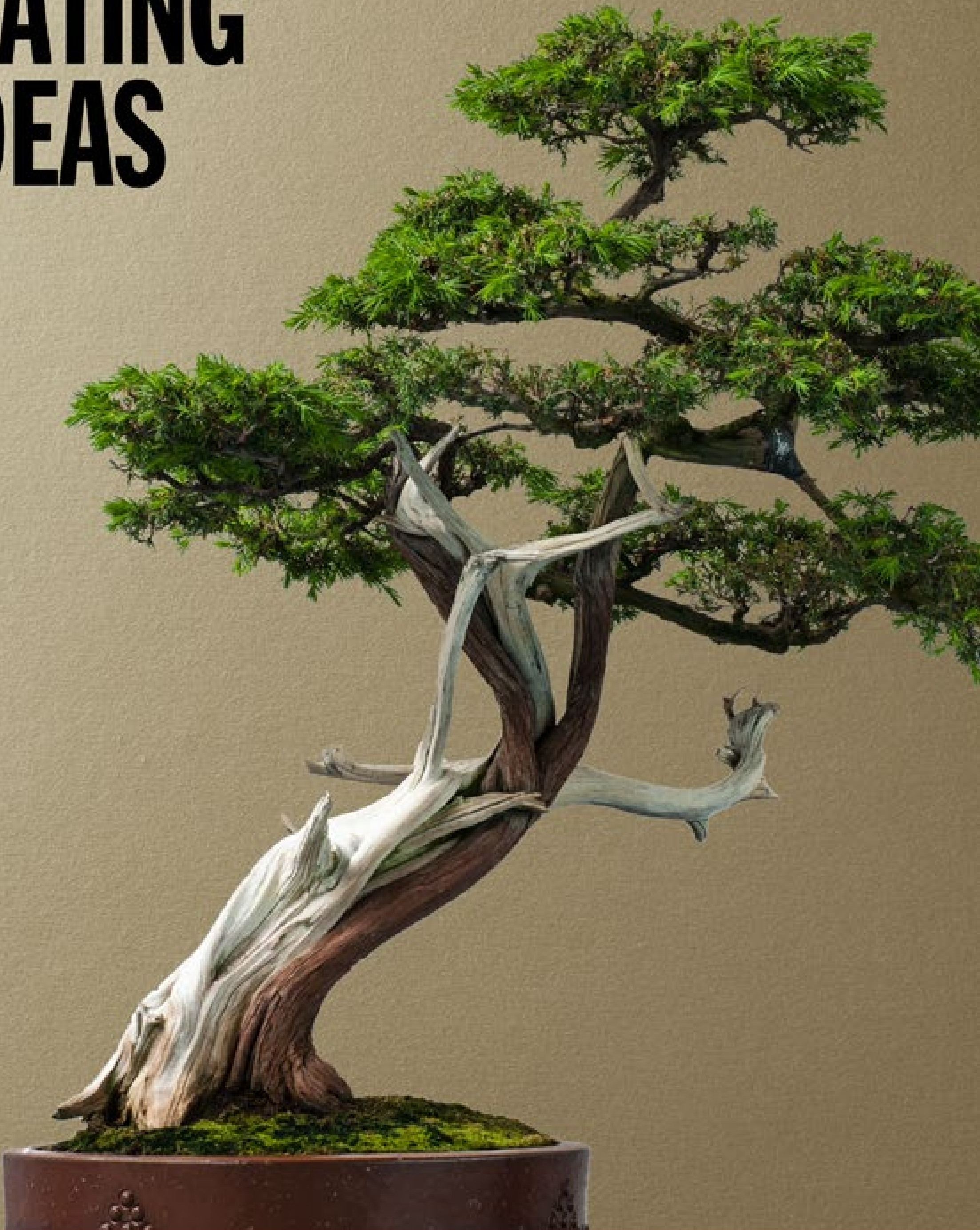
CULTIVATING NEW IDEAS



Annual Report 2017

Japan Foods Holding Ltd.

CONTENTS

Established in 1997 and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in February 2009, Japan Foods Holding Ltd. ("Japan Foods" and together with its subsidiary corporations, the "Group") is one of the leading F&B groups in Singapore specialising in quality and authentic Japanese cuisine.

In Singapore, the Group operates a chain of more than 40 restaurants serving authentic Japanese fare under various franchise brands as well as self-developed brands.

The Group's franchise restaurant brands include its flagship "Ajisen Ramen" brand as well as the "Kazokutei", "Menya Musashi" and "Osaka Ohsho" brands.

In 2015, Japan Foods made its first foray into non-Japanese cuisine with the launch of "New ManLee Bak Kut Teh", a brand franchised from Malaysia.

Besides franchise brands, the Group has also developed its own brands including "Fruit Paradise", "Japanese Gourmet Town", "Dutch Baby Cafe" and "Ginza Kushi-Katsu".

Japan Foods' network extends beyond Singapore to include "Ajisen Ramen" restaurants in Malaysia and Vietnam operated by sub-franchisees and "Menya Musashi" restaurants in China and Hong Kong operated by associated companies.

The Group has its own production facility located at its central kitchen in Kampong Ampat, Singapore.

This annual report has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

CORPORATE PROFILE

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SELF-DEVELOPED BRANDS

1. DUTCH BABY CAFE
2. FRUIT PARADISE
3. GINZA KUSHI-KATSU
4. JAPANESE GOURMET TOWN

11

FRANCHISED BRANDS

1. AJISEN RAMEN
2. BOTEJYU
3. BOTEJYU SAN
4. HANAMIDORI
5. KAZOKUTEI
6. KEIKA RAMEN
7. MENZO BUTAO
8. MENYA MUSASHI
9. NEW MANLEE BAK KUT TEH
10. OSAKA OHSHO
11. YONEHACHI

AT A GLANCE

OUR NETWORK[1]

50

Restaurants and Food Court Outlet in Singapore

1

Central Kitchen at Kampong Ampat, Singapore

5

Outlets in Malaysia and Vietnam through Sub-Franchisees

13

Outlets in China and Hong Kong through Associated Companies

(1) AS AT 31 MARCH 2017

OUR FOUR-PRONGED STRATEGY

DEVELOPMENT OF NEW CONCEPTS

Launch new franchised and self-developed brands

COST AND QUALITY CONTROL

Via central kitchen, bulk purchase and economies of scale

OVERSEAS EXPANSION

Via strategic investments such as acquistions, joint ventures or through a franchise / sub-franchise model

NETWORK EXPANSION AND CONSOLIDATION

Grow network prudently and close/convert underperfoming outlets

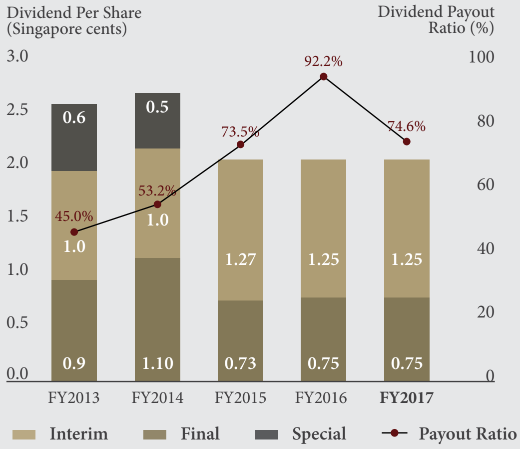
OUR FOCUS ON SHAREHOLDERS' VALUE

We are focused on growing long-term shareholders' value and we have been consistently rewarding shareholders with cash dividends since FY2009.

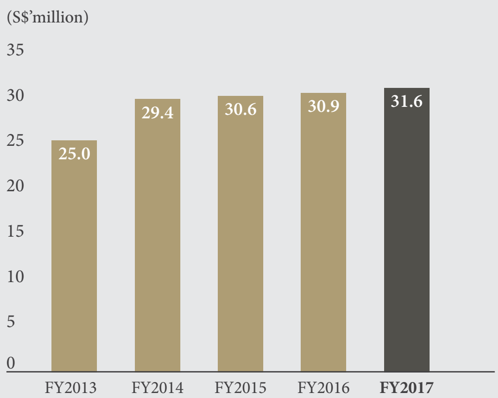
Our total dividend payment in respect of FY2017 will be 2.00 Singapore cents per share, comprising the interim dividend of 0.75 Singapore cents per share already paid in November 2016 and the proposed final dividend of 1.25 Singapore cents per share to be paid in August 2017. This represented a total dividend payout ratio of approximately 74.6% of our Group's net profit attributable to shareholders in FY2017.

Moving forward, the Board has recommended raising the Group's target dividend payout ratio to at least 50%[1] of Japan Foods' audited consolidated net profits attributable to shareholders annually. This is the second time the Group has raised its target dividend payout ratio since its listing in 2009. The last increase was announced three years ago in May 2014 when it was raised from 35% to 40%.

FIVE-YEAR DIVIDEND HISTORY



SHAREHOLDERS' EQUITY



Note:

(1) Subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances.

OUR BRANDS

AJISEN RAMEN

The word "Ajisen" means a thousand tastes in Japanese. The flagship brand of Japan Foods, "Ajisen Ramen" originated from Kumamoto, Japan, in 1968. Known for its rich and aromatic soup base which is derived from hours of boiling pork bones, Ajisen Ramen offers a wide selection of ramen to cater to discerning customers. With many shops worldwide, it is an internationally recognised brand with presence in countries such as Japan, China, Hong Kong, and the United States.

BOTEJYU

Originating from Osaka, Japan, "Botejyu" has a history that dates back to 1946 when it fired up its first okonomiyaki (Japanese pan-fried batter cake filled with various ingredients). The brand name is derived from the rhythmic cooking sound of okonomiyaki. "Bote" occurs when an okonomiyaki is being flipped over by a spatula, while "jyu" represents the sizzling sound of an okonomiyaki on a teppan grill.

BOTEJYU SAN

Another spin-off of the "Botejyu" brand, "Botejyu San" provides a comfortable teppan-dining experience serving okonomiyaki, teppan-yaki and other grilled items.

MENZO BUTAO

Established in 1936, "Menzo Butao" specialises in Hakata Tonkatsu Ramen and offers more than 20 varieties of the dish. There are three different and delicious soups to choose from – Butao (White), Kuroo (Black) and Akao (Red). The Butao soup base consists of pork broth made from boiling pork bones and sinews for over 14 hours to extract all the natural flavour of the bones. This soup base is flown straight to Singapore before it is mixed with more pork bones and simmered for hours to obtain the right consistency and flavour. The Kuroo broth is an emulsion of fried shallots and vegetable oil and the Akao broth is slightly spicy as it contains chilli oil but gets its red colour from the Gochujang (Korean Miso) and Doubanjiang (Chinese Miso).

MENYA MUSASHI

Named after the legendary samurai, Miyamoto Musashi, who was famed for his distinctive "double sword style", "Menya Musashi" has gained quite a cult following among ramen fans in Japan and abroad since making its debut in Tokyo in 1996. With "originality" as its motto, Menya Musashi turns the preparation of ramen into a fine and revolutionary art-form. Believed to be the pioneer of a new ramen culture in Japan, Menya Musashi offers multiple concepts and tastes that can be adapted to suit the locality of the store but all with the same unique style that has become synonymous with the brand.

OSAKA OHSHO

Established in 1969, "Osaka Ohsho" draws in healthy crowds with its casual ambience and irresistible "gyoza" (Japanese style dumplings). Cabbage, ginger, and garlic are mixed with well-seasoned minced pork and encased in a special gyoza wrapper and grilled to perfection. This deliciously crispy gyoza is available in Japan, Hong Kong, Thailand, Korea and Singapore.

HANAMIDORI

"Hanamidori" features an all-chicken menu and mizutaki – a specialty chicken broth hotpot made famous in the region of Hakata in Japan. The hotpot comes with signature dipping sauces for the chicken meat which is done in different ways and ends with porridge that is cooked in the flavourful broth.

KAZOKUTEI

"Kazokutei" is one of Osaka's most well-known udon brands. Established in 1947, "Kazokutei" takes pride in serving delicious and high quality handmade udon specially cooked to bring out the natural taste of the noodles. To ensure consistency in taste, both the udon and dashi (soup stock) are imported directly from Japan.

KEIKA RAMEN

"Keika Ramen" is a ramen chain that first debuted in Tokyo in 1955. It serves Kumamoto-style tonkotsu ramen. Keika Ramen's straight and chewy noodles go exceptionally well with its robust pork-bone broth. Its signature ramen dishes include Taro Ramen, which is topped with tender and flavourful pork belly that has been marinated in a special sauce and the 5-Spice Pork Ramen which features a slice of deep fried crispy pork shoulder.

YONEHACHI

Established in 1976, "Yonehachi" has many shops across Japan. Using quality rice from northern Japan such as Iwate and Akita, Yonehachi serves okawa (glutinous rice mixed with different ingredients) made the traditional way.

NEW MANLEE BAK KUT TEH

"New ManLee Bak Kut Teh" is the Group's first non-Japanese concept restaurant, franchised from a business that was established over 40 years ago in Kuala Lumpur, Malaysia. New ManLee Bak Kut Teh serves two versions of this dish – Singapore-style white peppery soup and Malaysia-style black herbal soup. Instead of the usual white rice and mee sua noodles, New ManLee Bak Kut Teh serves its soups with Japanese rice or Japanese udon.

OUR BRANDS

GINZA KUSHI-KATSU

"Ginza Kushi-Katsu" offers a variety of "kushi-katsu" – deep fried Japanese skewered meat & vegetables.

The signature item is the "gyu-katsu" beef cutlet. Using premium beef fillet, the meat is deep fried for only 60 seconds at 210°C. This precise method gives the beef cutlet a crispy crust while the meat remains medium-rare within. Customers can control the doneness level of the meat by using the mini teppan provided.

Premium yam flour is imported from Japan for the katsu items. This gives the katsu a light and crisp texture without being too heavy on the palate.

Cheese, Curry and Demi Glace fondues are offered with the katsu.

FRUIT PARADISE

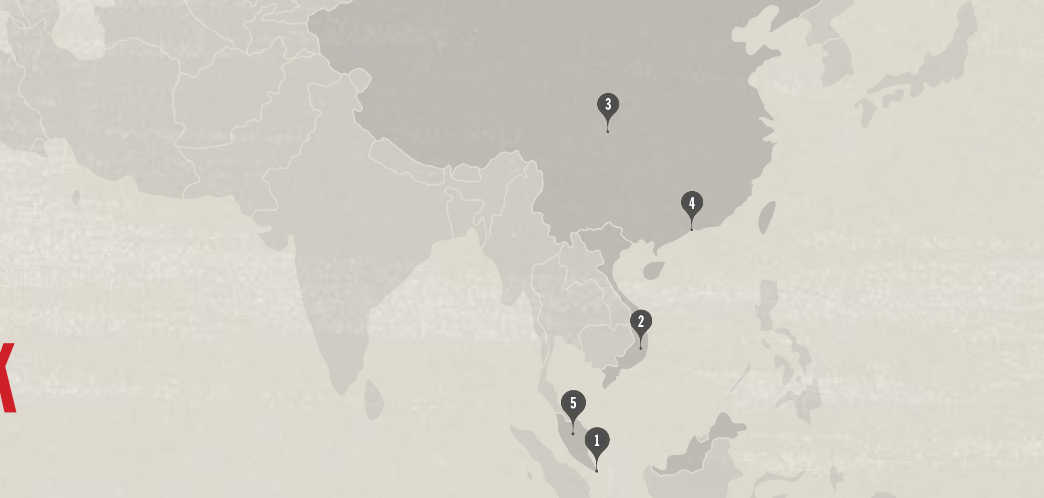
"Fruit Paradise" offers fruit tarts made with lightly sweetened cream and topped with fresh fruits. To ensure that customers get to enjoy the fruits' natural goodness, the tarts are made using only the freshest and most delicious fruits, which are carefully selected by Japanese patissiers daily.

DUTCH BABY CAFE

"Dutch Baby Cafe" is known for its signature Dutch Baby oven-baked pancakes served on host cast iron pans. These pancakes are pillow-soft yet crispy at the sides and come in a variety of sweet and savoury styles. Also available at the café are Japanese-Western favourites such as Baked Cheese Curry Rice and Curry Udon.

JAPANESE GOURMET TOWN

The Group adopted a mixed concept approach for the "Japanese Gourmet Town" brand which commenced operations in October 2008. Through this concept, customers are able to try several brands such as "Ajisen" and "Osaka Ohsho" within one restaurant.



OUR NETWORK

(As at 31 March 2017)

1 SINGAPORE

AJISEN RAMEN
- AMK Hub
- Bedok Mall
- Bugis Junction
- Bukit Panjang Plaza
- Causeway Point
- Changi City Point
- Compass Point
- IMM
- Junction 8
- Lot One Shoppers' Mall
- NEX
- Plaza Singapura
- Sembawang Shopping Centre
- Square 2
- Takashimaya Department Store
- Tampines Mall
- The Shoppes at Marina Bay Sands
- Tiong Bahru Plaza
- White Sands

BOTEJYU SAN
- The Star Vista

DUTCH BABY CAFE
- Paragon

YONEHACHI
- Takashimaya Department Store

FRUIT PARADISE
- AMK Hub
- Plaza Singapura
- VivoCity
- Waterway Point

GINZA KUSHI-KATSU
- Paragon

HANAMIDORI
- Plaza Singapura

JAPANESE GOURMET TOWN
- VivoCity

KAZOKUTEI
- Bugis Junction
- Plaza Singapura

KEIKA RAMEN
- Hougang Mall

NEW MANLEE BAK KUT TEH
- AMK Hub
- The Clementi Mall
- Bugis+

MENYA MUSASHI
- Bugis Junction
- Raffles City
- Tampines Mall
- The Star Vista
- VivoCity
- Waterway Point
- Westgate

MENZO BUTAO
- Marina Square

OSAKA OHSHO
- Bugis Junction
- East Point
- Junction 8
- Plaza Singapura
- Raffles City
- Waterway Point
- Westgate

2 VIETNAM

AJISEN RAMEN (1)
- Nguyen Dinh Chiew Street,
  Da Kao, District 1,
  Ho Chi Minh City
- Kumho Link, Ho Chi Minh City

3 CHINA

MENYA MUSASHI(2)
- IAPM Mall, Shanghai
- Jin Guanghua Plaza, Shenzhen
- Raffles City, Shanghai
- IFC, Shanghai
- Beijing Financial Street, Beijing
- Power Long Shopping Mall, Hangzhou

4 HONG KONG

MENYA MUSASHI(2)
- APM, Kwung Tong, Kowloon
- East Point City, Tseung Kwan O, Hong Kong
- Maritime Square, Tsing Yi, Hong Kong
- Moko, Mong Kok, Hong Kong
- Sun Hung Kai centre, Wanchai, Hong Kong
- Tmtplaza, Tuen Mun, Hong Kong
- Sunshine City, Ma On Shan, Hong Kong

5 MALAYSIA

AJISEN RAMEN(1)
- Boulevard Commercial Centre, Miri, Sarawak
- Sutera Mall, Johor
- Vivacity Megamall, Kuching, Sarawak

Notes:

(1) Operated by sub-franchisees
(2) Interests through associated companies

CHAIRMAN'S MESSAGE

Dear Shareholders,

As we round up the financial year ended 31 March 2017 ("FY2017") with this annual report, I would first like to commend our staff and management team for their excellent work and team spirit, which had enabled Japan Foods to hit a new high in sales during a very challenging financial year.

Although there has been much talk about the slow retail scene in Singapore, most of our stores are located in malls that continue to draw good foot traffic and we continue to manage our restaurant portfolio carefully to maximise sales per store.

CORPORATE UPDATES

In October 2016, we were named "Most Transparent Company (Catalist)" at the 17th SIAS Investors' Choice Awards 2017. It was indeed an affirmation of the efforts that our board of directors of the Company (the "Board") had put in to increase the corporate governance standards of the Company but having won the award, we will not rest on our laurels but continue to review and improve on our processes to make them even better.

During the financial year, a few of our stores started collaborating with food delivery companies including Deliveroo and Honest Bee. The quality of our food is of utmost importance to us and we do have some concerns about ramen dishes not being up to our standards by the time they arrive at our customers' doorsteps. To mitigate this, we have chosen to deliver only to limited nearby locations and have also adjusted cooking times so that the ramen will be of the right consistency when it arrives.

So far, we have not had any adverse feedback from customers. As such, we may cautiously extend delivery to more locations and work with more food delivery companies only when we can ensure that quality is at its optimum when our customers receive their meals. Although we do not foresee food delivery to contribute materially to our sales, we recognise that this as a rising trend we should be a part of and will continue to monitor the effectiveness of this channel.

PERFORMANCE REVIEW

In FY2017, Japan Foods achieved record revenue of S$65.5 million while net profit attributable to equity holders of the Company surged 23.3% year-on-year ("YOY") to S$4.7 million.

As at 31 March 2017, we have 49 restaurants operating under various brands and one food court outlet. Our stellar performance was driven mainly by our three newest brands, namely "New ManLee Bak Kut Teh", "Dutch Baby Cafe" and "Ginza Kushi-Katsu", which together contributed an increase in revenue of S$4.9 million in FY2017 as compared to the preceding financial year ended 31 March 2016 ("FY2016").

Throughout FY2017, the Group's marketing activities to drive sales combined with its restaurant portfolio management, product pricing strategy as well as its operational efficiency and prudence enabled it to maintain its healthy gross profit margin, which rose 0.7 percentage points from 84.2% in FY2016 to 84.9% in FY2017.

Our financial position remains healthy with no borrowings. Cash and cash equivalents rose from S$16.9 million as at 31 March 2016 to S$20.2 million as at 31 March 2017. We will continue to grow the Company prudently while working hard to maintain the financial health of the Company so that the business remains sustainable even during tough times.

REVENUE

S$65.5

PROPOSED DIVIDEND

1.25cents

PROPOSED DIVIDEND

Subject to the proposed dividends being approved by shareholders at the forthcoming Annual General Meeting on 24 July 2017, the Board of Directors is pleased to propose a tax-exempt, one-tier final dividend of 1.25 Singapore cents per ordinary share to be paid on 18 August 2017, which including the interim dividend of 0.75 Singapore cents per share paid on 29 November 2016, will bring the total dividend for the financial year to 2.00 Singapore cents per share. This represents a total dividend payout ratio of 74.6% of net profit attributable to equity holders of the Company in FY2017.

CHAIRMAN'S MESSAGE

WE WILL KEEP UP OUR EFFORTS TO CONTAIN OUR OPERATIONAL EXPENSES AND TO OPTIMISE THE USE OF OUR RESOURCES. WE WILL ALSO CONTINUE TO REVIEW OUR MENUS AND INTRODUCE SEASONAL ITEMS AND MARKETING PROMOTIONS TO MAXIMISE REVENUE PER RESTAURANT.

Moving forward, and subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances, the Board has recommended raising the Group's target dividend payout ratio to at least 50% of the Group's audited consolidated net profits attributable to shareholders annually.

