# REFINING OUR APPROACH

**Annual Report 2020**

Japan Foods Holding Ltd

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This annual report has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes 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

Established in Singapore in 1997 and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited in February 2009, Japan Foods Holding Ltd ("**Japan Foods**") is one of the leading Japanese restaurant chains in Singapore. As at 31 March 2020, the Group operates 59 restaurants in Singapore under various brands, such as "Ajisen Ramen", "Afuri Ramen", "Osaka Ohsho", "Menya Musashi", "Akimitsu" and "Konjiki Hototogisu", which is a one Michelin Star ramen brand from Tokyo. Over the years, Japan Foods has successfully grown its restaurant portfolio to encompass both franchised and self-developed brands.

The Group has expanded beyond Singapore. As at 31 March 2020, its overseas network comprised 17 restaurants including one restaurant in Malaysia operated by a sub-franchisee under the "Ajisen Ramen" brand and 15 "Menya Musashi" brand restaurants (Indonesia: 1; Hong Kong: 5; China: 9) as well as one "Konjiki Hototogisu" brand restaurant in Hong Kong operated by associated companies.

To further its geographical reach, the Group has a joint venture company with Minor Food Group (Singapore) Pte Ltd ("Minor Singapore") called Dining Collective Pte. Ltd., which was formed to conduct the business of franchising and operating existing restaurant brands owned by both parties in Thailand, Japan and the People's Republic of China.

For its efforts in corporate governance, Japan Foods was named the "Most Transparent Company (Catalist)" at the 17th SIAS Investors' Choice Awards in 2016 and also awarded the "Transparency Award – SMEs" at the 18th SIAS Investors' Choice Awards 2017. In July 2018, the Group received the "Best Managed Board Award (Gold)" at the Singapore Corporate Awards 2018 and in September 2018, it was named Runner-Up in the "Most Transparent Company – Hotel / Restaurant" award category at the 19th SIAS Investors' Choice Awards 2018.

## 5 SELF-DEVELOPED BRANDS

1. Sho Ryu Ramen
2. Curry Is Drink
3. Fruit Paradise
4. Japanese Gourmet Town
5. (Men) House Yamamoto

## 10 FRANCHISED BRANDS FROM JAPAN

1. Ajisen Ramen
2. Shitamachi Tendon Akimitsu
3. Osaka Ohsho
4. Konjiki Hototogisu
5. Kazokutei
6. Menya Musashi
7. Menzo Butao
8. Yonehachi
9. Kagurazaka Saryo
10. Afuri Ramen

## 1 FRANCHISE BRAND FROM MALAYSIA

1. New Manlee Bak Kut Teh

# AT A GLANCE

## OUR NETWORK
(As at 31 March 2020)

**59**
Self-Operated Restaurants

**1**
Central Kitchen
at Kampong Ampat, Singapore

Joint venture with Minor Singapore to operate restaurants in Japan, Thailand and China

**16**
Restaurants in China, Hong Kong and Indonesia through Associated Companies

**1**
Sub-Franchised Restaurants in Malaysia

## STRATEGIES
To embrace the new normal

**The Group will continue to intensify its efforts to control costs and intends to keep its operations in Singapore lean:**

- Introduce delivery services to more restaurants
- Control raw material costs
- Expand delivery locations
- Improve operational efficiency via streamlining of work processes and technology
- Enhance online presence as people actively seek dining options online while they continue to remain at home
- Cautious and prudent restaurant portfolio management in Singapore and overseas in the near term
- Negotiate best possible terms upon renewal and/or entering into new leases
- Explore and introduce innovative new food concepts and brands

# AT A GLANCE

## 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 FY2020 will be 1.25 Singapore cents per share, comprising the interim dividend of 1.00 Singapore cent per share which was paid to shareholders on 6 December 2019 and the proposed final dividend of 0.25 Singapore cents per share.