Shareholders should note that this is the second time we have raised our target dividend payout ratio since our listing in 2009 as it demonstrates the Group's confidence in its prospects and future growth. The last increase was announced three years ago in May 2014 when it was raised from 35% to 40%.

OUTLOOK

There appears to be a general air of uncertainty and cautiousness among consumers as most expect slow economic growth to continue. We expect such sentiment to influence general spending behavior including the frequency of eating out.

In addition, we expect the operating environment in the local food & beverage scene to remain challenging over the next 12 months due to ongoing factors including a tight labour supply, stiff competition and rising business costs.

We will keep up our efforts to contain our operational expenses and to optimise the use of our resources. We will also continue to review our menus and introduce seasonal items and marketing promotions to maximise revenue per restaurant.

The Group is exploring opportunities to expand its presence in the ASEAN region by way of joint-ventures, acquisitions and/or sub-franchising of its brands. As at 31 March 2017, our overseas network include "Ajisen Ramen" brand stores in Malaysia (3 restaurants) and Vietnam (2 restaurants), which are operated by sub-franchisees, and also "Menya Musashi" brand stores in Hong Kong (7 restaurants) and China (6 restaurants), which are operated by associated companies through our joint venture with Ajisen (China) Holding Limited ("Ajisen China").

In comparing our returns from the two models, we have a preference for the arrangement we have with Ajisen China and are exploring opportunities to replicate it in other overseas markets with strong and established local food & beverage operators.

The encouraging performance of our first non-Japanese brand "New ManLee Bak Kut Teh" has also given us the confidence to consider offering other non-Japanese cuisine.

SUSTAINABILITY MATTERS

Last year, SGX-ST made it mandatory for all primary-listed companies to publish an annual sustainability report with the reporting to take effect for any financial year ending on or after 31 December 2017. At Japan Foods, we are reaffirming this commitment by publishing our maiden sustainability report guided by the Global Reporting Initiative ("GRI") Standards: Core Option. In preparing this maiden sustainability report, we are guided by Practice Note 7F of the SGX-ST Listing Manual Section B: Rules of

Catalist. We seek to provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") and economic performance.

As a leading Japanese restaurant chain, we are committed to maintain a sound sustainability reporting framework to fulfil our social responsibility and safeguard the interest of the Group's stakeholders.

ACKNOWLEDGEMENT

I started this message acknowledging the staff of Japan Foods and in closing I want to once again thank them for their dedication and hard work and to urge them to continue this spirit of excellence which has enabled us to achieve stable performance over the years.

I also want to thank the Board for their combined wisdom, experience and guidance, which have kept us growing in the right direction operationally and enabled us to improve in the area of corporate governance and our responsibilities to shareholders as a listed company.

Lastly, I want to thank all shareholders for keeping the faith. Food & beverage is an exciting industry with food trends that are ever changing. As long as people are still into eating out, there will always be opportunities in Singapore and around the region for us to explore. We look forward to having you on the journey with us!

Takahashi Kenichi
Executive Chairman and CEO

FINANCIAL HIGHLIGHTS

S$' MILLION	FY2013	FY2014	FY2015	FY2016	FY2017
Financial Results					
Revenue	61.3	62.8	62.7	62.8	65.5
Gross profit	49.1	51.2	52.3	52.9	55.6
Profit before tax	7.9	8.8	5.1	4.7	5.7
Net profit	6.4	7.3	4.7	3.8	4.7
Cash Flow Statement					
Net cash provided by operating activities	12.5	11.7	8.3	9.6	11.3
Net cash used in investing activities	(4.7)	(6.3)	(7.5)	(5.0)	(3.8)
Net cash used in financing activities	(2.3)	(3.4)	(3.4)	(3.8)	(4.3)
Cash and cash equivalents at end of financial year (1)	14.8	16.8	14.2	15.1	18.1
Balance Sheet					
Current assets	21.6	23.1	19.1	21.2	23.8
Non-current assets	12.4	15.4	19.1	17.7	17.0
Total assets	34.0	38.5	38.2	38.9	40.8
Current liabilities	8.3	8.3	6.8	7.1	8.3
Non-current liabilities	0.7	0.9	0.9	0.9	0.9
Total liabilities	9.0	9.2	7.6	8.0	9.1
Share capital	8.8	8.9	9.3	9.4	9.0
Reserves	16.2	20.4	21.3	21.5	22.7
Total shareholders' equity	25.0	29.3	30.6	30.9	31.7
Financial Ratios Analysis					
Gross profit margin (%)	80.1	81.6	83.4	84.2	84.9
Earnings per share (Singapore cents)	3.70	4.21	2.73	2.17	2.68
Net asset value per share (Singapore cents)	14.46	16.93	17.57	17.74	18.29
Return on assets (%)	18.9	19.0	12.4	9.8	11.5
Return on equity (%)	25.6	24.9	15.5	12.2	14.8
Net debt to equity ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Asset Turnover (Times)	2.0	1.7	1.6	1.6	1.6

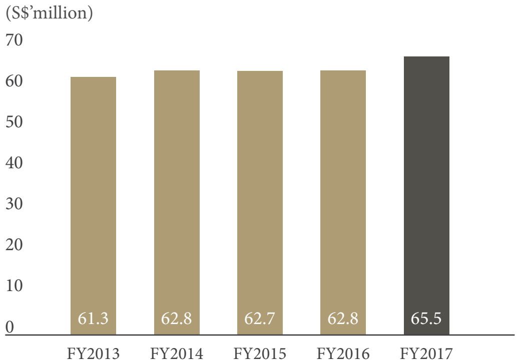
Note:

(1) This excludes bank deposits pledged as security for bank facilities granted by financial institution(s) to the Group.

REVENUE

65.5 MILLION

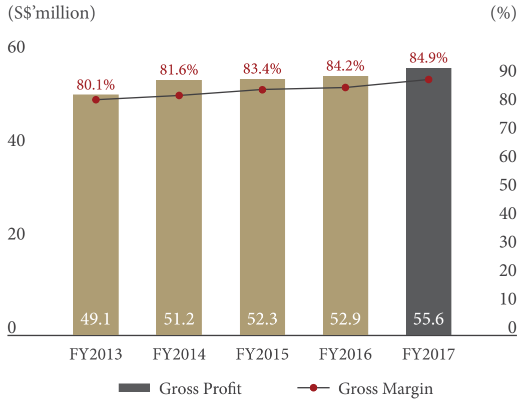
CAGR: + 4.5%



GROSS PROFIT & GROSS PROFIT MARGIN

55.6 MILLION

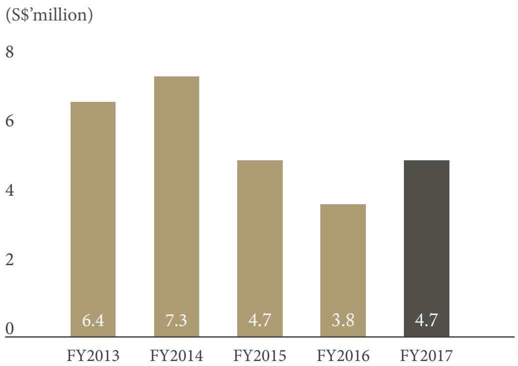
CAGR: + 6.0%



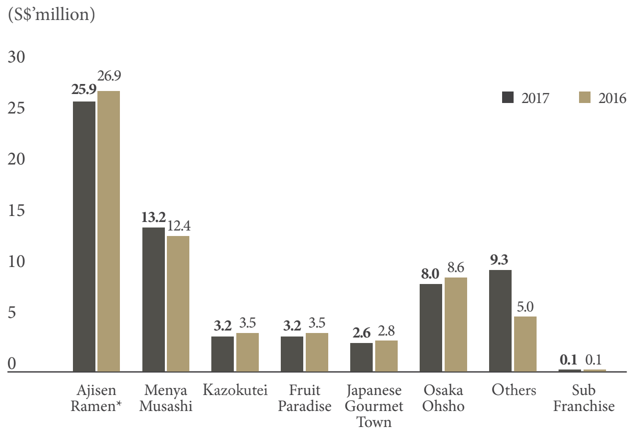
NET PROFIT

4.7 MILLION

CAGR: + 11%



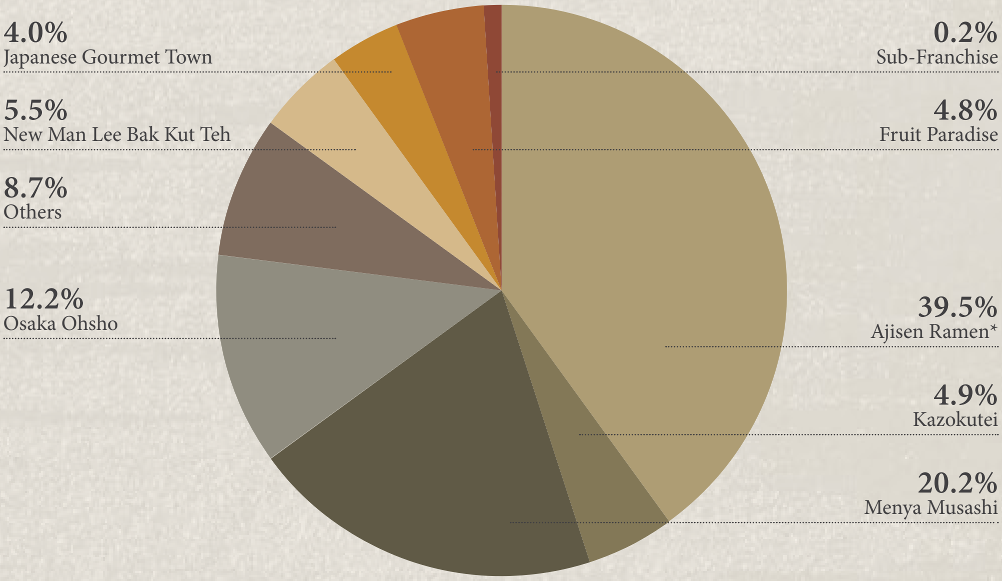
REVENUE MIX BY BRANDS



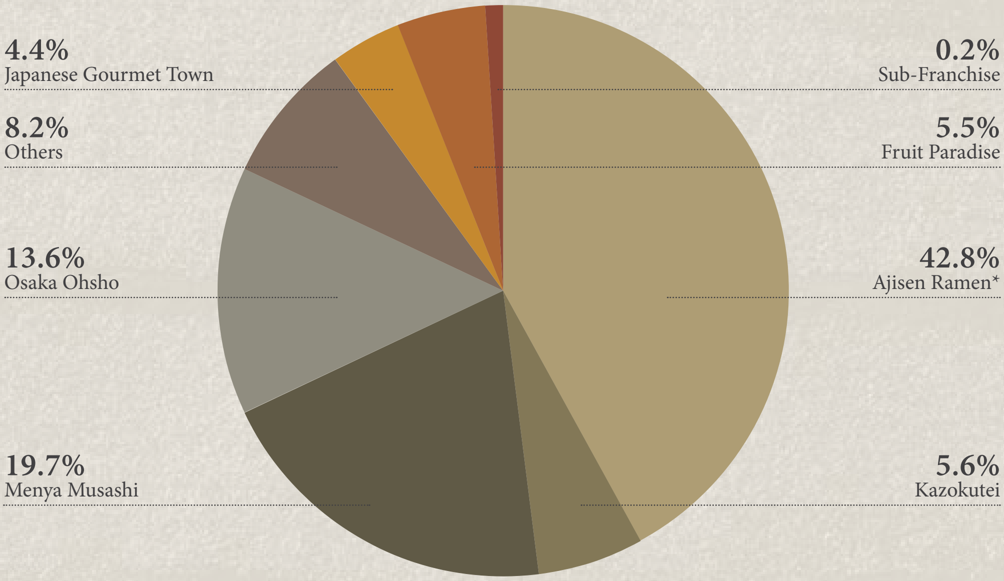
FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN

FY2017



FY2016



* Includes Keika Ramen

VALUE ADDED STATEMENT

	FY2013 S$'000	FY2014 S$'000	FY2015 S$'000	FY2016 S$'000	FY2017 S$'000
Value added from:					
Revenue	61,311	62,758	62,682	62,804	65,467
Less : Purchases of materials & services	(34,725)	(35,377)	(36,505)	(36,431)	(38,372)
	26,586	27,381	26,177	26,373	27,095
Add/(less) :					
Other income	670	1166	1,040	1,331	996
Share of profits of associated companies	100	178	546	587	606
Loss on disposal of plant and equipment	(8)	–	(1)	(7)	(6)
Plant & Equipment W/O	(579)	(268)	(188)	(131)	(86)
Inventories W/O	(2)	(9)	(1)	(2)	(3)
Impairment of plant and equipment	(65)	–	–	(810)	(259)
Currency translation gain/(loss)	96	60	37	(34)	(5)
Total value added	26,798	28,508	27,610	27,307	28,338
Distribution of total value added:					
To employees					
– Salaries and other staff costs	14,792	15,492	17,536	17,336	17,464
To government					
– Corporate tax	1,485	1,470	392	888	1,045
To providers of capital					
– Dividend	1,846	3,119	3,880	3,518	3,488
– Finance costs	5	–	–	–	
Retained for future capital requirements					
– Depreciation and amortisation	4,107	4,242	4,946	5,308	5,173
– Retained profit	4,563	4,185	856	257	1,168
Total distribution	**26,798**	**28,508**	**27,610**	**27,307**	**28,338**
Productivity Analysis					
Value added per $ employment cost	1.8	1.8	1.6	1.6	1.6
Value added per $ investment in fixed assets	1.1	1.0	0.8	0.8	0.8
Value added per $ sales (S$)	0.4	0.5	0.4	0.4	0.4

OPERATING AND FINANCIAL REVIEW

REVIEW OF THE FINANCIAL PERFORMANCE FOR FY2017

REVENUE

The Group's revenue rose by 4.2% or S$2.7 million to S$65.5 million in FY2017 from S$62.8 million in FY2016 as a result of the following:

(i) A net decrease in revenue of S$1.0 million from restaurants operating under the "Ajisen Ramen" and "Keika Ramen" brands with sales falling from S$26.9 million in FY2016 to S$25.9 million in FY2017. This was mainly attributable to the closure of two (2) restaurants at Compass Point and Tiong Bahru Plaza in September 2015 and December 2015 respectively due to mall renovation works; conversion of a restaurant at The Clementi Mall from "Ajisen Ramen" brand to "New ManLee Bak Kut Teh" brand in December 2015; and lower net sales generated from some existing restaurants. The slide in revenue was partially offset by the increase in sales from a restaurant at Bukit Panjang Plaza following the conversion from "Osaka Ohsho" brand to "Ajisen Ramen" brand in October 2015; sales from the opening of two (2) "Keika Ramen" brand restaurants at White Sands and Tiong Bahru Plaza in November 2015 and April 2016 respectively; and sales from the opening of a restaurant under the "Ajisen Ramen" brand at Compass One in September 2016.

(ii) A net increase in revenue of S$0.8 million from the restaurants operating under the "Menya Musashi" brand with sales rising to S$13.2 million in FY2017 from S$12.4 million in FY2016 due mainly to the new restaurant at Waterway Point which opened in January 2016 and a net increase in sales from the existing restaurants.

(iii) A net decrease in revenue of S$0.6 million from the restaurants operating under "Osaka Ohsho" brand with sales slipping to S$8.0 million in FY2017 from S$8.6 million in FY2016 mainly due to the conversion of a restaurant at Bukit Panjang Plaza to "Ajisen Ramen" brand in October 2015; the conversion of a restaurant at AMK Hub to "New ManLee Bak Kut Teh"; and a net decrease in sales from the existing restaurants which was partially offset by revenue generated from a new restaurant at Waterway Point which opened in January 2016.

(iv) A net increase in revenue of S$3.5 million from the restaurants operating under other brands namely "New ManLee Bak Kut Teh", "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands. Collectively, these brands recorded an increase in revenue of S$4.9 million in aggregate in FY2017 as compared to FY2016 mainly due to revenue contribution from new stores. However, the revenue increase was partially offset by a decrease in revenue of S$1.4 million in aggregate in FY2017 as compared to FY2016 due to lower sales recorded by restaurants operating under the "Hanamidori", "Menzo Butao", "Fruit Paradise", "Kazokutei", "Yonehachi" and "Botejyu" brands.

As at 31 March 2017, the Group had a total of 49 restaurants and 1 food court outlet in operation. Table 1 shows a snapshot of the Group's network in Singapore and Table 2 shows the regional restaurant network as at 31 March 2017 as compared to 31 March 2016.

Table 1: The Group's portfolio in Singapore

RESTAURANT BRANDS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2017
Ajisen Ramen	15	18
Botejyu	1	1
Dutch Baby Cafe	-	1
Fruit Paradise	5	4
Ginza Kushi-Katsu	1	1
Hanamidori	1	1
Japanese Gourmet Town	1	1
Kazokutei	3	2
Keika Ramen	2	1
Menya Musashi	8	7
Menzo Butao	1	1
New ManLee Bak Kut Teh	2	3
Osaka Ohsho (1)	6	7
Yonehachi	1	1
TOTAL RESTAURANTS	**47**	**49**

FOOD COURT OUTLET	AS AT 31 MARCH 2016	AS AT 31 MARCH 2017
Ajisen Ramen	1	1
TOTAL RESTAURANTS AND FOOD COURT OUTLET	48	50

(1) Includes 1 "Kotsujiru Nabe" brand restaurant, which is an extension of the "Osaka Ohsho" brand.

Table 2: The Group's overseas network

RESTAURANT BRANDS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2017
Ajisen Ramen (operated by sub-franchisees)		
• Malaysia	4	3
• Vietnam	2	2
Menya Musashi (interests via associated companies)		
• Hong Kong	8	7
• China	5	6
TOTAL RESTAURANTS	**19**	**18**

OPERATING AND FINANCIAL REVIEW

GROSS PROFIT

The Group's gross profit increased by 5.1% or S$2.7 million to S$55.6 million in FY2017 from S$52.9 million in FY2016, generally in line with the increase in the Group's revenue. Similarly, gross profit margin improved from 84.2% in FY2016 to 84.9% in FY2017 on the back of the Group's continuing efforts in bulk purchase discounts, raw material costs control, material usage efficiency and product pricing strategy.

Most of the Group's key ingredients are sourced from both overseas and local suppliers. Ingredients are processed in the central kitchen for economic and quality control reasons before they are supplied to restaurant outlets in the form of processed food such as sauces, soup, noodles and processed meat for further handling before being served to customers.

EXPENSES

Selling and distribution expenses:

The Group's selling and distribution expenses increased by 3.7% or S$1.6 million to S$46.5 million in FY2017 from S$44.9 million in FY2016 due to a rise in depreciation costs, rental and other costs in line with the expanded restaurant network in FY2017.

Administrative expenses:

The Group's administrative expenses increased by 7.0% or S$0.2 million to S$3.3 million in FY2017 from S$3.1 million in FY2016 mainly due to higher manpower cost and other administrative expenses stemming from the Group's expanded restaurant network and brands.

Other operating expenses:

The Group's other operating expenses decreased by S$0.5 million or 23.4% to S$1.7 million in FY2017 from S$2.2 million in FY2016 mainly due to lower impairment charge arising from periodic review that estimated recoverable amount of assets in certain outlets to be less than the carrying amount.

SHARE OF RESULTS OF ASSOCIATED COMPANIES

The Group's share of results of its associated companies remained the same at approximately S$0.6 million.

INCOME TAX EXPENSES

In line with higher profit achieved in FY2017, the Group's income tax expenses increased by 17.6% or S$0.2 million to S$1.1 million in FY2017 from S$0.9 million in FY2016.

NET PROFIT

As a result of the aforementioned reasons, the Group's net profit attributable to equity holders of the Company increased by 23.3% or S$0.9 million to S$4.7 million in FY2017 from S$3.8 million in FY2016.

REVIEW OF FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2017

CURRENT ASSETS

The Group's total current assets increased by S$2.6 million to S$23.8 million as at 31 March 2017, from S$21.2 million as at 31 March 2016 mainly because cash and cash equivalent rose S$3.3 million and was partially offset by a decrease in inventory as well as rental deposit and prepayment of S$0.7 million.

NON-CURRENT ASSETS

The Group's total non-current assets decreased by S$0.7 million to S$17.0 million as at 31 March 2017 from S$17.7 million as at 31 March 2016 due to a decrease in the net book value of plant and equipment of S$1.9 million partly arising from an impairment charge of S$0.3 million from store closures. This decrease was partially offset by an increase in long term security deposit of S$0.2 million; an increase in held-to-maturity financial assets of S$0.5 million; and an increase in investment in associated companies of S$0.6 million arising from the share of associated companies' profit.

CURRENT LIABILITIES

The Group's total current liabilities increased by S$1.2 million to S$8.3 million as at 31 March 2017 from S$7.1 million as at 31 March 2016 due to an increase in other payables and accruals of S$1.0 million and higher current income tax provision of S$0.3 million. These were partially offset by a decrease in trade payables of S$0.1 million.

NON-CURRENT LIABILITIES

The Group's total non-current liabilities remained unchanged at S$0.9 million as at 31 March 2017.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity increased by S$0.8 million to S$31.6 million as at 31 March 2017 from S$30.8 million as at 31 Mar 2016 arising from profit after tax of S$4.7 million which was partially offset by dividend payment of S$3.5 million and share buy-back of S$0.4 million.

REVIEW OF STATEMENT OF CASH FLOW FOR FY2017

The Group's net cash generated from operating activities in FY2017 was S$11.3 million. This was mainly due to operating profit before working capital changes of S$10.7 million and working capital inflow of S$1.3 million which were partially offset by payment of income tax of S$0.7 million.

The Group's net cash used in investing activities in FY2017 was S$3.9 million mainly due to renovation cost and purchase of equipment for the Group's new restaurants of S$3.5 million and acquisition of held-to-maturity financial assets of S$0.5 million which were partially offset by dividends received from associated company.

Net cash used in financing activities in FY2017 was S$4.3 million mainly due to dividend payment of S$3.5 million, fixed deposit pledged with banks for issuance of banker's guarantees in lieu of rental deposit of S$0.3 million and purchase of treasury shares of S$0.5 million.

As at 31 March 2017, the Group has no borrowings and its cash and cash equivalents rose to S$20.2 million from S$16.9 million as at 31 March 2016.