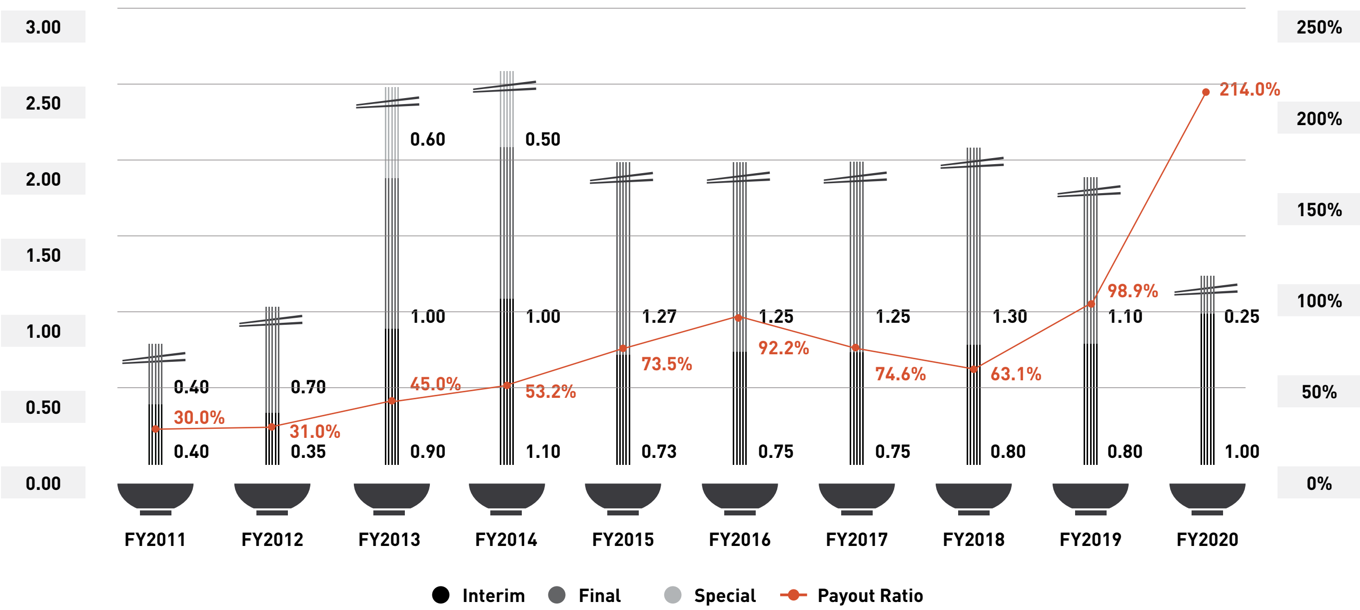
This represents a total dividend payout of 214% of our Group's net profit in FY2020, which is higher than our dividend policy to distribute not less than 50%[1] of our consolidated net profits attributable to shareholders annually.

(1) Subject to the Group's business requirements and other relevant considerations and barring unforeseen circumstances. This 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 including but not limited to circumstances arising from Covid-19 pandemic.

### Dividend History

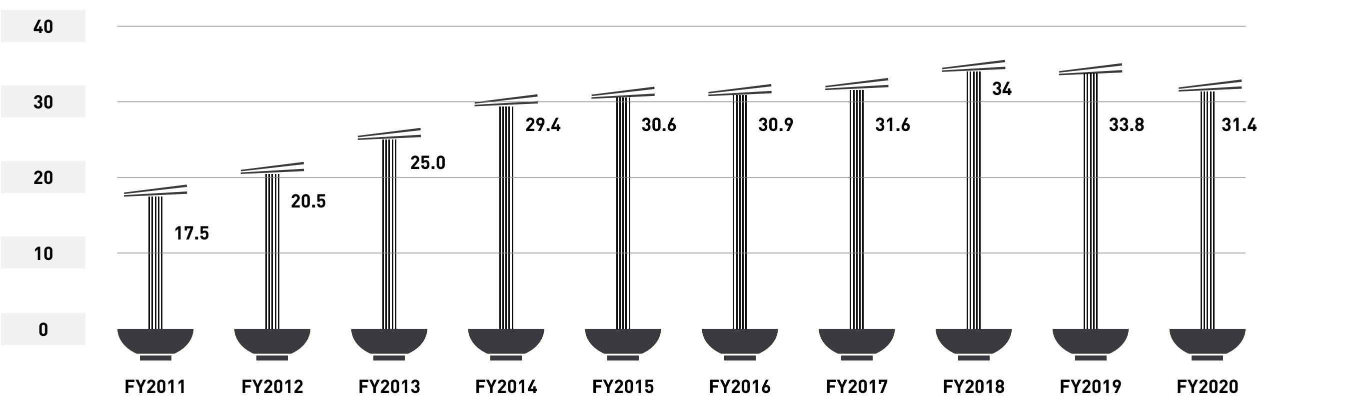
DIVIDEND PER SHARE (SINGAPORE CENTS)