BOARD OF DIRECTORS

TAKAHASHI KENICHI

EXECUTIVE CHAIRMAN AND CEO

Date of Appointment
18 February 2008

Date of Last Re-Appointment
N.A

Present and Past Directorships in other Listed Companies and Major Appointments

Nil

Skills & Experience

- Founder of the Group in 1997
- 20 years of F&B experience
- Professional engineer in research and development of Pioneer Asia Singapore from April 1978 to March 1997
- Graduated from Sophia University with a Certificate of Mechanical and Engineering

WONG HIN SUN, EUGENE

NON-EXECUTIVE VICE CHAIRMAN

Date of Appointment
24 November 2008

Date of Last Re-Appointment
21 July 2015

Length of Service
9 years
(Non-executive Director since November 2008)

Present Directorships in other Listed Companies and Major Appointments

- Founder and Managing Director of Sirius Venture Capital Pte Ltd
- Non-executive chairman of Crimson Logic Pte Ltd
- Non-executive chairman of GeTs Global Pte Ltd
- Non-executive director of Cargo Community Network Pte Ltd
- Non-executive director of Singapore Cruise Centre Pte Ltd
- Non-executive director of SCC Travel Services Pte Ltd
- Non-executive director of SGX-ST listed Neo Group Limited, Singapore Kitchen Equipment Limited and Jason Marine Group limited
- Board member of Agri-Food & Veterinary Authority of Singapore
- Board member of International Enterprise Singapore.
- Vice Chairman, SBF's China North Asia Business Group
- Council Member, Malaysia-Singapore Business Council
- Vice-President, Boys' Brigade Alumni Singapore

Past Directorships in other Listed Companies Held Over the Preceding Three Years

- Non-executive director of Ajisen (China) Holdings Limited, listed on the Hong Kong Stock Exchange from 8 March 2007 to 22 February 2016
- Independent director of TMC Education Corporation Limited from 15 August 2012 to 30 October 2015

Skills & Experience

- Graduated with a Bachelor of Business Administration (First Class Honours) from the National University of Singapore in 1992
- Obtained Master of Business Administration from the Imperial College of Science, Technology and Medicine from the University of London in 1998
- Completed the Owner President Management Program from Harvard Business School in 2011
- A Chartered Financial Analyst (CFA) in 2001
- A Chartered Director (CDir) in 2014
- A Fellow of the Australian Institute of Company Directors and UK Institute of Directors

TAN LYE HUAT
LEAD INDEPENDENT DIRECTOR

Date of Appointment
24 November 2008

Date of Last Re-Appointment
21 July 2016

Length of Service
9 years (since November 2008)

Present Directorships in other Listed Companies and Major Appointments

- Independent director at SGX-ST listed SP Corporation Limited, Neo Group Limited, Dynamic Colours Limited and Nera Telecommunications Ltd.

Past Directorships in other Listed Companies Held Over the Preceding Three Years

Nil

Skills & Experience

- A Fellow Chartered Director of the Institute of Directors, UK
- A Fellow of the Association of Chartered Certified Accountants
- A member of the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore)
- A member of the Australian Institute of Company Directors
- Accounting Diplomas from ACCA and CIMA

SHIGEMITSU KATSUAKI
NON-EXECUTIVE DIRECTOR

Date of Appointment
24 November 2008

Date of Last Re-Appointment
21 July 2015

Length of Service
9 years (since 24 November 2008)

Present in other Listed Companies and Major Appointments

- Shareholder and Director of Shigemitsu Industry Co., Ltd. ("Shigemitsu Industry"), Japan Foods' main franchisor
- Began career as branch manager under Ajisen Ramen brand in Japan in 1990
- Appointed vice-chairman in 1995
- Appointed president and chairman CEO in 1997
- Non-executive director of Ajisen (China) Holdings Limited, listed on the Hong Kong Stock Exchange

Past Directorships in other Listed Companies Held Over The Preceding Three Years

Nil

Skills & Experience

- 20 years of F&B experience
- Graduated with a degree in structural engineering in 1991 from Kumamoto Institute of Technology (now known as SOJO University)

LEE SOK KOON, CONSTANCE
INDEPENDENT DIRECTOR

Date of Appointment
1 September 2011

Date of Last Re-Appointment
21 July 2016

Length of Service
6 years (since September 2011)

Present in other Listed Companies and Major Appointments

- Chairman of the Board of Directors of NUS America Foundation, Inc. since 27 August 2013
- Director (Operations) in the Development Office of National University of Singapore
- Director on the Board of Singapore Arts School Ltd
- Independent director at SGX-ST listed SBS Transit Ltd since 1 May 2017

Past Directorships in other Listed Companies Held Over The Preceding Three Years

Nil

Skills & Experience

- Bachelor of Accountancy (Second Class Honours) from the National University of Singapore
- A Fellow of the Institute of Singapore Chartered Accountants
- A member of the Singapore Institute of Directors

KEY MANAGEMENT

CHAN CHAU MUI
CHIEF OPERATING OFFICER

Chan Chau Mui is our Chief Operating Officer. She is in charge of the overall daily operation of our Group and is responsible for the successful execution of our business strategies. Ms Chan joined our Group as an executive director of Bachmann Enterprises Pte Ltd and Bachmann Japanese Restaurant Pte Ltd, which are the Company's subsidiaries, in April 1999. Since then, Ms Chan has been responsible for our Group's restaurant operations and has contributed significantly to the expansion of our Group over the years. Ms Chan was appointed as our Chief Operating Officer in April 2015. She is deemed an associate of Mr Takahashi Kenichi, our Executive Chairman and Chief Executive Officer.

KENNETH LIEW KIAN ER
CHIEF FINANCIAL OFFICER

Kenneth Liew Kian Er is our Chief Financial Officer. He is primarily responsible for overseeing all financial, accounting and corporate secretarial matters of our Group. Mr Liew has more than 25 years of experience in accounting, audit and finance. Prior to joining our Group as Financial Controller in July 2008, Mr Liew was with Abterra Ltd, a company listed on the Main Board of the SGX-ST, serving as its financial controller from March 2007 to July 2008 and as finance manager from January 2007 to March 2007. Mr Liew was an associate at Bensyl Consultancy Services Pte Ltd from May 2004 to December 2006. He was with Sunstar Logistic Singapore Pte Ltd serving as its accounting manager from July 1997 to March 2002 and as deputy general manager from April 2002 to April 2004. Mr Liew is a member of the Institute of Singapore Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants (UK).

FONG SIEW GEEN
HEAD OF OPERATIONS

Fong Siew Geen is our Head of Operations. She is primarily responsible for the operation of our Group's restaurants and for overseeing all operational aspects from quality assurance to menu layout. Ms Fong joined our Group as a service crew in October 2003 and was promoted to Floor Manager in April 2008. She rose through the ranks to become our Senior Operations Manager in May 2009 and was appointed our Head of Operations in April 2015.

CHAN FUANG CHIANG
CHIEF CHEF

Chan Fuang Chiang is our Chief Chef. He is primarily responsible for ensuring high food quality standards in all our restaurants and for creating new menu items to meet the changing demands of our customers. Mr Chan has more than 20 years of experience as a chef. Prior to joining our Group in 2001, he was a chef in Restaurant Parkway, 锦龙中华料理 and Restaurant Sia Si Wan from 1991 to 2001.

ICHIRO OTSUKA
CENTRAL KITCHEN OPERATIONS MANAGER

Ichiro Otsuka is our Central Kitchen Operations Manager. He is primarily responsible for the day-to-day operations of our central kitchen facility. Mr Ichiro joined our Group in November 2011 and was then in charge of spearheading the expansion of our central kitchen. Under his leadership, our Group successfully established a noodle production facility at our central kitchen in April 2012. Mr Ichiro has more than 15 years of experience in managing central kitchens through his various work engagements in Japan.

CORPORATE STRUCTURE

JAPAN FOODS HOLDING LTD.

100%	100%	100%	100%
BACHMANN ENTERPRISES PTE LTD	BACHMANN JAPANESE RESTAURANT PTE LTD	JAPAN FOODS ENTERPRISES PTE. LTD.	BACHMANN JAPANESE RESTAURANT SDN. BHD. (1)
100%	25%	20%	30%
JAPAN FOODS BRIDGE PTE LTD (2)	ACJF HOLDING LIMITED	HIGHLY YIELD LIMITED	FIRST HARMONY HOLDINGS LIMITED

Note:

(1) Bachmann Japanese Restaurant Sdn. Bhd. ("BJRSB"), has been placed under members' voluntary liquidation on 30 September 2014. BJRSB was incorporated in Malaysia and has been dormant since February 2010.

(2) Dormant since incorporation on 10 March 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Takahashi Kenichi
Executive Chairman and CEO

Wong Hin Sun, Eugene
Non-Executive Vice Chairman

Tan Lye Huat
Lead Independent Director

Shigemitsu Katsuaki
Non-Executive Director

Lee Sok Koon, Constance
Independent Director

AUDIT AND RISK COMMITTEE

Tan Lye Huat
Chairperson

Lee Sok Koon, Constance

Wong Hin Sun, Eugene

NOMINATING COMMITTEE

Lee Sok Koon, Constance
Chairperson

Tan Lye Huat

Wong Hin Sun, Eugene

REMUNERATION COMMITTEE

Lee Sok Koon, Constance
Chairperson

Tan Lye Huat

Wong Hin Sun, Eugene

COMPANY SECRETARY

Esther Au Siew Peng
ACIS

REGISTERED OFFICE

420 North Bridge Road
#02-01 North Bridge Centre
Singapore 188727
Tel: (65) 6333 9781
Fax: (65) 6333 9782
Email: corporate@jfh.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

SPONSOR

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

DIRECTOR-IN-CHARGE:

Ross Yu Limjoco
Appointed since financial year ended
31 March 2017

PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 049513

INVESTOR RELATIONS

August Consulting Pte. Ltd.
101 Thomson Road
#30-02 United Square
Singapore 307591
Email: ir@jfh.com.sg

SUSTAINABILITY REPORT

REPORTING FRAMEWORK

With the publication of our first sustainability report ("**Report**"), we reinforced our commitment to effective sustainability reporting as it is central to our continual growth and success. This sustainability report focuses on the ESG factors and economic performance and has been prepared based on GRI Standards: Core Option.

This Report is prepared based on the Global Reporting Initiative ("**GRI**") Standards: Core Option as GRI Standards provide a set of an extensive and comprehensive quantitative framework that is widely accepted as a global standard for sustainability reporting. The GRI Content Index at the end of this Report reflects the extent to which the GRI framework is applied.

BOARD STATEMENT

Internally, we are guided by a sustainability reporting policy ("**SR Policy**") that has been approved by the Board of Japan Foods.

Our Board recognizes that sustainability is intrinsic to our business at both the strategic and operational levels. Accordingly, our Board determines the ESG factors identified as material to our business and see to it that they are monitored and managed.

We aim to continually increase transparency and encourage efficiency. As we progress in sustainability reporting, we plan to provide stakeholders a more comprehensive picture of how we operate and bring into sight the risks and opportunities which can be better managed for future returns.

REPORTING PERIOD AND SCOPE

This Report articulates our strategies and practices in all aspects of sustainability, and provides a detailed account of our sustainability performance in all our operations and is applicable for the Group's financial year ended 31 March 2017. A sustainability report will be published annually thereafter in accordance with our SR Policy.

FEEDBACK

Your feedback on this Report is an important way of improving our sustainability practices. If you have any comments, suggestions or feedback on this matter, please send it to our investor relations email account at **ir@jfh.com.sg.**

STAKEHOLDERS' ENGAGEMENT

The Group's efforts on sustainability are focused on creating sustainable value for its key stakeholders, which comprise shareholders, employees, customers and regulators. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by operations of the Group. Please refer to the section on "Materiality" below on how materiality is measured based on our SR Policy.

We actively engage our key stakeholders through the following channels:

S/N	KEY STAKEHOLDER	ENGAGEMENT CHANNEL
1	**Shareholder**	The Group conveys timely, full and credible information to shareholders through announcements on SGXNET, Group's website (http://www.jfh.com.sg), investor relations email account (ir@jfh.com.sg), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
2	**Employee**	Senior management held regular communication sessions with employees for effective flow of information and alignment of business goals across all levels of workforce, such as emails, regular employee engagement surveys and yearly staff evaluation sessions where employees can pose questions in person.
3	**Customer**	Customers are encouraged to send their feedback through customer questionnaires and online feedback forms via the Group's website.
4	**Regulator**	We participate in consultations and briefing organised by key regulatory bodies such as SGX-ST so as to furnish feedback on proposed regulatory changes that impact the Group's business.

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

MATERIALITY

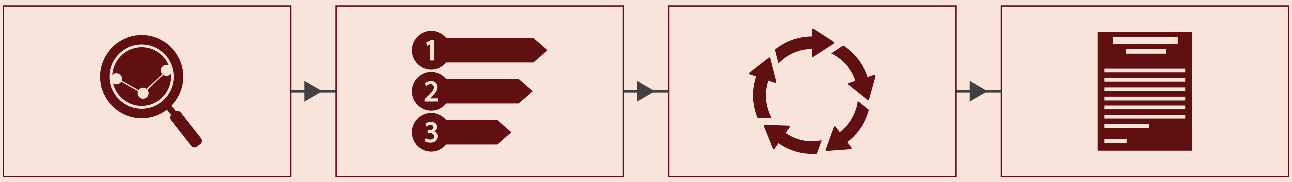
Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

REPORTING PRIORITY	DESCRIPTION	CRITERIA
I	High	Factors with high reporting priority should be reported on in detail.
II	Medium	Factors with medium reporting priority should be considered for inclusion in the Report. It may be decided to not include them in the Report if not material.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. It may be decided to not include them in the Report if not material.

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

SUSTAINABILITY REPORTING PROCESSES

Our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized as material factors which are then validated. The end result of this process is a list of material factors disclosed in this sustainability report. Inter-relations of which are as shown in the chart below:



IDENTIFICATION
Identification of the material factors that are of relevance to the Group's activities

PRIORITIZATION
Prioritization of the material factors and identifies key sustainability factors to be reported upon

VALIDATION
Validation involves the on the completeness of key sustainability factors identified to finalize the sustainability report content

REVIEW
Review focuses on the material factors in the previous reporting period and also considers stakeholders' feedback, changing business landscape and emerging trends

MATERIAL FACTORS

Our materiality assessment performed for FY2017 involved the Group's' Senior Management in identifying sustainability factors deemed material to the Group's businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below is a list of key sustainability factors (Level I and selected level II reporting priority) applicable to our Group:

		MATERIAL FACTOR	REPORTING PRIORITY	KEY STAKEHOLDER
SOCIAL	1	**Diversity and equal opportunity**	I	Employees
	2	**Customer health and safety**	I	Customers
ENVIRONMENTAL	3	**Energy consumption**	II	Shareholders
	4	**Water consumption**	II	Shareholders
GOVERNANCE	5	**Corporate governance**	II	Shareholders Regulators
ECONOMIC	6	**Economic performance**	I	Shareholders

We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholders' feedback and sustainability trends. As this is the first year of our sustainability reporting, we have not published any quantitative targets for the identified factors. Nevertheless, we are committed to address each of these factors and target to improve our performance in these areas as such factors become better assessed over time.

The details of each key sustainability factor are presented below.

SOCIAL

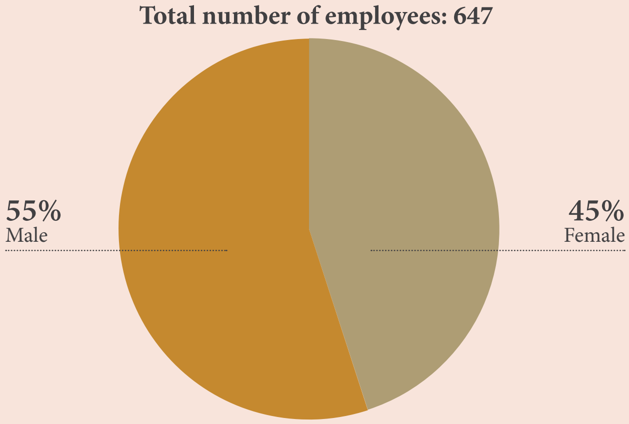
1. DIVERSITY AND EQUAL OPPORTUNITY

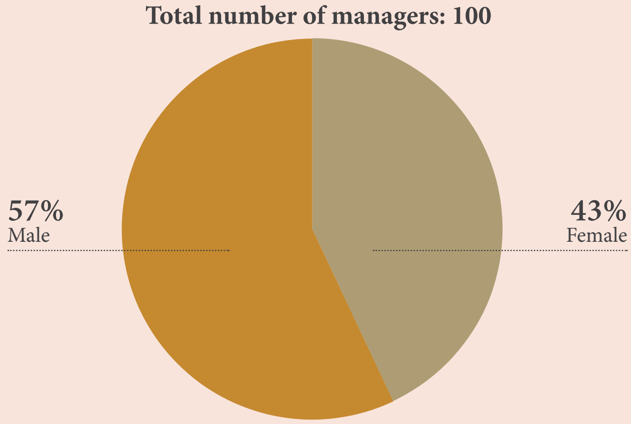
We are committed to the goals of diversity and equal opportunity in employment. We aim to provide a work environment for employees that foster fairness, equity and respect for social and cultural diversity, regardless of their age, sex, marital status, sexual orientation, disability, race, colour, nationality, ethnic, national origin or religion.

For gender diversity, 45% of our total workforce is made up of female employees whilst the percentage of female managers is approximately 43% of total managers. We also view diversity at the Board level as an essential element in supporting sustainable development and in relation to the gender diversity with one female Board member.

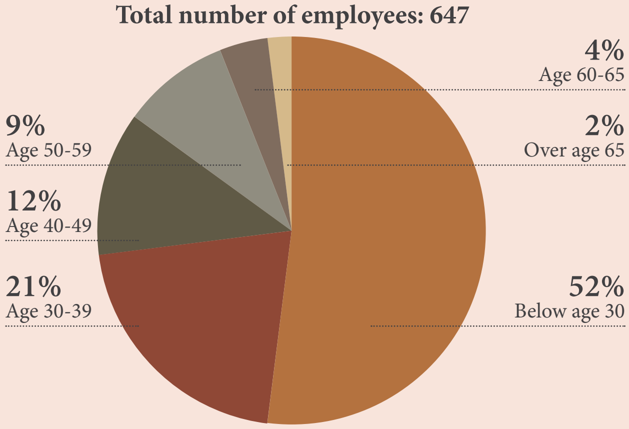
Matured workers are valued in our Group for their experience, knowledge and skills. As at 31 March 2017, 27% of our workforce is at least 40 years old.

GENDER DIVERSITY
(AS AT 31 MARCH 2017)





AGE DIVERSITY
(AS AT 31 MARCH 2017)



To promote equal opportunity, the Group has a comprehensive Human Resource Policy to ensure employees are selected based on merit and competency. We also perform annual staff assessment to share information with all levels of staff and align business goals and objectives with employees. In addition, the Group has entered into various initiatives as follows:

- Established a partnership with the Singapore Corporation of Rehabilitative Enterprises to provide a second chance to ex-offenders. As at 31 March 2017, the Group employed 5 employees under this partnership.

- Set up a program with Movement for the Intellectually Disabled of Singapore ("MINDS") to hire employees with disabilities and integrate them in our workforce. As at 31 March 2017, the Group employed 12 employees with special needs.

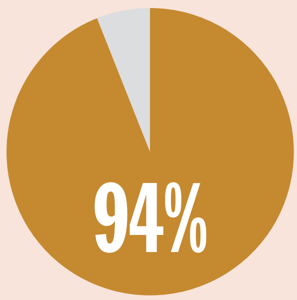
We are committed to constantly improving our employment practices.

2. CUSTOMER HEALTH AND SAFETY

As a food and beverage Group, health and safety of customers is our top priority and we believe food quality and safety are key to retain customer and to sustain the business.

We adopt a serious view on potential risk to the health and safety of customers. Improper food handling at the central kitchen and restaurant outlets may result in food contamination, which when consumed by customers may result in food poisoning.

As at 31 March 2017, 94 % of our restaurant outlets are graded A by National Environment Agency of Singapore ("**NEA**") for the overall hygiene, cleanliness and housekeeping standards of the restaurant outlets with the remaining restaurant outlets graded B.



OF OUR RESTAURANT OUTLETS ARE GRADED A BY NEA

Our commitment to customer health and safety involves a comprehensive and implemented manual for Hazard Analysis Critical Control Point ("**HACCP**"), which is designed to prevent or reduce the occurrence of health hazards. Among other things, third-party laboratory is engaged to perform periodic testing of food products to ensure food safety and quality. In addition, thermometers used in measuring the temperature of chillers and freezers are calibrated regularly to ensure accuracy of temperature readings so as to maintain the quality of frozen foods.

We are committed to constantly improving our overall hygiene, cleanliness and housekeeping standards.

ENVIRONMENTAL

3. ENERGY CONSUMPTION

We believe that responsible usage of energy resources results in lesser carbon emissions and thus helps to preserve the environment in which the Group operates in. It also reduces cost and enhances returns to shareholders.

The Group operates a head office, a central kitchen and various restaurant outlets in Singapore. To run its operations, the Group relies mainly on the following energy sources:

- Liquefied petroleum gas ("LPG") for operating cooking equipment
- Electricity for running equipment for refrigeration, lighting, office work, cooling and ventilation

We track and review electricity and LPG consumption regularly to control usage. Proactive measures to monitor and control energy consumption include implementing systematic maintenance program for operating equipment to maintain energy efficiency, which will lead to savings by limiting equipment degradation.

We are committed to responsible usage of energy resources and enhancing energy efficiency.

AGGREGATE ELECTIRCITY CONSUMPTION
6,703,921 kwh

AGGREGATE LPG CONSUMPTION
5,019,584 kwh

4. WATER CONSUMPTION

We believe that responsible usage of water resources helps to preserve the environment in which the Group operates in. It also reduces cost and enhances returns to shareholders.

The Group relies on water resource to run its operations primarily in the following areas:

- Used in central kitchen such as running water to thaw meat and washing
- As ingredient in the Group's products such as soup bases
- Used in restaurant outlets such as dishwashing

Our water conservation initiatives include perform periodic inspections to check faucets and pipes for leaks and encourage staff to use water responsibly, such as to run the dishwasher only when it is filled with utensils for wash.

We are committed to responsible usage of water resources and enhancing water efficiency.

AGGREGATE WATER CONSUMPTION
81,296 cu M

GOVERNANCE

5. CORPORATE GOVERNANCE

A high standard of corporate governance is integral in ensuring sustainability of the Group's business as well as safeguarding shareholders' interest and maximizing long term shareholder value. Our efforts in this area have been recognized through winning the "Most Transparent Company (Overall Winner for Catalist)" award at the prestigious 17th SIAS Investors' Choice Award 2016. This award recognises the efforts made by public listed companies to be more transparent so as to help investors make informed decision.

You may refer to Corporate Governance Report of this Annual Report for details for our corporate governance practices.

We are committed to high standards of corporate governance.

SIAS INVESTORS' CHOICE AWARDS

17TH SIAS INVESTORS' CHOICE AWARD 2016 MOST TRANSPARENT COMPANY (CATALIST)

ECONOMIC

6. ECONOMIC PERFORMANCE

AT LEAST **40%** OF NET PROFIT AFTER TAX IS DISTRIBUTED AS DIVIDENDS IN FY2017	**S$4.7** MILLION TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**S$11.4** MILLION NET CASH PROVIDED BY OPERATING ACTIVITIES

In FY2017, the Group maintained its dividend policy of distributing not less than 40% of the Group's audited consolidated net profits attributable to Shareholders, generated S$11.4 million of net cash provided by operating activities and S$4.7 million of total comprehensive income for the period attributable to equity holders of the company.

Subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances, the Board intends to recommend dividends of at least 50% of the Group's audited consolidated net profits attributable to shareholders per financial year. For more information on our dividend policy, please refer to Guideline 15.5 of our Corporate Governance Report in this Annual Report.

We are committed to dividend distribution, positive operating cash flow and continual profitability for our shareholders.

Details of the Group's economic performance can be found in the financial contents and audited financial statements of this Annual Report.

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CORPORATE GOVERNANCE REPORT

INTRODUCTION

The board of directors (**"Board"**) and the management (**"Management"**) of Japan Foods Holding Ltd. (the **"Company"**) are committed to achieving a high standard of corporate governance within the Company and its subsidiary corporations (the **"Group"**). Underlying this commitment is the belief that good corporate governance will help to enhance corporate performance and protect the interests of the Company's shareholders (**"Shareholders"**).

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the **"Code 2012"**) issued on 2 May 2012.

The Board is pleased to confirm that for the financial year ended 31 March 2017 (**"FY2017"**), the Company has generally adhered to the framework as outlined in the Code 2012 and deviations from any guideline of the Code 2012 are explained in this report.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS
Principle 1: Effective Board to Lead and Control the Company

Guidelines 1.1 & 1.2
Roles of Board and Objective Decision Making

The Board aims to preserve and enhance long-term Shareholders' value. To this end, each director of the Company (**"Director"**) endeavours to objectively take decisions in the interests of the Company. Apart from its statutory duties and responsibilities, the Board also:

(a) decides on matters in relation to the Group's activities which are of significant nature, including decisions on strategic directions and guidelines and approvals of annual budget, major funding investment and divestment proposals;

(b) oversees risk management and internal control processes, financial reporting and compliance, including the release of financial results and announcements of material transactions;

(c) reviews management performance;

(d) identifies key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's value and standards, and ensure that the obligations to shareholders and other stakeholders are understood and met;

(f) approves the nominations to the Board and appointments to the various Board committees;

(g) approves the framework of remuneration for the Board and key executives as recommended by the RC (as defined hereinafter);

(h) provides oversight in the proper conduct of the Group's business and assumes responsibility for corporate governance; and

(i) considers sustainability issues as part of the strategic formulation.

CORPORATE GOVERNANCE REPORT

Guideline 1.3
Delegation of Authority to Board Committees

To facilitate effective management, the Board has delegated certain functions to the Board committees, namely, the Audit and Risk Committee (**"ARC"**), the Remuneration Committee (**"RC"**) and the Nominating Committee (**"NC"**), to ensure that there are appropriate checks and balances. These Board committees operate within clearly defined terms of reference which are reviewed from time to time. As at 31 March 2017, the ARC, the RC and the NC each comprised entirely of non-executive Directors.

Guideline 1.4
Meetings of Board and Board Committees

The constitution of the Company (**"Constitution"**) provide for the Directors to participate in Board meetings by teleconference or videoconference means.

The number of Board and Board committees' meetings held in FY2017 and the attendance of each Director are set out below:

FY2017 Meeting Attendance	Board	ARC	NC	RC	AGM
Total Number of Meetings	4	4	1	1	1
Takahashi Kenichi	4	NA	NA	NA	1
Wong Hin Sun, Eugene	4	4	1	1	1
Shigemitsu Katsuaki	4	NA	NA	NA	1
Lee Sok Koon, Constance	4	4	1	1	1
Tan Lye Huat	4	4	1	1	1

NA: Not applicable

Guideline 1.5
Internal Guidelines on Matters Requiring Board Approval

The Group has in place financial authorisation and approval limits for, amongst others, operating and capital budgets, procurement of goods and services, bank borrowings and operation of the Group's various bank accounts and the approval of the Board are required for these matters.

Guideline 1.6
Continuous Training and Development of Directors

During FY2017, the Company's management (**"Management"**) has kept the Directors up-to-date on pertinent developments in the business of the Group during Board and/or Board committee meetings to facilitate the discharge of their duties. Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the participation in third party-run programmes to enhance their knowledge to better serve the Company. During the year, some Directors attended third party-run programmes organised by Singapore Institute of Directors (**"SID"**) , the Institute of Singapore Chartered Accountants (**"ISCA"**), Securities Investors Association (Singapore) and other professional body. The Company shall be responsible for funding the training of the Directors.

The Board also ensures that incoming new Directors (if any) are given guidance and orientation (including site visits) to enable Directors to familiarise themselves with the Group's business, operations and corporate governance practices to facilitate the effective discharge of their duties. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to undertake training in the roles and responsibilities of a director of a listed company and to familiarise such person with the relevant rules and regulations governing a listed company.

Guideline 1.7
Appointment of Directors

Each of the Directors, upon their appointment to the Board, has furnished a letter stating that they are aware and have been informed of their duties and obligations as Directors. A formal letter will be sent to newly appointed Directors upon their appointment explaining, among other matters, their roles, duties and responsibilities as members of the Board.

There were no new Director appointments during FY2017.

BOARD COMPOSITION AND BALANCE
Principle 2: Strong and Independent Element on the Board

Guideline 2.1
Composition and Independent Element of the Board

The Board currently has five members, comprising two independent Directors, two non-executive Directors and one executive Director. Accordingly, the Independent Directors make up at least one-third of the Board. As at the date of this report, the Board comprises the following members:

Mr Takahashi Kenichi	Executive Chairman and Chief Executive Officer
Mr Wong Hin Sun, Eugene	Non-executive Vice Chairman
Mr Shigemitsu Katsuaki	Non-executive Director
Mr Tan Lye Huat	Lead Independent Director
Mdm Lee Sok Koon, Constance	Independent Director

CORPORATE GOVERNANCE REPORT

Guideline 2.2
Composition of Independent Director of the Board

The Chairman (as defined hereinafter) and CEO (as defined hereinafter) is the same person. Following conclusion of the forthcoming AGM and re-constitution of the Board and with the retirement of Mr Shigemitsu Katsuaki, independent directors will make up at least half of the Board.

Guidelines 2.3 & 2.4
Independence of Directors

As set out under the Code 2012, an independent director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

The NC deliberates annually to determine the independence of a Director bearing in mind the salient factors set out under this guideline in the Code 2012 as well as all other relevant circumstances and facts.

To facilitate the NC in its review of the independent status of the Directors, each Director will complete a checklist to confirm his/her independence. The checklist is based on the guidelines provided in the Code 2012 and will also indicate whether a Director considers himself/herself as an independent Director despite not having any of the relationships identified in the Code 2012. The NC also reviews the checklist completed by each Director to determine whether a Director is independent. As a result of the assessment, the NC is satisfied that there is no relationship which would deem Mdm Lee Sok Koon, Constance to be not independent.

During FY2017, none of the independent Directors has served beyond nine years from the respective date of their first appointment. However, Mr Tan Lye Huat, our Lead Independent Director will have served his ninth year term in office on 24 November 2017.

The results of annual director performance evaluation revealed that Mr Tan possesses personal attributes such as independent thinking and keen observation and demonstrated the ability to maintain integrity and strong principles. The Board concurred with the NC that Mr Tan remains objective in expressing his views and in participating the deliberation and decision making of the Board and Board committees, notwithstanding his tenure in office. The NC and the Board hold the view that a director's independence cannot be determined solely with reference to a set period of time. Therefore, when considering the renewal of the Board, the need for Board continuity should also be taken into account.

The Board has subjected the independence of Mr Tan Lye Huat to a particularly rigorous review by all other directors. After due consideration and with the concurrence of the NC, the Board is of the view that Mr. Tan Lye Huat has demonstrated strong independence and judgement over the years in discharging his duties and responsibilities as an independent director of the Company. He has expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management where necessary. Taking into account the above, the Board has resolved that Mr. Tan continues to be considered as an independent director, notwithstanding that he will serve on the Board beyond nine years.

Guideline 2.5
Composition, Size and Diversity of the Board

The Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the operations of the Group. With two out of five members of the Board being independent, the Company maintains a satisfactory independent element on the Board. The NC is of the opinion that the current Board composition represents a well balanced mix of expertise and experience comprising accounting, finance, business experience as well as industry knowledge to provide core competencies necessary to meet the requirements of the Company and the Group and which facilitates effective decision making. The Board is also of the opinion that the current Board composition takes into consideration gender and nationality diversity.

Guideline 2.6
Competency of the Board

During FY2017, the Directors have completed a Board of Directors Competency Matrix form by providing additional information in their areas of specialisation and expertise. The NC, having reviewed the responses, was satisfied that members of the Board possess the relevant core competencies in areas of accounting and finance, business and management experience, and strategic planning. In particular, the non-executive Directors, who are mostly professionals in their selected fields, are able to take a broader view of the Group's activities, contribute their valuable experience and provide independent judgement during the Board's deliberation on Group's matters.

Guidelines 2.7 & 2.8
Non-Executive Directors

The Board has four non-executive Directors (including the independent Directors) who endeavour to constructively challenge and help develop proposals on strategy and to review the performance of Management in meeting goals and objectives and monitor the reporting of performance. During the year, the non-executive Directors communicated among themselves without the presence of Management as and when the occasion warrants. The Company also co-ordinates informal sessions for non-executive Directors to meet on a need-basis without the presence of the Management.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Guideline 3.1
Common Role of Chairman and CEO

Mr Takahashi Kenichi is both the chairman of the Board (**"Chairman"**) and the chief executive officer (**"CEO"**) of the Company. The Board is of the view that it is not necessary to separate the role of the Chairman and the CEO after taking into consideration the size, scope and the nature of the operations of the Group. Mr Takahashi Kenichi is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the interest of the Group to adopt a single leadership structure.

CORPORATE GOVERNANCE REPORT

Guideline 3.2
Roles and Responsibilities of Chairman

The Chairman, who is also the CEO, seeks to, amongst others:

(a) lead the Board to ensure its effectiveness on all aspects of its role;

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) ensure that the Directors receive accurate, timely and clear information;

(d) ensure effective communication with Shareholders;

(e) encourage constructive relations between the Board and the Management;

(f) promote a culture of openness and debate at the Board;

(g) facilitate the effective contribution of non-executive Directors; and

(h) promote high standards of corporate governance.

Guidelines 3.3 & 3.4
Lead Independent Director

The NC, RC and ARC are all chaired by independent Directors. Mr Tan Lye Huat is the ARC Chairman and also the Lead Independent Director of the Company. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision-making by the Directors is independent and based on collective decision-making without the Chairman and CEO being able to exercise considerable concentration of power or influence.

As the Lead Independent Director of the Company, Mr Tan Lye Huat will be available to Shareholders if they have concern and for which contact through the normal channels of the Chairman, the CEO and the Chief Financial Officer (**"CFO"**) has failed to resolve their concerns or is inappropriate.

The independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors where necessary, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

As part of the Board renewal and succession plan, Mr Tan Lye Huat, after serving as Lead Independent Director since 1 September 2011, will hand the appointment of Lead Independent Director to Mdm Lee Sok Koon, Constance after the conclusion of the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP
Principle 4: Formal and Transparent Process for the Appointment of Directors to the Board

Guideline 4.1
Membership of the NC

The NC comprises the following members, the majority of whom, including the chairperson of the committee, are independent non-executive Directors:

Mdm Lee Sok Koon, Constance, Chairperson	Independent and non-Executive
Mr Tan Lye Huat	Independent and non-Executive
Mr Wong Hin Sun, Eugene	Non-Independent and non-Executive

During FY2017, the NC held one scheduled meeting, which all members attended.

The principal functions of the NC include:

(a) recommending to the Board new Board appointments;

(b) making recommendations on re-nomination of Directors, having regard to the Director's contribution and performance;

(c) evaluating the independence of each of the Directors annually; and

(d) evaluating the effectiveness of the Board as a whole and the contribution of each individual Director towards the effectiveness of the Board.

Guideline 4.2
Roles and Responsibilities of the NC

The responsibilities of the NC include making recommendations to the Board on all Board appointments and re-appointments of Directors, developing a process for evaluation of the performance of the Board, its board committees and Directors, reviewing of training and professional development programs for the Board as well as overseeing the Board and key management personnel's succession and leadership development plans.

Board Renewal and Succession Plan

Succession planning is an important part of the governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner to avoid losing institutional memory.

No Director stays in office for more than three years without being re-elected by Shareholders. The Constitution provides that at least one-third of the Directors, except the CEO, shall retire from office by rotation at every annual general meeting of the Company (**"AGM"**) and Directors appointed during the course of the year will be subject to re-election at the next AGM following his appointment. At the forthcoming AGM, Mr Wong Hin Sun, Eugene and Mr Shigemitsu Katsuaki are due for retirement by rotation under Regulation 98 of the Constitution. Mr Wong Hin Sun, Eugene has consented to remain in office and offered himself for re-election. The Board, acting on the recommendation of the NC, proposed that Mr Wong be re-elected at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Mr Shigemitsu would have completed his ninth year term in office on 24 November 2017 and is of the view that it is timely for him to step down from the Board at the forthcoming AGM. Mr Shigemitsu Katsuaki does not wish to seek re-election at the forthcoming AGM and will step down from the Board after the conclusion of the forthcoming AGM. The Board would like to thank Mr Shigemitsu for his contributions over the years and wishes him well. To leverage on his experience and contacts in the Japanese market, the Company will appoint him as the Group's adviser with effect from the conclusion of the AGM on 24 July 2017. This is a non-executive position and Mr Shigetmitsu will be remunerated a nominal fee of S$1,500 per month.

The Nominating Committee Guide (Second Edition 2017 produced by the Singapore Institute of Directors) (the "**NC Guide**") recommends that if an independent director who has served more than nine continuous years wishes to extend his appointment, the Board, as good practice, should require a separate resolution to be approved by shareholders. Accordingly, Mr Tan Lye Huat, the Lead Independent Director of the Company who is completing his ninth year term in office on 24 November 2017, had offered himself for re-election as a Director of the Company at the forthcoming AGM.

To align with the recommendation of the NC Guide, the Board proposed that Mr Tan be re-elected by shareholders at the forth coming AGM (set out in resolution 5 in the Notice of AGM).

Guideline 4.3
NC To Determine Directors' Independence

The NC deliberates annually to determine the independence of a Director bearing in mind the salient factors set out in the Code 2012 as well as all other relevant circumstances and facts. No member of the NC participated in the deliberation in respect of his/her own status as an independent Director. Each of the retiring Directors has confirmed that he/she does not have any relationship with his/her fellow Directors nor with the Company and its substantial shareholders.

Guideline 4.4
Commitment of Directors Sitting on Multiple Boards

In assisting the NC to determine whether the Directors who have multiple board representations are able to adequately carry out their duties and commitments towards the Company, the Directors have adopted a form of internal guidelines for Directors serving on multiple boards. The NC, after reviewing the completed forms that were returned by all Directors together with the respective list of directorships held by each Director as well as their attendance, is satisfied that all the Directors who sit on multiple boards are able to devote adequate time and attention to the affairs of the Company and to fulfil their duties as Directors. The NC has recommended and the Board has agreed that the maximum number of listed company board representations which a Director may hold should not be more than six (including the Company) listed companies for Directors who do not hold any full time employment and not more than three (including the Company) listed companies for Directors who hold full time employment.

Guideline 4.5
Appointment of Alternate Directors

Currently, the Company does not have any alternate director on the Board.

Guideline 4.6
Process for Selecting and Appointment of New Directors

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangements will be made for the new Director to attend various briefings with the management team.

Guideline 4.7
Information on Directors

Key information on the Directors, including their academic and professional qualifications and their shareholdings in the Company, are found on pages 20, 21 and 66 of this annual report.

BOARD PERFORMANCE
Principle 5: Assessment of the Effectiveness of the Board

Guideline 5.1
Board Performance

The Board has in place a formal annual process to assess its effectiveness as a whole as well as its ability to discharge its responsibilities in providing stewardship, corporate governance and overseeing of Management's performance.

To facilitate the evaluation and assessment of the effectiveness of the Board committees and Executive Chairman and CEO, the Directors completed a Committees Evaluation Questionnaire and an Executive Chairman and CEO Evaluation. Their feedback and responses were collated by the Company Secretary and presented to the NC for review and discussion before submitting to the Board for reviewing and determining the areas for improvement. The evaluation of the Executive Chairman and CEO included areas such as his vision and leadership, financial management, board relations, governance and risk management and relations with stakeholders. The review indicated that the Board continues to function effectively.

During FY2017, the Company did not engage any external facilitator for board and director assessment.

Guideline 5.2
Board Evaluation

The Directors participated in the evaluation by providing feedback to the NC in the form of a Board Evaluation Questionnaire. Their feedback and responses were collated by the Company Secretary and presented to the NC for review and discussion before submitting to the Board for reviewing and determining the areas for improvement. In assessing the effectiveness of the Board as a whole, the NC takes into consideration a number of factors such as the size and composition of the Board, the Board's access to information, participation in Board proceedings and the communications and guidance given by the Board to the Management.

CORPORATE GOVERNANCE REPORT

Guideline 5.3
Evaluation of Individual Director

An individual self-assessment is performed annually by each Director in the form of an Evaluation of Individual Director by Self-Assessment and the responses of the self-assessment were discussed with the NC. Among the factors considered in the individual self-assessment are the Directors' knowledge or experience as directors, experience of being in board committees, knowledge of and contacts in the countries where the Company primarily operates, sector knowledge of the Company's main activities, functional experience and training.

The criteria for evaluation of the performance of individual Directors include the level of participation, attendance at Board and Board committee meetings and the individual Director's functional expertise.

The Chairman will act on the results of the performance evaluation and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

ACCESS TO INFORMATION
Principle 6: Board Members Should Be Provided with Complete, Adequate and Timely Information

Guidelines 6.1 & 6.2
Board's Access to Information

On a timely basis before each meeting, the Directors are provided with information by Management pertaining to relevant matters to be brought before the Board for its decision as well as ongoing reports, explanations and updates relating to the operational and financial performance of the Group. Board members have separate and independent access to the Company's senior Management.

Guideline 6.3
Board's Access to the Company Secretary

Board members have separate and independent access to the Company Secretary. The Company Secretary attends all meetings of the Board and Board committees and is responsible for ensuring, amongst other things, that Board procedures are followed and that all applicable rules and regulations are complied with. The Company Secretary also ensures good information flow within the Board and its board committees and between Management and non-Executive Directors.

Guideline 6.4
Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary is a matter for consideration by the Board as a whole. The present Company Secretary has been in office for nine years.

Guideline 6.5
Board's Access to Independent Professional Advice

Where necessary and to enable the Directors to discharge their duties, the Directors, whether as a group or individually, may seek independent professional advice at the Company's expense and after consultation with the Chairman.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7: Formal and Transparent Procedure for Developing Policy on Executives' Remuneration and Fixing the Remuneration Packages of Individual Directors

Guideline 7.1
Membership of the RC

The RC comprises the following members, the majority of whom, including the chairperson of the committee, are independent non-executive Directors:

Mdm Lee Sok Koon, Constance Chairperson	Independent and non-Executive
Mr Tan Lye Huat	Independent and non-Executive
Mr Wong Hin Sun, Eugene	Non-Independent and non-Executive

During the year, the RC held one scheduled meeting, which all members attended.

Guideline 7.2
Functions of the RC and Remuneration Framework

The principal functions of the RC include:

(a) reviewing and recommending to the Board the structure of the compensation policies and recruitment strategies of the Group so as to align compensation with Shareholders' interests;

(b) reviewing and recommending to the Board the framework of remuneration for the executive Directors and key executives of the Group and to determine appropriate adjustments;

(c) reviewing and recommending to the Board for endorsement guidelines for directors' fees of non-executive Directors;

(d) reviewing and approving succession plans for key positions; and

(e) administering and approving long-term incentive schemes which are approved by Shareholders.

No Director will be involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

CORPORATE GOVERNANCE REPORT

Guideline 7.3
RC's Access to Advice on Remuneration Matters

The RC from time to time may seek expert advice on the remuneration of all Directors and key management personnel. The Board has not engaged any external remuneration consultant to advise on remuneration matters for FY2017.

Guideline 7.4
Service Contract

The RC reviews the fairness and reasonableness of the service agreements of the Executive Directors and key management personnel to ensure that there is no overly onerous or generous termination clause.

LEVEL AND MIX OF REMUNERATION
Principle 8: Level of Remuneration of Directors to be Appropriate and Not Excessive

Guideline 8.1
Remuneration of Executive Directors and Key Management Personnel

The Company adopts an overall remuneration policy for employees, comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Group, the individual, the industry and the economy. In reviewing its remuneration policy, the Company generally takes into account compensation and employment conditions within the industry and in comparable companies.

Guideline 8.2
Long-term Incentive Scheme

The Company has adopted the Japan Foods Performance Share Plan (**"JF PSP"**), further details of which are set out herein. As the CEO is also the controlling Shareholder of the Company, he and his associates are not eligible to participate in the JF PSP.

Guideline 8.3
Remuneration of Non-Executive Directors

The non-executive Directors receive directors' fees in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board committees. The Directors' fees are recommended by the Board and are subject to the approval of Shareholders at the AGM.

Guideline 8.4
Contractual Provision to Reclaim Incentive Components of Remuneration

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION
Principle 9: Clear Disclosure of Remuneration Policy, Level and Mix of Remuneration, and Procedure for Setting Remuneration

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

The breakdown of the annual remuneration (including all forms of remuneration from the Company and any of its subsidiary corporation) of each of the Directors for FY2017 is set out below:

Name of Director	Total remuneration in FY2017 (S$'000)	Director's fees (%)	Salary (%)	Incentive bonus and other benefits (%)	Total (%)
Takahashi Kenichi	588	–	44	56	100
Wong Hin Sun, Eugene	33	100	–	–	100
Tan Lye Huat	35	100	–	–	100
Lee Sok Koon, Constance	33	100	–	–	100
Shigemitsu Katsuaki	18	100	–	–	100

The Company had, on 19 December 2008, entered into a service agreement with Mr Takahashi Kenichi, in relation to his appointment as the Chairman and CEO. The service agreement took effect from the date of the Company's admission to Catalist, being 23 February 2009, for an initial period of three years, and has been renewed on a yearly basis thereafter.

For FY2017, the remuneration band (including any bonus, allowance and other incentives) of the top five key management personnel (who are not Directors or CEO) is set out below:

Name of key Management Personnel	Remuneration bands	Salary[2] (%)	Bonus and other benefits (%)	JF PSP (%)	Total (%)
Chan Chau Mui	Band A[1]	93.3	6.7	Nil	100
Chan Fuang Chiang	Band A[1]	67.2	8.1	24.7	100
Fong Siew Geen	Band A[1]	66.3	8.9	24.8	100
Kenneth Liew Kian Er	Band A[1]	61.5	6.9	31.6	100
Otsuka Ichiro	Band A[1]	62.7	9.5	27.8	100
Total S$'000		528	61	181	770

Notes :

(1) Band A : Remuneration from S$0 – S$250,000

(2) Salary is inclusive of CPF contribution.

CORPORATE GOVERNANCE REPORT

Total remuneration (including CPF, Bonus and benefit-in-kind) paid to the top five management personnel for FY2017 was approximately S$770,000.

The Chairman and CEO and key management personnel are not entitled to any benefits upon termination, retirement or post-employment.

Guideline 9.4
Employee Related to Directors/CEO

Ms Chan Chau Mui is a deemed associate of Mr Takahashi Kenichi, the Chairman and CEO of the Company. Ms Chan's annual remuneration for FY2017 was between S$100,000 and S$150,000.

Guideline 9.5
Japan Foods Performance Share Plan ("JF PSP")

The Company has adopted the JF PSP which was approved at an Extraordinary General Meeting held on 24 July 2013. The JF PSP is administered by the RC currently comprising Mdm Lee Sok Koon, Constance, Mr Tan Lye Huat and Mr Wong Hin Sun, Eugene.

The JF PSP provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including non-executive Directors and Independent Directors) and who satisfy the eligibility criteria as set out under the rules of the JF PSP, to participate in the equity of the Company. Controlling shareholders of the Company and their associates shall not be eligible to participate in the JF PSP. Non-executive Directors are allowed to participate in the JF PSP to give recognition to their services and contributions and to align their interests with that of the Group. In order to minimise any possible conflicts of interest, the non-executive Directors will be primarily remunerated for their services by way of directors' fees. The Board does not envisage that the aggregate number of Shares comprised in awards set aside for the non-executive Directors collectively will exceed 1% of total issued share capital of the Company from time to time. The aggregate number of ordinary shares in the issued share capital of the Company ("**Shares**") over which the RC may grant on any date, when added to the number of Shares issued and issuable in respect of all Shares granted under the JF PSP and any other share schemes to be implemented by the Company shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) on the day preceding that date.

The Company delivers Shares to participants upon vesting of the awards under the JF PSP by way of issuance of new Shares deemed to be fully paid upon their issuance and allotment or transfer of treasury shares pursuant to the share buyback.

Pursuant to the JF PSP, an aggregate of 490,000 treasury shares, constituting approximately 0.3% of the total number of issued shares of the Company as at 31 March 2017, were awarded on 7 July 2016. Subsequent to the end of FY2017, on 12 June 2017, the Company transferred another 520,000 treasury shares to the Group's employees pursuant to awards granted under the JF PSP, and such number of shares awarded constituted approximately 0.3% of the Company's total number of issued shares as at the date of the awards. The Company has announced the details as required under Rule 704(32) in relation to the grant of awards on 7 July 2016 and 12 June 2017.

Since the commencement of the JF PSP and up to the date of this report, an aggregate of 2,220,000 fully-paid shares, constituting approximately 1.3% of the total number of issued shares of the Company as at the date of this report, had been granted by the Company. Since the commencement of the JF PSP, none of the Directors has been awarded any shares under the JF PSP.

None of the participants under the JF PSP was granted 5% or more of the total number of Shares available under the JF PSP. Further, the Company does not have any parent company and accordingly, the participants of the JF PSP do not include any directors or employees of any parent company and its subsidiary corporations.

Guideline 9.6

Link between remuneration and performance

The RC reviews the remuneration of the Executive Director and key executives of the Group, and makes recommendation on an appropriate framework of remuneration. The RC's recommendation is submitted to the Board for endorsement. The RC has adopted a set of performance criteria which link a significant portion of the Executive Director's remuneration package to corporate and individual performance thus aligning his interest with those of Shareholders, and which also take into account effort and time spent and responsibilities of the non-Executive Directors.

ACCOUNTABILITY AND AUDIT

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

The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the ARC reviews all of the Group's financial statements and results announcements and recommends them to the Board for approval. In addition, the ARC ensures that the Group maintains a sound system of internal controls to safeguard Shareholders' interests and the Group's assets as well as to manage potential risks.

During the year, quarterly unaudited results and the audited full year results of the Group have all been announced within the deadline for each period.

Guideline 10.1
Accountability for Accurate Information

In discharging its responsibility, the Board ensures that the Group's financial results provide a balanced and understandable assessment of the Group's performance, position and prospects and that the results are released on a timely basis. The Company's annual report, public announcements of financial results and disclosure of other relevant information of the Group are released to shareholders on a timely basis.

On a quarterly basis, the CEO and the CFO furnish a representation letter to the ARC and the Board, confirming inter alia, that the financial processes and controls, and the integrity of the Group's financial statements are in place, highlighting material financial risks and impacts and providing updates on significant financial issues of the Group.

In accordance with SGX-ST's requirements, the Board issued negative assurance statement in its interim and quarterly financial results announcements confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements to be false or misleading in any material aspect.

CORPORATE GOVERNANCE REPORT

Guideline 10.2
Compliance with Legislative and Regulatory Requirements

During the year, the Board reviewed reports from the Management to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements.

The Company has in February 2016 received signed undertakings from all its Directors and relevant executive officers based on the revised form of Appendix 7H, pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual. The undertakings replaced and superseded the ones previously signed by the Directors and executive officers which were announced by the Company on 6 November 2015.

Guideline 10.3
Management Accounts

The Management updated the Board on the Group's business activities and financial performance by providing updates on any business, operations, and financial related matters on a quarterly basis. Such reports compare the Group's actual performance against the approved budget and where appropriate, against forecast. 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 the financial results to the public, the Management will present the Group's financial performance together with notes explaining in detail the operations and trends to the ARC, which will review and recommend the same to the Board for approval and adopt for release of the results.

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11: Sound System of Risk management and Internal Controls

Guideline 11.1
Risk Management and Internal Control Systems

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the interests of the Group's assets. The ARC oversees and ensures that the risk management and internal controls have been implemented and monitored.

A summary of the Company's risk management and internal control systems is set out below.

Risk Management

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

The Group has a risk management framework (**"ERM Framework"**) in place which is aligned with ISO 31000.

Under the ERM framework:

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

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

Internal Controls

Internal controls have been implemented to enhance the Group's functions in the areas of finance, operations, compliance and information technology. The internal control measures aim to secure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

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

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

The risk management and internal control systems have been integrated throughout the Group and have been an essential part of its business planning and monitoring process.

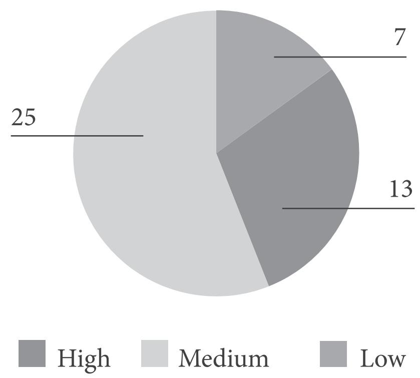
An ERM exercise was performed in FY2017 involving 9 middle and senior managers of the Group, including the C-Suite executives. All key operating entities of the Group, except for the less active or dormant entities, were covered.

Arising from the ERM exercise, a total of 45 risks were identified under the four main risk categories of Strategic, Operational, Financial and Compliance risks.

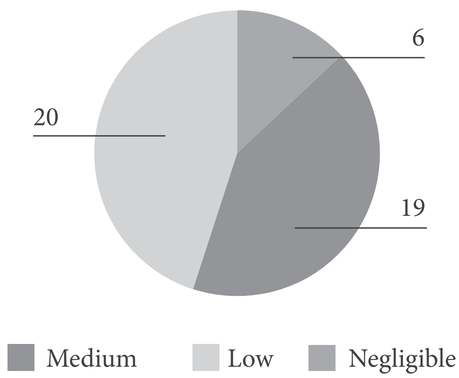
CORPORATE GOVERNANCE REPORT

The overall results of the ERM exercise for FY2017 by risk level are shown as follows:

Gross risks



Residual risks



Key risks identified, arising from the ERM exercise, are as follows:

S/N	Risk title and description	Gross risk level	Residual risk level	Risk treatment
1	<u>Improper food handling leading to food poisoning cases</u> The Group operates a central kitchen that supplies to the chain of outlets. Improper food handling at the central kitchen and outlets may result in food contamination and consequentially lead to food poisoning when the food is consumed by customers. A serious food poisoning case will lead to regulatory actions from relevant authority such as fines, suspension and adversely impact the reputation and financial performance.	High	Medium	We focus on maintaining an adequate and effective food handling internal control system. Key mitigating controls in place include measures on human resources, policies and procedures, training, insurance and conduct of laboratory tests on food by third parties.
2	<u>Lack of choice outlet locations</u> The success of a food and beverage business is dependent on the outlet locations. Non-choice locations with low human traffic lead to lesser sales volume which will adversely affect the financial performance of the Company. Shopping mall operators will not introduce choice locations to the Group if there is no good brand equity. Brand equity is largely dependent on factors such as (i) level of marketing activities, (ii) customer service and (iii) menu offering.	High	Medium	We work to maintain a good relationship with mall owners, operators and also on building a strong brand equity. Contributory factors to a strong brand equity include the level of marketing activities, customer services and menu offerings. Key mitigating controls in place include measures on human resources, budgetary controls, training and procedures to handle customer complaints.

S/N	Risk title and description	Gross risk level	Residual risk level	Risk treatment
3	<u>Turnover of managerial staff</u> The Group's operations are led by a team of senior managers and assisted by a team of experienced middle managers. If the Group is unable to attract, retain or hire the necessary managers, the Group's operational and financial performance will be adversely affected.	High	Medium	We focus on maintaining an adequate and effective human resource internal control system. Key mitigating controls in place include measures on remuneration and benefit review and incentive schemes.
4	<u>Shortage of operational staff</u> The Group employs a significant number of foreign workers at the central kitchen and outlets. The number of such foreign workers employed is subject to quotas set by the relevant government authorities. If the Group is unable to attract, retain or hire the necessary personnel, a shortage of wait staff will adversely affect the Group's business and financial performance.	High	Medium	The Group is constantly exploring new sources for operational staff and also focuses on maintaining an adequate and effective human resource internal control system. Key mitigating controls in place include measures on remuneration and benefit review, manpower planning, analysis and reporting, policies and procedures.
5	<u>Escalating costs</u> Key cost components of the operations include purchases of ingredients, rental, salaries and other operating expenses such as utilities, utensils and consumables. Inadequate cost controls in place will lead to operating losses thus adversely affecting the financial performance of the Group.	High	Medium	Management is cost conscious and seeks to maximise value for costs incurred. The Group also focuses on maintaining an adequate and effective cost control and purchasing internal control systems. Key mitigating controls in place include measures on human resources, policies and procedures, enterprise resource planning system, budgetary controls, reporting.

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

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

CORPORATE GOVERNANCE REPORT

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

Fraud risk management processes include conflict of interest declaration by Directors and the implementation of whistle blowing policy (details in Guideline 12.7 below) and rules of conduct to establish a clear tone from the top with regard to employees' business and ethical conduct.

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

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

The Board has received assurance from the CEO and the CFO in respect of FY2017 that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems are effective.

Based on the ERM Framework, Assurance Framework and internal controls established and maintained in the Group, CSA conducted by the Management, work performed by the internal auditors, the statutory audit undertaken by the external auditors, certification by a third party professional service firm, and the written representation from the CEO and the CFO providing assurance on the Group's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, the Board, is of the view that the Group has a sound system of risk management and internal controls.

The Board, with the concurrence of the ARC, is satisfied that adequate and effective risk management systems and internal controls have been in place to address the risks relating to financial, operational, compliance and information technology controls for FY2017.

Guideline 11.4
Risk Committee

The responsibility of overseeing the Company's ERM and Assurance Framework is undertaken by the ARC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing risk management and internal control systems, the Board is of the view that a separate risk committee is not required for the time being.

In May 2015, the Audit Committee was renamed as Audit and Risk Committee.

CORPORATE GOVERNANCE REPORT

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

Guideline 12.1
ARC Membership

The ARC comprises the following three Directors, the majority of whom, including the Chairperson, are independent:

Mr Tan Lye Huat, Chairperson	Independent and non-Executive
Mdm Lee Sok Koon, Constance	Independent and non-Executive
Mr Wong Hin Sun, Eugene	Non-Independent and non-Executive

Guideline 12.2
Expertise of ARC Members

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

Guidelines 12.3 & 12.4
Roles and Responsibilities of the ARC

The ARC is guided by its Terms of Reference and meets periodically to undertake the following principal functions:

(a) reviewing the annual audit plan, scope and results of the audit undertaken by the External Auditors, including non-audit services performed by them to ensure that there is a balance between maintenance of their objectivity and cost effectiveness;

(b) reviewing the effectiveness and adequacy of the internal audit function, which is outsourced to a professional services firm;

(c) reviewing with the internal auditors the scope and procedures of the audit plans, the results and adequacy of the Group's material internal controls and with Management the adequacy of financial, operational and compliance risk management;

(d) reviewing the financial statements and other relevant announcements to Shareholders and the SGX-ST, prior to submission to the Board;

(e) reviewing any significant financial reporting issues and judgements and estimates made by the Management, so as to ensure the integrity of the financial statement of the Group and any announcements relating to the Group's financial performance;

(f) assessing the independence and objectivity of the External Auditors and recommending to the Board the appointment/re-appointment/removal of External Auditors;

(g) reviewing the assistance given by the Company's officers to the External/Internal Auditors; and

CORPORATE GOVERNANCE REPORT

(h) reviewing and recommending for the Board's approval the interested person transactions as specified under Chapter 9 of the Catalist Rules and/or the procedures set out in the general mandate approved by Shareholders.

The ARC has explicit authority to investigate any matter within its Terms of Reference. It has full access to, and the co-operation of Management. It also has direct and independent access to the Internal/External Auditors and full discretion to invite any Director or any member of the Management to attend its meetings, and reasonable resources to enable it to discharge its function properly.

Guideline 12.5
External and Internal Auditors

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

Guideline 12.6
Independence of External Auditors

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

The ARC also reviews the scope and value of non-audit services provided by the Company's external auditors, Nexia TS Public Accounting Corporation through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors to the Group as part of the ARC's assessment of independence of the external auditors. The relevant details are set out in the table below. The ARC is of the view that the non-audit services provided by the external auditors during FY2017 did not prejudice their objectivity and independence. The ARC has therefore recommended to the Board the nomination of Nexia TS Public Accounting Corporation for re-appointment as auditors of the Company at the forthcoming AGM.

A breakdown of the fees paid to the Group's external auditors (including its associated firms) are disclosed in the table below:

External Auditor Fees for FY2017	$'000	% of Total Fees
Total Audit Fees	79	81.4
Total Non-Audit Fees	18	18.6
Total Fees Paid	97	100.0

The Company confirms that the Group has complied with Rules 712 and 715 of the Catalist Rules 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 has put in place a whistle blowing policy (**"Policy"**). The Policy provides the mechanism by which concerns about possible improprieties in matters of financial reporting or other matters may be raised by employees of the Group and a Whistle-Blowing Committee (**"WBC"**) has been established for this purpose. In addition, a dedicated and secured e-mail address also allows whistle blowers to contact the WBC and members of the ARC directly.

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

Whistle-Blowing Committee

The WBC consists of the CEO, the Chief Operating Officer and Chief Financial Officer of the company. The WBC is empowered to:

(a) investigate all issues/concerns relating to the Group (except for issues/concerns that are directed specifically or affecting any member of the WBC, which shall be dealt with by the ARC);

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

(c) 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 seriously. A copy of the Policy has been disseminated to all staff to encourage the report of any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle-blowers could also contact all members of the ARC directly via email and in confidence and his/her identity is protected from reprisals within the limits of the law.

Guideline 12.8
Disclosure on ARC activities and measures taken by ARC to keep abreast of Changes to Accounting Standards

The ARC met four times during FY2017. The CEO, CFO, Company Secretary, Sponsor, internal and external auditors were invited to attend these meetings.

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

CORPORATE GOVERNANCE REPORT

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

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

INTERNAL AUDIT
Principle 13: Independent Internal Audit Function

Guidelines 13.1 & 13.2
Internal Auditors and Compliance

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

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

Guidelines 13.3 & 13.4
Internal Audit Function

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

At the beginning of each year, an annual internal audit plan, which entails the review of the selected functions or business units of the Group, is developed and agreed by the ARC. Having reviewed the audit plan of YLA, the ARC is satisfied that the Company's internal audit function is adequately resourced to perform the work for the Group.

Guideline 13.5
Adequacy and Effectiveness of the Internal Audit Function

The ARC reviews annually the adequacy of the internal function to ensure that the internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA to perform its function. The ARC also reviews the IA's reports and remedial actions implemented by Management to address any internal control inadequacies identified.

The IA completed one review during FY2017 in accordance with the internal audit plan approved by the ARC. The Management has adopted the recommendations of the IA set out in the IA's report.

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SHAREHOLDER RIGHT AND RESPONSIBILITIES
Principle 14: Shareholders Rights
Principle 15: Regular, Effective and Fair Communication with Shareholders
Principle 16: Conduct of Shareholder Meeting

Guideline 14.1
Sufficient Information to Shareholders

The Company endeavours to maintain full and adequate disclosure, in a timely manner, of material events and matters concerning its business. All the necessary disclosures required by the Catalist Rules will be made in public announcements, press releases and annual reports to Shareholders.

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

Shareholders are informed of Shareholders' meeting through notices published in the newspaper and the Company's announcements via SGXNET and the reports/circulars sent to all Shareholders. Shareholders are invited to attend the general meetings to put forth any question they may have on the motions to be debated and decided upon.

All Shareholders are entitled to vote in accordance with the established voting rules and procedures. They are all informed of the rules, including voting process governing the AGMs.

Guideline 14.3
Proxies for Nominee Companies
The Constitution of the Company allows a Shareholder to appoint up to two proxies to attend and vote at general meetings. The Company also allows investors who hold Shares through nominees such as the Central Provident Fund and custodian banks, to attend AGMs as observers without being constrained by the two-proxy rule, subject to availability of seats.

Guidelines 15.1 & 15.2
Communication with and Information to Shareholders

In line with the continuous disclosure obligations under the Catalist Rules, the Board has and will continue to inform Shareholders promptly of all pertinent information. Such information is disclosed to Shareholders on a timely basis through SGXNET. All disclosures submitted to the SGX-ST on SGXNET are also made available on the Company's corporate website (http://www.jfh.com.sg.).

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Guidelines 15.3 & 15.4
Dialogue with Shareholders and Soliciting Views of Shareholders

The AGM provides a principal forum for dialogue and interaction with Shareholders. At these meetings, Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or input and address Shareholders' concerns at general meetings. In addition to the AGM, the Company also maintains regular dialogue with Shareholders and prospective investors through results briefings. Shareholders can submit their feedback and raise any question to the Company's investor relations contact as provided in the Company's website. To facilitate Shareholders' effective participation at general meetings, the Company holds its general meetings at venues which are convenient and accessible to Shareholders.

Guideline 15.5
Dividend Policy

Subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances, the Board intends to recommend and distribute not less than 50% of the Group's audited consolidated net profits attributable to Shareholders as dividends annually. The amount of dividends will depend on the Group's operating results, financial conditions such as cash position and retained earnings, other cash requirements including capital expenditure, restrictions on payment of dividends imposed on the Group by financing arrangements (if any) and other factors deemed relevant by the Directors. The foregoing statements are merely statements of Board's present intention and do not constitute legally binding obligations on the part of the Company in respect of payment of dividend and which will be subject to modification at the Directors' sole and absolute discretion.

Guideline 16.1
Shareholders' Participation

The Company supports active Shareholder participation at general meetings. Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and goals. The Constitution of the Company allows a Shareholder to appoint up to two proxies to attend and vote at general meetings. The Company also allows investors who hold Shares through nominees such as the Central Provident Fund and custodian banks, to attend AGMs as observers without being constrained by the two-proxy rule, subject to availability of seats. The Company has decided not to implement voting in absentia until security, integrity and other pertinent issues are satisfactorily resolved.

Guideline 16.2
Proceedings at General Meetings

The Board ensures that issues or matters requiring Shareholders' approval are tabled in the form of separate and distinct resolutions at the AGMs.

Guideline 16.3
Attendees at General Meetings

The Chairpersons of the Board and the Board Committees attend all AGMs to address issues raised by Shareholders. The Company's External Auditors are also present to address questions raised by Shareholders at AGMs.

Guideline 16.4
Minutes of General Meetings

The Company Secretary will prepare minutes of general meetings held and a copy of such minutes will be made available at the Company's investor relations homepage and can be accessed at the following link: https://www.jfh.com.sg/html/ir.php

Guideline 16.5
Voting by Poll

The Company puts all resolutions at general meetings to vote by electronic poll and announce the number of votes cast for and against each resolution and the respective percentage. The Company will appoint an independent external party as scrutineer for the electronic poll voting process. Prior to the commencement of the general meeting, the scrutineer would review the proxies and proxy process. The results of the electronic poll voting are announced immediately after each resolution has been put to a vote, the number of votes cast for and against and the respective percentages are displayed in real-time at the general meetings. Detailed results of the poll votes for each resolution will be promptly disclosed on the SGXNET after the general meetings.

DEALING IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in the Shares by the Directors and the key executives of the Group. The Directors, Management and officers of the Group, who have access to price-sensitive, financial or confidential information are not allowed to deal in the Shares during the period commencing two weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's full year results and ending on the date of announcement of such results, and when in possession of unpublished price-sensitive information. In addition, the officers of the Company are advised not to deal in the Shares for short term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC and that the transactions are on an arm's length basis.

CORPORATE GOVERNANCE REPORT

Mr Shigemitsu Katsuaki, the Company's current Non-executive Director, is the president, chief executive officer and major shareholder of Shigemitsu Industry Co., Ltd (**"Shigemitsu Industry"**). The Company has previously obtained a general mandate for recurring transactions between the Group and Shigemitsu Industry (**"Shareholders' Mandate"**). As Mr Shigemitsu Katsuaki is not seeking re-election and will cease to be a Director at the conclusion of the forthcoming AGM, the transactions between the Group and Shigetmitsu Industry will henceforth cease to be interested person transactions within the meaning of Chapter 9 of the Catalist Rules. Accordingly, it is not necessary to and the Company will not seek renewal of the Shareholders' Mandate which will lapse at the forthcoming AGM.

However, as Mr Shigetmisu Katsuaki will be appointed as the Group's adviser, for good governance, all transactions between the Group and Shigemitsu Industry will continue to be subject to the review of the ARC in accordance with the guidelines and procedures previously established under the Shareholders' Mandate.

The aggregate value of all interested person transactions entered into during FY2017 (including transactions of less than S$100,000 each) is as follows:

Name of interested person	Aggregate value of all interested person transactions (including transactions of less than S$100,000 each) during FY2017 (excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules) (S$'000)	Aggregate value of all interested person transactions (including transactions of less than S$100,000 each) conducted during FY2017 under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (S$'000)
Shigemitsu Industry Co., Ltd. [1]**:**		
– Royalty, franchise and licence fees	454[2]	–
– Purchases of food ingredients	18[3]	870 [4]

Notes:

(1) Shigemitsu Katsuaki, the Company's Non-executive Director, is the president, chief executive officer and major shareholder of Shigemitsu Industry. Accordingly, transactions between the Group and Shigemitsu Industry were interested person transactions within the ambit of Chapter 9 of the Catalist Rules.

(2) The royalty, franchise and licence fees paid to Shigemitsu Industry in FY2017 comprise: (i) fees paid for the use of the "Ajisen Ramen" brand amounting to S$374,000 (such fees relating to the "Ajisen Ramen" brand are deemed to have been specifically approved by Shareholders at the time of the Company's initial public offering in February 2009 and are not subject to Rule 905 and Rule 906 of the Catalist Rules to the extent that there is no variation or amendment to the terms of the relevant franchise agreement); (ii) fees paid for the use of the "Keika Ramen" brand amounting to S$62,000; and (iii) the right to use the technique for the production of noodles amounting to S$18,000.

(3) This amount relates to the Group's purchases of soup base for the "Keika Ramen" business from Keika Raumen Co., Ltd (a subsidiary of Shigemitsu Industry).

(4) This amount relates to the Group's purchases of soup base and such other ingredients necessary for the "Ajisen Ramen" business (including transactions less than S$100,000 each) from Shigemitsu Industry pursuant to the IPT Mandate.

Save as disclosed above, there are no material contracts or loans entered into by the Group involving the interests of the CEO, any Director or controlling shareholder of the Company, either still subsisting at the end of FY2017 or if not subsisting, were entered into since 1 April 2017.

SPONSOR

No fees relating to non-sponsorship activities or services were paid to the Company's Sponsor, CIMB Bank Berhad, Singapore Branch, during FY2017.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 March 2017

The directors are pleased to present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2017 and the balance sheet of the Company as at 31 March 2017.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 75 to 125 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

DIRECTORS

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

Takahashi Kenichi
Shigemitsu Katsuaki
Tan Lye Huat
Wong Hin Sun, Eugene
Lee Sok Koon, Constance

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 was 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, other than as disclosed under "Japan Foods Performance Share Plan" on pages 67 to 68 of this statement.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding 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 follows:

	Holdings registered in the name of a director or nominee		Holdings in which director is deemed to have an interest	
	At 31 March 2017	At 1 April 2016	At 31 March 2017	At 1 April 2016
The Company				
(No. of ordinary shares)				
Takahashi Kenichi	114,814,800	114,814,800	8,100,000	8,100,000
Shigemitsu Katsuaki	3,360,600	3,360,600	3,360,600	3,360,600
Wong Hin Sun, Eugene	–	–	9,487,000	8,437,000

DIRECTORS' STATEMENT

For the Financial Year Ended 31 March 2017

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

Mr Takahashi Kenichi, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiary corporations at the beginning and at the end of the financial year.

The directors' interest in the ordinary shares of the Company as at 21 April 2017 were the same as those as at 31 March 2017.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

JAPAN FOODS PERFORMANCE SHARE PLAN ("JF PSP")

The JF PSP is administered by the Remuneration Committee whose members are the following as at the date of this statement:

Lee Sok Koon, Constance	Chairperson, Independent Director
Tan Lye Huat	Member, Lead Independent Director
Wong Hin Sun, Eugene	Member, Non-independent and Non-executive Director

Members of the Remuneration Committee were not and shall not be involved in the Remuneration Committee's deliberations in respect of the performance shares granted to themselves (if any).

The award of fully paid ordinary shares of the Company issued free of charge (the "Awards") to eligible participants under the JF PSP will incentivise participants to excel in their performance and encourage greater dedication and loyalty to the Group. The JF PSP allows the Company to recognise and reward past contributions and services and motivate the participants to continue to strive for the Group's long term goals. The JF PSP will further strengthen and enhance the Group's competitiveness in attracting and retaining employees with suitable talents.

The Awards granted under the JF PSP may be time-based and/or performance-related, and such Awards entitle eligible participants to be allotted fully paid shares upon completion of certain time-based service condition and/or achieve their performance targets over set performance periods. The Awards given are determined at the discretion of the Remuneration Committee, who will take into account criteria such as participant's rank, job performance, years of service and potential for future development, contribution to the success of the Group and the extent of effort required to achieve the performance target within the performance period. The Remuneration Committee also has the discretion to set specific performance-based criteria such as profitability, growth, asset efficiency, return on capital employed, and other financial indicators, penetration into new markets, increasing market share and market ranking, management skills and succession planning.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 March 2017

JAPAN FOODS PERFORMANCE SHARE PLAN ("JF PSP")

In addition to the achievement of any pre-determined performance targets or service conditions, the Awards may also be granted upon the Remuneration Committee's determination of post-event that any eligible participant has performed well and/or made significant contribution to the Group.

Under the rules of the JF PSP, any full time employee, executive and non-executive director of the Company and its subsidiary corporations (including Independent Directors but excluding the Controlling Shareholder and his Associates, as described in the Company's circular in relation to the JF PSP dated 2 July 2013) who has attained the age of 18 years on the date of grant of the Award and who has contributed or will contribute to the success of the Group shall be eligible to participate in the JF PSP.

There shall be no restriction on the eligibility of any participant to participate in any other share plans or share incentive schemes implemented by any of the other companies within the Group if approved by the Remuneration Committee. The granting of Awards may be made by the Remuneration Committee at any time during the period when the JF PSP is in force.

Eligible participants are not required to pay for the grant of the Awards. However, all taxes (including income tax) arising from the grant and/or disposal under the JF PSP shall be borne by the participant.

The total number of new ordinary shares in the capital of the Company that may be issued or are issuable pursuant to the granting of the Awards, when added to aggregate number of shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company on the day immediately preceding the date on which the Award shall be granted.

During the financial year ended 31 March 2017, Awards comprising 490,000 shares were granted to certain key management personnel on 7 July 2016. These Awards were immediately vested on the date of the grant.

No performance shares were awarded to directors of the Company during the financial year ended 31 March 2017.

No performance shares were outstanding as at 31 March 2017.

No performance shares were awarded to Controlling Shareholders of the Company or their Associates.

No participant was granted 5% or more of the total number of shares available under JF PSP.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 March 2017

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Tan Lye Huat	Chairperson, Lead Independent Director
Lee Sok Koon, Constance	Member, Independent Director
Wong Hin Sun, Eugene	Member, Non-independent and Non-executive Director

The Audit and Risk Committee carried out its function in accordance with Section 201B(5) of the Singapore Companies Act. It undertakes to perform *inter alia* the following:

(i) reviews the audit plan of the Company's independent auditor and any recommendation on internal accounting controls arising from the statutory audit;

(ii) reviews the internal audit plans, the scope and results of internal audit procedures;

(iii) reviews the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 March 2017 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

(iv) conducts investigation into any matter within the Audit and Risk Committee's scope of responsibility and review any significant findings of investigations;

(v) assesses the independence and objectivity of the independent auditors;

(vi) recommends to the Board of Directors on the appointment or re-appointment of independent auditor;

(vii) reviews the assistance given by the Company's management to the independent auditor; and

(viii) reviews transactions falling within the scope of Chapter 9 of the Catalist Rules.

The Audit and Risk Committee has conducted an annual review of the non-audit services provided by the independent auditor. During the financial year ended 31 March 2017, the fees charged by the independent auditor for the provision of non-audit services amounted to $18,050 (2016: $18,100). The Audit and Risk Committee is of the opinion that such fees charged by the independent auditor for non-audit services would not prejudice the independence of the independent auditor. Accordingly, the Audit and Risk Committee has recommended to the Board that Nexia TS Public Accounting Corporation, be nominated for re-appointment as the independent auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 March 2017

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

…………………………………..

Takahashi Kenichi
Director

……………………………………

Wong Hin Sun, Eugene
Director

23 June 2017

INDEPENDENT AUDITOR'S REPORT

to the Members of Japan Foods Holding Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Japan Foods Holding Ltd. (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 125.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

to the Members of Japan Foods Holding Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matters

Key audit matter	How our audit addressed the matter
Impairment of property, plant and equipment	
Property, plant and equipment mainly comprises furniture and fittings, kitchen equipment, renovation, motor vehicles and computer and office equipment. The carrying amount of property, plant and equipment was S$9.86 million (2016: S$11.81 million) which represents 24% (2016: 30%) of total assets as at 31 March 2017. In accordance with FRS 36 – "Impairment of Assets", an annual impairment review is performed on assets when there is indication of impairment. The risk of impairment of property, plant and equipment is greater when there are impairment indicators such as continuous operating losses or changes in business plan. When such indicators are identified, management will exercise further judgement in making an estimate of the recoverable amount of the asset against its carrying amount. The recoverable amount determined is based on cash flow projection prepared by management and highly dependent on management's expectations of future restaurant sales and estimated cost necessary to make the sale. Therefore, greater level of audit efforts are required in respect of the assumptions and estimates used in arriving the recoverable amount of these property, plant and equipment.	Our audit procedures focused on evaluating the key assumptions and estimates used by the management in their impairment assessment. These procedures included: • Reviewed management's assessment of impairment indicators; • Assessed the reasonableness of management's estimation on the recoverable amount of the associated property, plant and equipment. Our procedures include, but not limit to, reviewing the future cash flows forecasted by management, which includes testing the underlying assumptions of the calculation as well as the reasonableness of discount rate used; and • Reviewed management's disclosures in the consolidated financial statements. We did not identify any further indicator which has not been considered by management. For those property, plant and equipment that are subjected to impairment assessment, we found that the assumptions and estimates used are within a reasonable range of our expectations. We also found the disclosures in the consolidated financial statements are appropriate.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

to the Members of Japan Foods Holding Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

to the Members of Japan Foods Holding Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement director on the audit resulting in this independent auditor's report is Ross Yu Limjoco.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
23 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2017

	Note	The Group 2017 $'000	The Group 2016 $'000
Revenue	4	65,467	62,804
Cost of sales		(9,876)	(9,921)
Gross profit		55,591	52,883
Other income	5	996	1,331
Other losses	6	(11)	(42)
Expenses			
- Selling and distribution		(46,541)	(44,897)
- Administrative		(3,299)	(3,084)
- Other operating		(1,641)	(2,115)
Share of profit of associated companies	16	606	587
Profit before income tax		5,701	4,663
Income tax expense	9(a)	(1,045)	(888)
Total comprehensive income, representing net profit		4,656	3,775
Profit attributable to:			
Equity holders of the Company		4,656	3,775
Total comprehensive income attributable to:			
Equity holders of the Company		4,656	3,775
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
- Basic and diluted earnings per share	10	2.68	2.17

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

BALANCE SHEETS

As at 31 March 2017

	Note	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	20,227	16,854	2,052	1,417
Trade and other receivables	12	711	867	5,063	5,458
Inventories	13	595	643	–	–
Other current assets	14	2,246	2,809	44	43
		23,779	21,173	7,159	6,918
Non-current assets					
Investments in subsidiary corporations	15	–	–	5,727	5,727
Investments in associated companies	16	1,891	1,285	48	48
Loan to an associated company	17	248	248	248	248
Held-to-maturity financial assets	18	1,006	504	–	–
Property, plant and equipment	19	9,859	11,805	44	24
Intangible assets	20	169	233	–	–
Club membership	21	322	322	322	322
Long-term security deposits	22	3,502	3,281	–	–
		16,997	17,678	6,389	6,369
Total assets		40,776	38,851	13,548	13,287
LIABILITIES					
Current liabilities					
Trade and other payables	23	7,037	6,230	603	540
Current income tax liabilities	9(b)	1,231	908	–	3
		8,268	7,138	603	543
Non-current liability					
Deferred tax liabilities	24	860	860	–	–
Total liabilities		9,128	7,998	603	543
NET ASSETS		31,648	30,853	12,945	12,744
EQUITY					
Share capital	25(a)	9,522	9,522	9,522	9,522
Treasury shares	25(b)	(567)	(194)	(567)	(194)
Retained profits	26	22,693	21,525	3,990	3,416
TOTAL EQUITY		31,648	30,853	12,945	12,744

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2017

	Note	Share capital $'000	Treasury shares $'000	Retained profits $'000	Total equity $'000
The Group					
2017					
Beginning of financial year		9,522	(194)	21,525	30,853
Performance shares issued	25(b)	–	182	–	182
Dividends relating to 2017 paid	27	–	–	(1,308)	(1,308)
Dividends relating to 2016 paid	27	–	–	(2,180)	(2,180)
Purchase of treasury shares	25(b)	–	(555)	–	(555)
Total comprehensive income for the financial year		–	–	4,656	4,656
End of financial year		9,522	(567)	22,693	31,648
2016					
Beginning of financial year		9,307	–	21,268	30,575
Performance shares issued	25(a)	215	–	–	215
Dividends relating to 2016 paid	27	–	–	(1,308)	(1,308)
Dividends relating to 2015 paid	27	–	–	(2,210)	(2,210)
Purchase of treasury shares	25(b)	–	(194)	–	(194)
Total comprehensive income for the financial year		–	–	3,775	3,775
End of financial year		9,522	(194)	21,525	30,853

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 March 2017

	The Group	
	2017 $'000	2016 $'000
Cash flows from operating activities		
Net profit	4,656	3,775
Adjustments for:		
- Income tax expense	1,045	888
- Depreciation of property, plant and equipment	5,109	5,248
- Amortisation of intangible assets	64	60
- Amortisation of held-to-maturity financial assets	–*	1
- Property, plant and equipment written-off	86	131
- Loss on disposal of property, plant and equipment	6	7
- Allowance for impairment of property, plant and equipment	259	810
- Employee performance shares expense	182	215
- Share of profit of associated companies	(606)	(587)
- Amortisation of government grants	(46)	(113)
- Interest income from bank deposits	(89)	(94)
	10,666	10,341
Changes in working capital:		
- Inventories	48	(7)
- Trade and other receivables	(18)	(102)
- Other current assets	563	(867)
- Long-term security deposits	(221)	555
- Trade and other payables	853	(95)
Cash generated from operations	11,891	9,825
Income tax paid	(722)	(306)
Interest received	89	94
Net cash provided by operating activities	11,258	9,613
Cash flows from investing activities		
- Additions to intangible assets	–	(100)
- Additions to property, plant and equipment	(3,514)	(4,797)
- Additions to club memberships	–	(63)
- Purchases of financial assets, held-to-maturity	(502)	–
- Disposal of property, plant and equipment	–*	–*
- Dividends received from associated company	174	–
Net cash used in investing activities	(3,842)	(4,960)
Cash flows from financing activities		
- Purchase of treasury shares	(555)	(194)
- Increase in short-term bank deposits pledged	(301)	(64)
- Dividends paid to equity holders of the Company	(3,488)	(3,518)
Net cash used in financing activities	(4,344)	(3,776)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 March 2017

	The Group	
	2017 $'000	2016 $'000
Net increase in cash and cash equivalents	3,072	877
Cash and cash equivalents		
Beginning of financial year	15,067	14,190
End of financial year (Note 11)	18,139	15,067

* The effects of amortisation of held-to-maturity financial assets, proceeds from disposal of property, plant and equipment and currency translation on cash and cash equivalents is less than $1,000 respectively.

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

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

1 GENERAL INFORMATION

The Japan Foods Holding Japan Foods Holding Ltd. (the "Company") is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 420 North Bridge Road, #02-01, North Bridge Centre, Singapore 188727.

The principal activity of the Company is investment holding. The principal activities of its subsidiary corporations are disclosed in Note 15 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 to the financial statements.

Interpretations and amendments to published standards effective in 2017

On 1 April 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.2 Revenue recognition

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Restaurant sales

Restaurant sales represent the invoiced value of food and beverages, net of discounts and goods and services tax.

(b) Sales of food ingredients

Sales of food ingredients represent the invoiced value of raw materials and sundry consumables, net of discounts and goods and services tax.

(c) Franchise income

Initial franchise income is recognised upon the grant of rights, completion of the 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. Recurring franchise income is recognised on a pre-determined amount in accordance with terms as stated in the franchise agreements.

(d) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(e) Membership card sales

Revenue from the sale of membership cards is recognised when the members obtain the right to have access to the membership.

(f) Interest income

Interest income is recognised using the effective interest method.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

2 SIGNIFICANT ACCOUNTING POLICIES

2.3 Government grants

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.4 Group accounting

(a) Subsidiary corporations

(ii) Acquisitions

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous held equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investment in subsidiary corporations and associated companies" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

2 SIGNIFICANT ACCOUNTING POLICIES

2.4 Group accounting

(b) Associated companies

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investment in subsidiary corporations and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Furniture and fittings	5 years
Kitchen equipment	5 years
Renovation	3 – 5 years
Motor vehicles	5 years
Computer and office equipment	3 – 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES

2.5 Property, plant and equipment

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other losses".

2.6 Intangible assets

Trademarks and franchise rights

Trademarks and franchise rights acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful life are amortised to profit or loss using the straight-line method over 6 years. Intangible assets with indefinite useful life are reviewed annually to determine whether the useful life assessments continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2.7 Club membership

Club membership is stated at cost less impairment loss, if any.

2.8 Investments in subsidiary corporations and associated companies

Investments in subsidiary corporations and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

Intangible assets
Club membership
Property, plant and equipment
Investments in subsidiary corporations and associated companies

Intangible assets, club membership, property, plant and equipment and investments in subsidiary corporations and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. Intangible assets with indefinite useful life are tested for impairment annually and whenever there is indication that the intangible assets may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.9 Impairment of non-financial assets

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(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. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 12) and "Cash and cash equivalents" (Note 11) on the balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES

2.10 Financial assets

(a) Classification

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits 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 has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.10 Financial assets

(e) Impairment

Loans and receivables/Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for banking facilities of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporation's banking facilities, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

When the Group is the lessee:

The Group leases restaurant premises and kitchen facilities under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.16 Inventories

Inventories comprising raw materials and sundry consumables are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and includes all costs of purchase in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses. The amount of any write-down of inventories to net realisable value and losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES

2.18 Provisions for other liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Short-term compensated absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to balance sheet date.

(c) Profit sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(d) Performance share

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby certain prescribed performance targets are met and/or upon expiry of prescribe vesting periods.

The fair value of the employee services rendered is determined by reference to the fair value of the share awarded or granted. The amount is determined by reference to the fair value of the performance shares on the grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.19 Employee compensation

(d) Performance share

The fair value is recognised in profit or loss over the remaining vesting period of the performance shares scheme, with the corresponding increase in equity. The value of charge is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vesting, with the adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

2.20 Currency translation

(a) Functional and presentation currency

Items included in the 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 financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

However, in the consolidated financial statements, currency translation differences arising from other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2 SIGNIFICANT ACCOUNTING POLICIES

2.20 Currency translation

(c) **Translation of Group entities' financial statements**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the balance sheet date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of changes in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalent.

2.23 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES

2.23 Share capital and treasury shares

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and, where applicable, cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

During the financial year, the Group has recognised impairment loss of $259,000 (2016: $810,000) for property, plant and equipment. If the estimated operating profit used in the value-in-use calculation for the relevant assets had been 10% lower than management's estimates as at 31 March 2017, the Group would have recognised a further impairment loss on property, plant and equipment of $117,000 (2016: $319,000). Further details are provided in Note 19 to the financial statements.

The carrying amounts of property, plant and equipment are disclosed in Note 19 to the financial statements.

4 REVENUE

	The Group	
	2017 $'000	2016 $'000
Restaurant sales	65,364	62,697
Sales of food ingredients	103	107
	65,467	62,804

5 OTHER INCOME

	The Group	
	2017 $'000	2016 $'000
Royalty income	218	276
Franchise income	152	170
Interest income from bank deposits	89	94
Membership card sales	52	45
Government grants	368	602
Amortisation of government grants	46	113
Others	71	31
	996	1,331

6 OTHER LOSSES

	The Group	
	2017 $'000	2016 $'000
Amortisation of held–to–maturity financial assets	–*	(1)
Currency exchange losses – net	(5)	(34)
Loss on disposal of property, plant and equipment	(6)	(7)
	(11)	(42)

* The effects of amortisation of held-to-maturity financial assets is less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

7 EXPENSES BY NATURE

	The Group	
	2017 $'000	2016 $'000
Purchases of inventories	9,828	9,928
Allowance for impairment of property, plant and equipment (Note 19)	259	810
Amortisation of intangible assets (Note 20)	64	60
Consumables	735	791
Credit card and NETS commission	618	555
Depreciation of property, plant and equipment (Note 19)	5,109	5,248
Employee compensation (Note 8)	17,464	17,336
Fees on audit services paid/payable to:		
– Auditor of the Company	79	71
Fees on non–audit services paid/payable to:		
– Auditor of the Company	18	18
Inventories write–down (Note 13)	3	2
Property, plant and equipment written–off	86	131
Rental expense on operating leases	19,956	18,318
Repair and maintenance	1,015	1,141
Royalty fees	1,185	1,103
Sub–contractors	145	103
Utilities	2,364	2,338
Changes in inventories	48	(7)
Others	2,381	2,071
Total cost of sales, selling and distribution, administrative and other operating expenses	61,357	60,017

8 EMPLOYEE COMPENSATION

	The Group	
	2017 $'000	2016 $'000
Wages and salaries	14,387	14,566
Directors' fees	119	119
Employer's contribution to Central Provident Fund	1,111	1,145
Employee performance shares	182	215
Other short–term benefits	1,665	1,291
	17,464	17,336

9 INCOME TAXES

(a) Income tax expense

	The Group	
	2017 $'000	2016 $'000
Tax expense attributable to profit is made up of:		
– Profit from current financial year:		
Current income tax	1,286	879
– (Over)/under provisions in prior financial years:		
Current income tax	(241)	9
	1,045	888

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax is as follows:

	The Group	
	2017 $'000	2016 $'000
Profit before income tax	5,701	4,663
Share of profit of associated companies, net of tax	(606)	(587)
Profit before tax and share of profit of associated companies	5,095	4,076
Tax calculated at a tax rate of 17% (2016: 17%)	866	693
Effects of:		
– Tax incentives	(39)	(158)
– Expenses not deductible for tax purposes	553	466
– Income not subject to tax	(40)	(19)
– Statutory tax exemption	(54)	(86)
– (Over)/under provisions in prior financial years	(241)	9
– Others	–	(17)
Tax charge	1,045	888

(b) Movement in current income tax liabilities

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Beginning of financial year	908	326	3	4
Income tax paid	(722)	(306)	(2)	(4)
Income tax expense	1,286	879	–	3
(Over)/under provisions in prior financial years	(241)	9	(1)	–
End of financial year	1,231	908	–	3

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

10 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary share outstanding during the financial year.

	The Group	
	2017	**2016**
Net profit attributable to equity holders of the Company ($'000)	4,656	3,775
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	174,023	174,241
Basic and diluted earnings per share (cents per share)	2.68	2.17

There were no dilutive potential ordinary shares during the financial year.

11 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Cash at bank and on hand	13,187	9,273	998	371
Short–term bank deposits	7,040	7,581	1,054	1,046
	20,227	16,854	2,052	1,417

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	The Group	
	2017 $'000	**2016 $'000**
Cash and bank balances (as above)	20,227	16,854
Less: Bank deposits pledged	(2,088)	(1,787)
Cash and cash equivalents per consolidated statement of cash flows	18,139	15,067

Short-term bank deposits amounting to $2,088,000 (2016: $1,787,000) have been pledged to financial institutions as security for performance guarantee.

12 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables				
– Non–related parties	706	658	–	–
Non–trade receivables				
– Subsidiary corporations	–	–	5,063	5,284
– Non–related parties	5	35	–	–
– Dividend receivable from an associated company	–	174	–	174
	5	209	5,063	5,458
	711	867	5,063	5,458

The non-trade amounts due from subsidiary corporations are unsecured, interest-free and are repayable on demand.

13 INVENTORIES

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Raw materials and consumables	595	643	–	–

The cost of raw materials recognised as an expense and included in "Cost of sales" amounted to $9,876,000 (2016: $9,921,000).

The Group recognised an expense of $3,000 (2016: $2,000) in respect to the write-down of inventories to net realisable value.

14 OTHER CURRENT ASSETS

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deposits	1,867	2,282	–	–
Prepayments	379	527	44	43
	2,246	2,809	44	43

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	The Company	
	2017 **$'000**	**2016** **$'000**
Equity investments at cost		
Beginning of financial year	5,786	5,337
Additions	–*	449
	5,786	5,786
Less: Allowance for impairment	(59)	(59)
End of financial year	5,727	5,727

* The additions in the financial year ended 31 March 2017, represents the investment in a newly incorporated subsidiary corporation, which is less than $1,000.

On 23 December 2015, the Company subscribed an additional 449,000 new ordinary shares in the capital of its wholly-owned subsidiary corporation, Japan Foods Enterprises Pte Ltd, for a total cash consideration of $449,000.

The Group had the following subsidiary corporations as at 31 March 2017:

Name of Subsidiary Corporations	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent and the Group 2017 %	2016 %
Bachmann Enterprises Pte Ltd [(a)]	Trading and management of franchisees and sub–franchisees	Singapore 19 July 1997	100	100
Bachmann Japanese Restaurant Pte Ltd [(a)]	Operating restaurants	Singapore 20 October 1997	100	100
Japan Foods Enterprises Pte. Ltd.[(a)]	Operating restaurants	Singapore 6 May 2005	100	100
Japan Foods Bridge Pte. Ltd. (formerly known as Katsuman Pte. Ltd.) [(b)]	Operating restaurants – Currently dormant	Singapore 10 March 2017	100	–
Bachmann Japanese Restaurant (M) Sdn. Bhd.[(c)]	Operating restaurants – Currently dormant	Malaysia 21 April 2008	100	100

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.

(b) The newly incorporated subsidiary corporation has not commenced its operation and is not significant to the Group. Therefore, it is not audited for the financial year ended 31 March 2017.

(c) The subsidiary corporation is in the process of liquidation.

16 INVESTMENTS IN ASSOCIATED COMPANIES

	The Company	
	2017 $'000	2016 $'000
Equity investments at cost		
Beginning and end of financial year	48	48

	The Group	
	2017 $'000	2016 $'000
Interests in associated companies		
Beginning of financial year	1,285	872
Share of results	606	587
Dividend receivable	–	(174)
End of financial year	1,891	1,285

The associated companies as listed below have share capital consisting solely of ordinary shares which are held directly by the Group.

Details of the associated companies are as follows:

Name of entity	Place of business/ country of incorporation	% of ownership interest 2017	% of ownership interest 2016
ACJF Holding Limited[(a)]	Hong Kong/ British Virgin Islands	25	25
First Harmony Holdings Limited[(a)]	Hong Kong/ British Virgin Islands	30	30
Highly Yield Limited[(a)]	Hong Kong/ British Virgin Islands	20	20

(a) The financial year end of the associated companies is 31 December and its Independent Auditor is Lo and Kwong C.P.A Company Limited, Hong Kong.

There are no contingent liabilities relating to the Group's interest in the associated companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

16 INVESTMENTS IN ASSOCIATED COMPANIES

The directors are of the opinion that the associated companies are not individually material to the Group as at 31 March 2017. Aggregate of unaudited financial information about the Group's investments in associated companies that are not individually material is as follows:

	Total as at 31 March	
	2017 $'000	2016 $'000
Total comprehensive income, representing net profit	2,240	2,516

The Group has not recognised its share of the current financial year loss of $49,000 (2016: profit of $65,000) relating to Highly Yield Limited as the Group's cumulative share of unrecognised losses with respect to that associate was $74,000 (2016: $25,000) at the balance sheet date.

Dividends of $174,000 was received from ACJF Holding Limited for the financial year ended 31 March 2016.

17 LOAN TO AN ASSOCIATED COMPANY

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Beginning and end of financial year	248	248	248	248

For the financial year ended 31 March 2016 and 2017, the loan to an associated company is unsecured, interest-free. Management has indicated that their intention is not to recall for repayment within the next 12 months and the repayment term will be subject to annual review.

The fair value of the loan to associated company is computed based on cash discounted at market borrowing rates. The fair values are within the Level 2 of the fair values hierarchy. The fair values and the market borrowing rates used are as follows:

	The Group		The Company		Borrowing rate	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 %	2016 %
Loan to an associated company	223	223	223	223	5.3	5.4

18 HELD-TO-MATURITY FINANCIAL ASSETS – NON-CURRENT

	The Group	
	2017 $'000	2016 $'000
Unlisted debt securities		
- Bond with fixed interest of 3.10% and maturity date of 14 February 2023 – Singapore	251	251
- Bond with fixed interest of 3.65% and maturity date of 23 August 2027 – Singapore	253	253
- Bond with fixed interest of 2.23% and maturity date of 21 February 2022 – Singapore	502	–
	1,006	504

The fair values of the bonds at the balance sheet date are as follows:

	The Group	
	2017 $'000	2016 $'000
Unlisted debt securities		
– Bond with fixed interest of 3.10% and maturity date of 14 February 2023 – Singapore	253	252
– Bond with fixed interest of 3.65% and maturity date of 23 August 2027 – Singapore	263	261
– Bond with fixed interest of 2.23% and maturity date of 21 February 2022 – Singapore	504	–

The fair values are within Level 1 of the fair values hierarchy and are based on available market or common reference prices provided by the bank.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

19 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings $'000	Kitchen equipment $'000	Renovation $'000	Motor vehicles $'000	Computer and office equipment $'000	Total $'000
The Group						
2017						
Cost						
Beginning of financial year	1,068	8,796	20,745	372	3,192	34,173
Additions	19	883	2,402	–	210	3,514
Written-off	(1)	(13)	(983)	–	(40)	(1,037)
Disposals	–	(13)	(2)	–	–	(15)
End of financial year	1,086	9,653	22,162	372	3,362	36,635
Accumulated depreciation and impairment losses						
Beginning of financial year	873	6,016	13,101	249	2,129	22,368
Depreciation charge (Note 7)	67	1,112	3,083	48	799	5,109
Impairment (Note 7)	–	–	259	–	–	259
Written-off	(1)	(8)	(903)	–	(39)	(951)
Disposals	–	(7)	(2)	–	–	(9)
End of financial year	939	7,113	15,538	297	2,889	26,776
Net book value						
End of financial year	147	2,540	6,624	75	473	9,859
2016						
Cost						
Beginning of financial year	1,753	9,169	18,466	372	2,951	32,711
Reclassification	(81)	85	(8)	–	4	–
Additions	142	901	3,392	–	362	4,797
Written-off	(746)	(1,302)	(1,081)	–	(125)	(3,254)
Disposals	–	(57)	(24)	–	–	(81)
End of financial year	1,068	8,796	20,745	372	3,192	34,173
Accumulated depreciation and impairment losses						
Beginning of financial year	1,135	6,167	10,537	202	1,466	19,507
Reclassification	(61)	77	(19)	–	3	–
Depreciation charge (Note 7)	124	1,109	3,184	47	784	5,248
Impairment (Note 7)	–	–	810	–	–	810
Written-off	(325)	(1,284)	(1,390)	–	(124)	(3,123)
Disposals	–	(53)	(21)	–	–	(74)
End of financial year	873	6,016	13,101	249	2,129	22,368
Net book value						
End of financial year	195	2,780	7,644	123	1,063	11,805

19 PROPERTY, PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
<u>The Company</u>		
Computer and office equipment		
Cost		
Beginning of financial year	24	–
Additions	37	24
End of financial year	61	24
Accumulated depreciation		
Beginning of financial year	–*	–
Depreciation charge	17	–*
End of financial year	17	–*
Net book value		
End of financial year	44	24

* The effect of depreciation charge is less than $1,000.

Write-off of property, plant and equipment

During the current financial year, the Group ceased the operations of certain restaurants. This has caused the Group to write-off the net book value of furniture and fittings, kitchen equipment and renovation in these restaurants which was previously capitalised. In addition, the Group has also written-off the net book value of some furniture and fittings, kitchen equipment and renovation which are deemed to be unusable by the management in the current financial year. The net book value of the property, plant and equipment written-off are approximately $86,000 (2016: $131,000).

Impairment of property, plant and equipment

As part of the on-going assessment and rationalisation of business strategy, the Group has renovated and revamped some of the existing restaurants.

(i) Financial year ended 31 March 2016

The Group had decided not to renew the lease of a restaurant which had undergone renovation for rebranding during the financial year ended 31 March 2016. The renovation cost will not be fully recovered when the lease expire in October 2016. Together with another restaurant which will be closed in May 2016 due to persistent losses, the property, plant and equipment of this restaurant will not be fully recovered upon closure of the restaurant. In view of the aforesaid, a subsidiary corporation of the Group within the restaurant sales segment, Bachmann Japanese Restaurant Pte Ltd carried out a review of the recoverable amount of its property, plant and equipment. An impairment loss of $810,000, representing the write-down of these assets to the recoverable amount was recognised in "Other operating expenses" (Note 7) for the financial year ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

19 PROPERTY, PLANT AND EQUIPMENT

Impairment of property, plant and equipment

(i) Financial year ended 31 March 2017

The Group have plan to convert an existing restaurant to another brand, subjected to approval from the landlord, in the financial year ending 31 March 2018. The current renovation cost will not be fully recovered by the time of conversion. Another restaurant will be closed in December 2017 due to persistent losses, the property, plant and equipment of this restaurant will not be fully recovered upon closure of the restaurant. In view of the aforesaid, a subsidiary corporation of the Group within the restaurant sales segment, Bachmann Japanese Restaurant Pte Ltd carried out a review of the recoverable amount of its property, plant and equipment. An impairment loss of $259,000 representing the write-down of these assets to the recoverable amount was recognised in "Other operating expenses" (Note 7) for the financial year ended 31 March 2017.

The recoverable amount of the relevant assets was based on its value-in-use calculation using cash flow projections. The pre-tax discount rate is not applied to the cash flow projections as the period covered is up to expiry of lease term which is less than 12 months.

20 INTANGIBLE ASSETS

	The Group	
	2017 **$'000**	**2016** **$'000**
Trademarks and franchise rights		
Cost		
Beginning of financial year	601	573
Additions	–	100
Written-off	–	(72)
End of financial year	601	601
Accumulated amortisation and impairment loss		
Beginning of financial year	368	380
Amortisation charge (Note 7)	64	60
Written-off	–	(72)
End of financial year	432	368
Net book value		
End of financial year	169	233

One of the franchise right was written-off during the financial year ended 31 March 2016 as the Group have no plan to continue restaurant operation for that franchise right.

21 CLUB MEMBERSHIP

	The Group and The Company	
	2017 $'000	2016 $'000
Club membership at cost		
Beginning of financial year	322	259
Additions	–	63
End of financial year	322	322

The fair values of the club membership at the balance sheet date are as follows:

	The Group and The Company	
	2017 $'000	2016 $'000
Club membership	500	440

The fair values are within Level 2 of the fair values hierarchy.

22 LONG-TERM SECURITY DEPOSITS

	The Group	
	2017 $'000	2016 $'000
Refundable security deposits	3,502	3,281

These are mainly deposits placed with the landlords. Management is of the opinion that these deposits have been placed with counterparties who are creditworthy and accordingly, no allowance for impairment is required.

The fair values of the long-term security deposits are computed based on cash discounted at market borrowing rates. The fair values are within the Level 2 of the fair values hierarchy. The fair values and the market borrowing rates used are as follows:

	The Group		Borrowing rate	
	2017 $'000	2016 $'000	2017 %	2016 %
Long–term security deposits	3,122	2,919	5.3	5.4

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables				
– Non–related parties	1,126	1,268	–	–
Non–trade payables				
– Non–related parties	1,321	1,600	91	101
Accruals for operating expenses	4,537	3,309	512	439
Franchise deposits	53	53		–
	7,037	6,230	603	540

24 DEFERRED INCOME TAXES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2017 $'000	2016 $'000
Deferred tax liabilities		
– To be settled after one year	860	860

Movement in deferred income tax account is as follows:

	The Group	
	2017 $'000	2016 $'000
Beginning and end of financial year	860	860

The movement in deferred tax liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Accelerated tax depreciation The Group $'000
2017	
Beginning and end of financial year	860
2016	
Beginning and end of financial year	860

25 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	2017		2016	
	Number of ordinary shares '000	Amount $'000	Number of ordinary shares '000	Amount $'000
The Group and the Company				
Beginning of financial year	174,436	9,522	174,006	9,307
Performance shares issued	–	–	430	215
End of financial year	174,436	9,522	174,436	9,522

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

On 6 August 2015, 430,000 performance shares were granted to certain key management personnel of the Group under JF PSP. The share awards had been vested on the date of grant. The fair value of the performance shares was determined as $215,000 based on the market price of the Company's share at the grant date.

The newly issued JF PSP shares and bonus shares rank pari passu in all respects with the previously issued shares.

(i) Japan Foods Performance Share Plan ("JF PSP")

The JF PSP is administered by the Remuneration Committee whose members are:

Lee Sok Koon, Constance	Chairperson, Independent Director
Tan Lye Huat	Member, Lead Independent Director
Wong Hin Sun, Eugene	Member, Non-independent and Non-executive Director

Members of the Remuneration Committee were not and shall not be involved in the Remuneration Committee's deliberations in respect of the performance shares granted to them.

Under JF PSP, it is contemplated that the award of fully paid ordinary shares of the Company, their equivalent cash value, issued free of charge (the "Awards") to eligible participants would incentivise the participants to excel in their performance and encourage greater dedication and loyalty to the Group. The Company is able to recognise and reward past contributions and services and motivate the participants to continue to strive for the Group's long term goals. The JF PSP will further strengthen and enhance the Company's competitiveness in attracting and retaining employees with suitable talents.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

25 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

(i) Japan Foods Performance Share Plan ("JF PSP")

The Awards granted under the JF PSP may be time-based and/or performance-related, and such Awards entitle eligible participants to be allotted fully paid shares upon completion of certain time-based service condition and/or achieve their performance targets over set performance periods. The Awards given are determined at the discretion of the Remuneration Committee, who will take into account criteria such as participant's rank, job performance, years of service and potential for future development, contribution to the success of the Group and the extent of effort required to achieve the performance target within the performance period. The Remuneration Committee also set specific performance-based criteria such as profitability, growth, asset efficiency, return on capital employed, and other financial indicators, penetration into new markets, increasing market share and market ranking, management skills and succession planning. In addition to the achievement of any pre-determined performance targets or service conditions, Awards may also be granted upon the Remuneration Committee's post-event of determination that any eligible participants has performed well and/or made significant contribution to the Group.

Under the rules of the JF PSP, any full time employee, executive and non-executive director of the Company and its Subsidiary Corporations (including Independent Directors but excluding controlling shareholders and their associates as defined in the circular to shareholders dated 2 June 2014 in relation to JP PSP) who has attained the age of 18 years on the date of grant of the award and who has contributed or will contribute to the success of the Group shall be eligible to participate in the JF PSP.

There shall be no restriction on the eligibility of any participant to participate in any other share plans or share incentive schemes implemented by any of the other companies within the Group if approved by the Remuneration Committee. The granting of Awards will be made by the Remuneration Committee at any time during the period when the JF PSP is in force.

Eligible participants are not required to pay for the grant of the Awards. All taxes (including income tax) arising from the grant and/or disposal under the JF PSP shall be borne by the participant.

The total number of new shares that may be issued or are issuable pursuant to the granting of the Awards, when added to aggregate number of shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% of the total number of issued ordinary shares (excluding Treasury Shares) of the Company on the day immediately preceding the date on which the Award shall be granted.

25 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

(i) Japan Foods Performance Share Plan ("JF PSP")

The details of the performance shares granted under the JF PSP as at 31 March 2017 are as follows:

	Beginning of financial year	Granted during financial year	End of financial year	Vesting price	Vesting date
2017					
2017 JF PSP	1,210,000	490,000	1,700,000	$0.37	7.7.2016*
2016					
2016 JF PSP	780,000	430,000	1,210,000	$0.50	6.8.2015*

* The share awards had been vested on the date of grant.

(b) Treasury shares

	2017		2016	
	Number of ordinary shares '000	Amount $'000	Number of ordinary shares '000	Amount $'000
The Group and the Company				
Beginning of financial year	500	194	–	–
Treasury shares purchased	1,383	555	500	194
Less: Treasury shares granted	(490)	(182)	–	–
End of financial year	1,393	567	500	194

On 7 July 2016, 490,000 treasury shares were transferred to certain key management personnel of the Group in pursuant to the Japan Foods Performance Share Plan ("JF PSP"). The share awards had been vested on the date of grant. The fair value of the performance shares was determined as $182,000 based on the market price of the Company's share at the grant date.

The Company acquired 1,382,500 (2016: 500,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was $555,000 (2016: $194,000) and this was presented as a component within shareholders' equity. After these share buy-backs, the Company held 1,392,500 (2016: 500,000) treasury shares as at 31 March 2017 and the total number of issued shares (excluding treasury shares) was 173,043,500 (2016: 173,936,000) Shares.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

26 RETAINED PROFITS

(a) Retained profits of the Group are distributable except for cumulative share of profit of associated companies amounting to $1,891,000 (2016: $1,285,000) and the amount of $555,000 (2016: $194,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of $555,000 (2016: $194,000) utilised to purchase treasury shares.

(b) Movement in retained profits for the Company is as follows:

	The Company	
	2017 **$'000**	**2016** **$'000**
Beginning of financial year	3,416	4,205
Net profit	4,062	2,729
Dividend paid (Note 27)	(3,488)	(3,518)
End of financial year	3,990	3,416

27 DIVIDENDS

	The Group	
	2017 **$'000**	**2016** **$'000**
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 1.25 cents (2016: 1.27 cents) per share	2,180	2,210
Interim exempt dividend paid in respect of the current financial year of 0.75 cents (2016: 0.75 cents) per share	1,308	1,308
	3,488	3,518

At the forthcoming Annual General Meeting on 24 July 2017, a final exempt (one-tier) dividend of 1.25 cents per share amounting to a total $2,169,500 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2018.

28 CONTINGENT LIABILITIES

The Company

The Company has issued corporate guarantees to banks for performance guarantee of a subsidiary corporation. The fair values of the corporate guarantees have not been recognised in the financial statements of the Company as the amounts involved are not material to the Company.

29 OPERATING LEASE COMMITMENTS

The Group leases restaurant premises and kitchen facilities under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2017 $'000	**2016 $'000**
Not later than one year	16,962	16,714
Between one and five years	19,383	17,196
	36,345	33,910

30 RELATED PARTY TRANSACTIONS

(a) No transaction took place between the Group and related parties other than those disclosed elsewhere in the financial statements. Outstanding balances as at 31 March 2017 are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 23 to the financial statements respectively.

(b) Key management personnel compensation

	The Group	
	2017 $'000	**2016 $'000**
Wages and salaries	1,114	1,057
Directors' fees	119	119
Employer's contribution to Central Provident Fund	62	48
Employee performance shares	182	215
	1,477	1,439

Included in the above is total compensation to directors amounting to $707,000 (2016: $664,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

31 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

(a) Market risk

(i) Currency risk

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. The Group's exposure to currency risk is not significant as the Group operates mainly in Singapore. Certain of the Group's purchases are from Japan and Hong Kong, giving rise to exposures to the changes in foreign exchange rates primarily with respect to Japanese Yen ("JPY"), Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group does not enter into any derivative contracts to hedge its foreign exchange risk.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	JPY $'000	HKD $'000	USD $'000	Total $'000
At 31 March 2017					
Financial assets					
Cash and cash equivalents	19,673	188	111	255	20,227
Trade and other receivables	711	–	–	–	711
Other financial assets	5,369	–	248	–	5,617
Receivables from subsidiary corporations	5,063	–	–	–	5,063
Held-to-maturity financial assets	1,006	–	–	–	1,006
	31,822	188	359	255	32,624
Financial liabilities					
Trade and other payables	(6,899)	(138)	–	–	(7,037)
Payables to subsidiary corporations	(5,063)	–	–	–	(5,063)
	(11,962)	(138)	–	–	(12,100)
Net financial assets	19,860	50	359	255	20,524
Add: Net non-financial assets	11,124	–	–	–	11,124
Net assets	30,984	50	359	255	31,648
Currency profile including non-financial assets	30,984	50	359	255	31,648
Currency exposure of financial assets net of those denominated in the respective entities' functional currency	–	50	359	255	664

31 FINANCIAL RISK MANAGEMENT

(a) Market risk

(i) Currency risk

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	JPY $'000	HKD $'000	USD $'000	Total $'000
At 31 March 2016					
Financial assets					
Cash and cash equivalents	16,629	–	–	225	16,854
Trade and other receivables	678	15	174		867
Other financial assets	5,563	–	248	–	5,811
Receivables from subsidiary corporations	5,284	–	–	–	5,284
Held-to-maturity financial assets	504	–	–	–	504
	28,658	15	422	225	29,320
Financial liabilities					
Trade and other payables	(6,096)	(134)	–	–	(6,230)
Payables to subsidiary corporations	(5,284)	–	–	–	(5,284)
	(11,380)	(134)	–	–	(11,514)
Net financial assets/(liabilities)	17,278	(119)	422	225	17,806
Add: Net non-financial assets	13,047	–	–	–	13,047
Net assets/(liabilities)	30,325	(119)	422	225	30,853
Currency profile including non-financial assets/(liabilities)	30,325	(119)	422	225	30,853
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currency	–	(119)	422	225	528

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

31 FINANCIAL RISK MANAGEMENT

(a) Market risk

(i) Currency risk

Sensitivity analysis

If the JPY, HKD and USD change against the SGD by 4% (2016: 4%), 3% (2016: 3%) and 4% (2016: 2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease) Profit after tax	
	2017 $'000	2016 $'000
The Group		
JPY against SGD		
– Strengthened	2	(4)
– Weakened	(2)	4
HKD against SGD		
– Strengthened	10	11
– Weakened	(10)	(11)
USD against SGD		
– Strengthened	8	4
– Weakened	(8)	(4)

The Company does not have significant exposure to currency risk as it operates only in Singapore.

(ii) Price risk

The Group and the Company does not have exposure to equity price risk as it does not hold equity financial assets.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk is primarily from short-term deposits that will mature from 1 to 12 months. These short-term deposits are placed on as short-term basis according to the Group's cash flow requirements, and hence the Group does not hedge against interest rate fluctuations.

31 FINANCIAL RISK MANAGEMENT

(b) Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. The Group trades mainly in cash. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Company	
	2017 $'000	2016 $'000
Corporate guarantee provided to banks on subsidiary corporation's performance guarantee	1,539	1,279

There are no significant concentrations of credit risk within the Group.

There are no financial assets that are past due and/or impaired as at each of the balance sheet dates.

(c) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial assets. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of adequate funds to meet its obligation.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Less than one year				
Trade and other payables	7,037	6,230	603	540
Financial guarantee contracts	–	–	1,465	1,279

Balance due within 12 months equal their carrying amounts as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

31 FINANCIAL RISK MANAGEMENT

(d) Capital risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors and maintains capital based on gearing ratio. The Group and Company are also required by the banks to maintain a gearing ratio of not exceeding 100% (2016: 100%). The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity attributable to equity holders of the Company plus net debt.

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net debt/(assets)	(13,190)	(10,624)	(1,449)	(877)
Total equity	31,648	30,853	12,945	12,744
Total capital	18,458	20,229	11,496	11,867
Gearing ratio	NM*	NM*	NM*	NM*

* NM = Not meaningful

The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 March 2017.

(e) Fair value measurement

The carrying amount of trade receivables and payables are assumed to approximate their fair values.

31 FINANCIAL RISK MANAGEMENT

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 18 to the financial statements, except for the following:

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Loans and receivables	26,555	23,532	7,363	7,123
Financial liabilities at amortised cost	7,037	6,230	603	540

32 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors ("BOD") that are used to make strategic decisions.

The BOD considers the business from both a geographic and business segment perspective. Currently, the Group's business operates only in Singapore and its revenue is derived only from Singapore.

The segment information provided to the BOD for the reportable segments are as follows:

	Singapore		
	Restaurant sales $'000	**Franchised operation $'000**	**Total reportable segments $'000**
The Group			
2017			
Revenue			
Total segment revenue	65,364	408	65,772
Inter-segment revenue	–	(305)	(305)
External revenue	65,364	103	65,467

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

32 SEGMENT INFORMATION

	Singapore		
	Restaurant sales $'000	Franchised operation $'000	Total reportable segments $'000
The Group			
2017			
Segment results	4,861	145	5,006
Depreciation and amortisation	5,109	64	5,173
Allowance for impairment of property, plant and equipment	259	–	259
Property, plant and equipment written-off	86	–	86
Loss on disposal of property, plant and equipment	6	–	6
Inventories write-down	3	–	3
Share of profit of associated companies	606	–	606
Segment assets	30,923	1,807	32,730
Segment assets includes:			
Additions to property, plant and equipment	3,514	–	3,514
Loan to an associated company	248	–	248
Segment liabilities	5,822	1,215	7,037
The Group			
2016			
Revenue			
Total segment revenue	62,697	139	62,836
Inter-segment revenue	–	(32)	(32)
External revenue	62,697	107	62,804
Segment results	3,726	256	3,982
Depreciation and amortisation	5,248	60	5,308
Allowance for impairment of property, plant and equipment	810	–	810
Property, plant and equipment written-off	131	–	131
Loss on disposal of property, plant and equipment	7	–	7
Inventories write-down	2	–	2
Share of profit of associated companies	587	–	587
Segment assets	29,341	1,425	30,766
Segment assets includes:			
Additions to property, plant and equipment	4,797	–	4,797
Additions to intangible assets	–	100	100
Loan to an associated company	248	–	248
Segment liabilities	5,731	499	6,230

32 SEGMENT INFORMATION

The Group's principal business is in the operation of restaurants and its ancillary business is in the supply of food ingredients to its sub-franchisees and franchisee.

Sales between segments are carried out at the normal business terms and conditions. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The BOD assesses the performance of the operating segments based on a measure of segment results before interest (net), share of results of an associated company and income tax expenses. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group finance team, which manages the cash position of the Group.

Reconciliations

(i) Segment profits

A reconciliation of reported segment results to profit before tax is provided as follows:

	The Group	
	2017 **$'000**	**2016** **$'000**
Reported segments	5,006	3,982
Interest income	89	94
Share of profit of associated companies	606	587
Profit before income tax	5,701	4,663

(ii) Segment assets

The amounts provided to the BOD with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the BOD monitors the property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments other than short-term bank deposits and held-to-maturity financial assets.

	The Group	
	2017 **$'000**	**2016** **$'000**
Segment assets for reportable segments	32,730	30,766
Unallocated:		
Short-term bank deposits	7,040	7,581
Held-to-maturity financial assets	1,006	504
	40,776	38,851

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

32 SEGMENT INFORMATION

Reconciliations

(iii) Segment liabilities

The amounts provided to the BOD with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax and deferred income tax liabilities.

	The Group	
	2017 **$'000**	**2016** **$'000**
Segment liabilities for reportable segments	7,037	6,230
Unallocated:		
Current income tax liabilities	1,231	908
Deferred income tax liabilities	860	860
	9,128	7,998

33 EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 12 June 2017, 520,000 Treasury Shares were transferred to certain key management personnel of the Group in pursuant to the Japan Foods Performance Share Plan ("JF PSP"). The share awards had been vested on the date of grant. The fair value of the performance shares was determined as $239,200 based on the market price of the Company's share at the grant date.

This transaction would have changed the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period. Following the transfer of the treasury shares, the total issued share capital of the company (excluding treasury shares) will increase to 173,563,500 shares.

However, earnings per share amounts are not adjusted for this transaction occurring after the reporting financial period because this transaction do not affect the amount of capital used to produce profit or loss for the financial period.

34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2017 or later periods and which the Group has not early adopted:

<u>Effective for annual periods beginning on or after 1 January 2017</u>
- Amendments to FRS 7 : Disclosure Initiative
- Amendments to FRS 12 : Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 112 : Disclosure of Interests in Other Entities

<u>Effective for annual periods beginning on or after 1 January 2018</u>
- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
  (The effective date of FRS 115 Revenue from contracts with customers has been deferred from 1 January 2017 to 1 January 2018)
- Amendments to FRS 40 : Transfers of Investment Property
- Amendments to FRS 102 :Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 115 : Clarifications to FRS 115 Revenue from Contracts with Customers
- Improvements to FRSs (December 2016)
  - Amendments FRS 28: Investments in Associates and Joint Ventures
  - Amendments FRS 101:First-Time Adoption of Financial Reporting Standards
- INT FRS 112 Foreign Currency Transactions and Advance Consideration

<u>Effective for annual periods beginning on or after 1 January 2019</u>
- FRS 116 : Leases

<u>Effective date of the following standard had been revised from 1 January 2016 to a date to be determined by Accounting Standards Council</u>
- Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

(a) FRS 109 Financial Instruments

FRS 109 replaces the multiple classification and measurements model in FRS 39 Financial Instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortised cost and fair value. The Group's financial assets comprise of loans and receivables and held-to-maturity financial assets. Therefore, the Group does not expect the new requirements to have a significant impact on the classification of its financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk to other comprehensive income, for liabilities designated at fair value through profit or loss. There will be no impact on the Group's accounting policies for financial liabilities as the Group does not have any of such liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2017

34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) FRS 109 Financial Instruments

Besides, a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (ie. trade receivables). The Group does not have significant receivables hence, the expected credit loss model will not have significant impact to the Group.

(b) FRS 116 Leases

FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $36,345,000 (Note 29). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

(c) IFRS Convergence in 2018

Singapore-incorporated companies listed on the SGX-ST will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 March 2019, with retrospective application to the comparative financial year ending 31 March 2018 and the opening statement of financial position as at 1 April 2017.

Management expects the potential impact arising from new/amended IFRS will be consistent with those disclosed above. Management is currently performing a detailed analysis at the transition options and other requirements of IFRS 1.

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect any material change to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/amended IFRSs, and the election of certain transition options amended under IFRS 1.

35 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Japan Foods Holding Ltd. on 23 June 2017.

STATISTICS OF SHAREHOLDINGS

Class of shares : Ordinary Shares
Number of shares issued (including Treasury Shares) : 174,436,000
Number of shares issued (excluding Treasury Shares) : 173,563,500
Number/Percentage of Treasury Shares : 872,500 (0.50%)
Number/Percentage of Subsidiary Holdings: : Nil
Voting rights (excluding Treasury Shares) : One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 22 JUNE 2017

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 – 99	4	0.72	107	0.00
100 – 1,000	60	10.77	40,198	0.02
1,001 – 10,000	279	50.09	1,493,645	0.86
10,001 – 1,000,000	204	36.62	13,452,400	7.75
1,000,001 and above	10	1.80	158,577,150	91.37
Total	557	100.00	173,563,500	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 22 JUNE 2017

No.	Name of shareholders	No. of shares	%
1	Kenichi Takahashi	114,814,800	66.15
2	DBS Nominees Pte Ltd	9,894,100	5.70
3	Chan Chau Mui	8,100,000	4.67
4	HSBC (Singapore) Nominees Pte Ltd	7,884,000	4.54
5	Sirius Venture Capital Pte Ltd	7,165,800	4.13
6	Shigemitsu Industry Co. Ltd.	3,360,600	1.94
7	Chin May Yee Emily	2,321,200	1.34
8	Nomura Singapore Limited	2,240,400	1.29
9	CIMB Securities (Singapore) Pte Ltd	1,676,050	0.97
10	Shigemitsu Katsuaki	1,120,200	0.64
11	Tan Kay Toh or Yu Hea Ryeong	919,600	0.53
12	Citibank Nominees Singapore Pte Ltd	614,100	0.36
13	Teng Chai Hai	545,000	0.31
14	Tan Bin Cheng Guy	504,000	0.29
15	Ho Juat Keng	419,800	0.24
16	Christella Chuah Poh Choo	400,000	0.23
17	UOB Kay Hian Pte Ltd	392,500	0.23
18	Raffles Nominees (Pte) Ltd	301,200	0.17
19	Yap Kwok Khuen or Goh Poh Lian	285,000	0.16
20	James Alvin Low Yiew Hock	284,000	0.16
		163,242,350	94.05

STATISTICS OF SHAREHOLDINGS

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 22 June 2017, approximately 19.83 % of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the SGX-ST Listing Manual Section B : Rules of Catalist is complied with.

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	No. of shares (Direct interest)	%	No. of shares (Deemed interest)	%
Takahashi Kenichi[1]	114,814,800	66.15%	8,100,000	4.67%
Mr Wong Hin Sun, Eugene[2]	–	–	9,487,000	5.47%

Note:

(1) Takahashi Kenichi is deemed interested in the 8,100,000 shares held by his deemed associate, Chan Chau Mui.

(2) Mr Wong Hin Sun, Eugene is the founder and Managing Director of Sirius Venture Capital Pte Ltd. and he is deemed to be interested in 7,165,800 shares and 2,321,200 shares respectively held through Sirius Venture Capital Pte Ltd. and through his spouse, Chin May Yee, Emily.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (**"AGM"**) of Japan Foods Holding Ltd. (**"Company"**) will be held at 231 Bain Street #04-41 Bras Basah Complex, Singapore 180231 on Monday, 24 July 2017 at 10.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt one-tier dividend of 1.25 Singapore cents per ordinary share for the financial year ended 31 March 2017. **(Resolution 2)**

3. To approve the payment of S$119,000 as fees to the directors of the Company (**"Directors"**) for the financial year ended 31 March 2017. (FY2016: S$119,000) **(Resolution 3)**

4. To re-elect Mr Wong Hin Sun, Eugene, who is retiring under Regulation 98 of the Company's Constitution, and who, being eligible, offers himself for re-election as a director of the Company. *[See explanatory Note (a)]* **(Resolution 4)**

5. To note Mr Shigemitsu Katsuaki's retirement under Regulation 98 of the Company's Constitution as he is not seeking re-election at this AGM. *[See explanatory Note (b)]*

6. To re-elect Mr Tan Lye Huat as a Director of the Company.*[See explanatory Note (c)]* **(Resolution 5)**

7. To re-appoint Nexia TS Public Accounting Corporation as the auditor of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

8. To transact any other business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

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

9. **Authority to allot and issue shares in the capital of the Company and/or Instruments (as defined hereinafter)** **(Resolution 7)**

   That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (**"Companies Act"**) and Rule 806 of the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) Listing Manual Section B: Rules of Catalist (**"Catalist Rules"**), the Directors be and are hereby authorised and empowered to:

   (a) (1) allot and issue new ordinary shares in the capital of the Company (**"Shares"**) whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(2) 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) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution is in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed 100% of the total issued Shares at the time of passing of this Ordinary Resolution (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 30% of the total issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-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 Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the Company's total issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Ordinary Resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(ii) new Shares arising from exercising of any share options or vesting of shares awards outstanding and/or subsisting at the time of the passing of this Ordinary Resolution provided that share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[See explanatory Note (d)]

10. **Authority to grant awards and issue Shares under the Japan Foods Performance Share Plan** **(Resolution 8)**

That approval be given to the Directors to grant awards from time to time in accordance with the provisions of the Japan Foods Performance Share Plan (Share Plan), and under section 161 of the Companies Act, to allot and issue from time to time such number of new shares in the capital of the Company as may be required to be issued under the vesting of awards under the Share Plan, provided that the aggregate number of new Shares to be allotted and issued under the Share Plan and other share scheme(s) to be implemented by the Company (if any) shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See explanatory Note (e)]

11. **Renewal of the Share Buyback Mandate** **(Resolution 9)**

THAT:

(1) for the purposes of the Catalist Rules and the Companies Act, the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:

(a) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(b) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act; and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

NOTICE OF ANNUAL GENERAL MEETING

(2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next annual general meeting of the Company (**"AGM"**) is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked;

(3) in this Resolution 9:

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares shall be taken to be the total number of Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit;

"Relevant Period" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last 5 consecutive market days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 market-day period;

NOTICE OF ANNUAL GENERAL MEETING

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See explanatory Note (f)]

By Order of the Board

Esther Au
Company Secretary
Singapore

7 July 2017

Explanatory Notes:

(a) Mr Wong Hin Sun, Eugene, will upon re-election as a Director, remain as Non-Executive Vice Chairman of the Company, a member of the Audit and Risk Committee, a member of the Nominating Committee and, a member of the Remuneration Committee of the Company, and will be considered non-executive and non-independent for the purposes of Rule 704(7) of the Catalist Rules.

(b) Mr Shigemitsu Katsuaki, who is a non-executive and non-independent Director, is completing his ninth year term in office on 24 November 2017 and is of the view that it is timely for him to step down from the Board. Accordingly, Mr Shigemitsu will cease to be a Director at the conclusion of the AGM.

Mr Shigemitsu Katsuaki is also the president, chief executive officer and major shareholder of Shigemitsu Industry Co., Ltd (**"Shigemitsu Industry"**), the franchisor of the "Ajisen Ramen" brand. The Company has previously obtained a general mandate for recurring transactions between the Group and Shigemitsu Industry (**"Shareholders' Mandate"**). As Mr Shigemitsu Katsuaki will cease to be a Director at the conclusion of the AGM, the transactions between the Group and Shigetmitsu Industry will henceforth cease to be interested person transactions within the meaning of Chapter 9 of the Catalist Rules. Accordingly, it is not necessary to and the Company will not seek renewal of the Shareholders' Mandate which will lapse at the conclusion of the AGM. To leverage on his experience and contacts in the Japanese market, the Board will appoint Mr Shigetmisu Katsuaki as the Group's adviser following the conclusion of the AGM. This is a non-executive position and Mr Shigetmitsu will be remunerated a nominal fee of $1,500 per month. As Mr Shigetmisu Katsuaki will be appointed as the Group's adviser, for good governance,

NOTICE OF ANNUAL GENERAL MEETING

all transactions between the Group and Shigemitsu Industry will continue to be subject to the review of the Audit and Risk Committee in accordance with the guidelines and procedures previously established under the Shareholders' Mandate.

(c) The Nominating Committee Guide (Second Edition 2017 produced by the Singapore Institute of Directors with the support of the regulators) recommends that if an independent director who has served more than nine continuous years wishes to extend his appointment, the Board, as good practice, should require a separate resolution to be approved by shareholders.

Mr Tan Lye Huat, the Lead Independent Director of the Company who is completing his ninth year term in office on 24 November 2017, had offered himself for re-election as a Director of the Company. The results of annual director performance evaluation revealed that Mr Tan possesses personal attributes such as independent thinking and keen observation and has demonstrated the ability to maintain integrity and strong principles. The Board concurred with the Nominating Committee that Mr Tan remains objective in expressing his views and in participating in the deliberation and decision making of the Board and the Board committees, notwithstanding his tenure in office. The Nominating Committee and the Board hold the view that a director's independence cannot be determined solely with reference to a set period of time. Therefore, when considering the renewal of the Board, the need for Board continuity should also be taken into account. Using the results of annual director performance evaluation as a basis for decision, the Nominating Committee had conducted a rigorous evaluation of Mr Tan who is serving his ninth year term in office. The Board with the concurrence of the Nominating Committee, is satisfied that Mr Tan has remained independent in his judgment and can continue to discharge his duties objectively. Mr Tan recused himself in the evaluation process with regard to his independence.

Mr Tan will, upon re-election as a Director, remain as the Chairman of the Audit and Risk Committee, a member of the Nominating Committee and the Remuneration Committee of the Company, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

In addition, Mr Tan has offered to relinquish his appointment as Lead Independent Director at the conclusion of the AGM. Madam Lee Sok Koon, Constance, an Independent Director of the Company, has consented to take up the office of Lead Independent Director immediately following the conclusion of the AGM.

(d) The Ordinary Resolution 7 will empower the Directors (from the date of this AGM of the Company until the date of the next AGM of the Company, or the date which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in general meeting, whichever is the earlier), to allot and issue Shares, make or grant instruments convertible into Shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution, of which up to 30% may be issued other than on a pro-rata basis to existing shareholders of the Company.

(e) The Ordinary Resolution 8 will empower the Directors (from the date of this AGM of the Company until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier) to offer and grant awards under the Share Plan (which was approved at the extraordinary general meeting of the Company held on 24 July 2013), and to allot and issue Shares pursuant to the Share Plan provided that the aggregate number of shares to be issued under the Share Plan and other share scheme(s) to be implemented by the Company (if any) does not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

NOTICE OF ANNUAL GENERAL MEETING

(f) The Ordinary Resolution 9 is to renew the Share Buyback Mandate (which was approved at an extraordinary general meeting of the Company held on 21 July 2015).

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of Shares. The amount of financing required for the Company to purchase or acquire its Shares and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on, inter alia, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time. The financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for FY2017, based on certain assumptions, are set out in the Appendix to this Annual Report. Please refer to the Appendix to this Annual Report for details.

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the porportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. A proxy need not be a member of the Company.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, a member who is a relevant ntermediary is entitled to appoint more than two proxies to attend and vote at the AGM but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" means:

   (a) a banking corporation licenced under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 420 North Bridge Road, #02-01 North Bridge Centre, Singapore 188727 not less than forty-eight (48) hours before the time for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR THE 2017 DIVIDEND

Subject to the approval of the shareholders of the Company (**"Shareholders"**) to be obtained for the proposed final tax-exempt one-tier dividend of 1.25 cents per ordinary share (**"2017 Dividend"**) for the financial year ended 31 March 2017, the Share Transfer Books and Register of Members of the Company will be closed on 3 August 2017 for the purpose of determining Shareholders' entitlements to the 2017 Dividend.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 2 August 2017 will be registered to determine Shareholders' entitlements to the 2017 Dividends. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with the Shares as at 5.00 p.m. on 2 August 2017 will be entitled to the 2017 Dividend.

Payment of the 2017 Dividend, if approved by Shareholders at the AGM of the Company, will be made on 18 August 2017.

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JAPAN FOODS HOLDING LTD.

(UEN 200722314M)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this form)

IMPORTANT

1. A relevant intermediariy (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the AGM.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Japan Foods Holding Ltd. shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 July 2017.

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a *member/members of **JAPAN FOODS HOLDING LTD.** (**"Company"**) hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (**"AGM"**) of the Company as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf, at the AGM of the Company, to be held at 231 Bain Street #04-41 Bras Basah Complex, Singapore 180231 on Monday, 24 July 2017 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM of the Company as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM of the Company and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	Adoption of the Directors' Statement and the Audited Financial Statements for the financial year ended 31 March 2017, together with the Independent Auditors' Report thereon.		
2.	Payment of proposed final tax-exempt one-tier dividend of 1.25 cents per ordinary share for the financial year ended 31 March 2017.		
3.	Approval of Directors' fees of S$119,000 for the financial year ended 31 March 2017. (FY2016: S$119,000)		
4.	Re-election of Mr Wong Hin Sun, Eugene as a Director.		
5.	Re-election of Mr Tan Lye Huat as a Director.		
6.	Re-appointment of Nexia TS Public Accounting Corporation as independent auditor of the Company.		
	Special Business		
7.	Authority to issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore.		
8.	Authority to grant awards and to issue shares under the Japan Foods Performance Share Plan.		
9.	Renewal of the Share Buyback Mandate.		

Dated this __________ day of_____________, 2017

____
Signature of Shareholder(s)/Common Seal of Corporate Shareholder

Total Number of Shares in:	No. of Shares
CDP Register	
Register of Members	

IMPORTANT
Please read notes oveleaf
**Delete where inapplicable*

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the porportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, a member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" means:

   (a) a banking corporation licenced under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM of the Company. Any appointment of proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM of the Company.

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Affix
Postage
Stamp

Japan Foods Holding Ltd.
420 North Bridge Road
#02-01 North Bridge Centre
Singapore 188727

First fold along this line

5. The instrument appointing a proxy or proxies must be deposited at the Company's place of business at 420 North Bridge Road, #02-01 North Bridge Centre, Singapore 188727, not less than forty-eight (48) hours before the time appointed for the AGM of the Company.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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 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 letter of power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM of the Company, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, imporperly 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 the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM of the Company, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, Purposes), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty

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CULTIVATING NEW IDEAS

Annual Report 2017

Japan Foods Holding Ltd.

Incorporated in the Republic of Singapore on 3 December 2007
(UEN: 200722314M)

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