DIVIDEND PAYOUT RATIO (%)




### Shareholders' Equity

S$' MILLION



# OUR BRANDS

## AJISEN RAMEN

"Ajisen Ramen" is the Group's flagship brand and was first introduced to the Singapore market in 1997. The word "Ajisen" means a thousand tastes in Japanese. "Ajisen Ramen" originated from Kumamoto, Japan, in 1968. Known for its rich and aromatic tonkatsu soup base which is derived from hours of boiling pork bones, Ajisen offers a wide selection of ramen to cater to discerning customers. With presence worldwide, it is an internationally recognised brand with presence in countries such as Japan, China, Hong Kong, and the United States.

To rejuvenate the "Ajisen Ramen" brand, Japan Foods has introduced a brand extension called "Den by Ajisen Ramen" which offers wider menu options for both mains and side dishes and five soup bases to choose from.

## AFURI RAMEN

Established in Kanagawa, Japan over 10 years ago, "Afuri Ramen" is famed for its signature chicken and dashi-based broth flavoured with a splash of citrusy yuzu, which gives it a lighter, refreshing and more delicate taste. The menu also offers other ramen varieties such as vegan ramen, cold ramen and Tsukemen.

## CURRY IS DRINK

"Curry is Drink" offers curry sauce in five heat levels and served it in a cup. Combo sets come with panko-crusted deep fried pork, chicken or seafood, shredded cabbage, crispy fried onions and a variety of toppings including raisins and pickles.

## FRUIT PARADISE

"Fruit Paradise" offers fresh fruit tarts made with lightly sweetened cream topped with delicious fruits, which are carefully selected daily. Crowd favourites include Chocolate-Banana Tart, Mixed Berries Chocolate Tart and Mango-Strawberry Tart.

# OUR BRANDS

## KAGURAZAKA SARYO

“Kagurazaka Saryo” is a dessert house known for its range of premium Uji Matcha desserts and drinks. The famous Matcha Fondue is a bittersweet dip made with a mix of high-quality Uji Matcha and white chocolate, served together with strawberries, mochi and vanilla ice cream. Another crowd favourite is the Frozen Matcha Smores-gooey marshmallows seared to perfection cloaking a vanilla or matcha ice cream, with a cornflake base.

## KAZOKUTEI

Udon fans would be familiar with “Kazokutei”, one of Osaka's most well-known udon brands with over 200 outlets in Japan alone. 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.

## KONJIKI HOTOTOGISU

Established in Shinjuku in Tokyo, Japan in 2006, “Konjiki Hototogisu” was featured in Michelin Guide Tokyo's Bib Gourmand for four consecutive years between 2015 and 2018. In December 2018, the chef who founded the restaurant was awarded One-Michelin Star for his original store in Japan, which is famed for its full-bodied clam, chicken and pork-based broth. It had also been named by Tokyo Walker Magazine as “#1 Ramen in Tokyo 2016, 2017” and “#1 Ramen in Japan 2016”.

## MENYA MUSASHI

Named after the legendary samurai, Miyamoto Musashi, who was famed for his distinctive “double sword style”, the award winning “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” strives to deliver unprecedented achievements by turning the preparation of ramen into a fine and revolutionary art-form. Credited as 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.

# OUR BRANDS

## 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 is 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).

## 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" offers 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 noodles.

## 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 outlets located in Japan, Hong Kong, Thailand, Korea and now in Singapore.

## SHITAMACHI TENDON AKIMITSU

Originally from Asakusa in Tokyo, Japan, "Shitamachi Tendon Akimitsu" specialises in traditional Tendon (or Tempura Donburi). It was started by Chef Akimitsu Tanihara, a 5th generation successor, whose family started and has been operating the Dote no Iseya tempura restaurant in Asakusa since 1889.

## SHO RYU RAMEN

"Sho Ryu Ramen" features simple and comforting no-frills Hakata-style ramen in rich pork-bone broth topped with green onions and delectable slices of tender char shu. This style originated from a fisherman district in the city of Fukuoka on Japan's western island of Kyushu, known for noodles that are thinner than regular ramen noodles to speed up the cooking time and for better absorption of the flavours in the broth. "Sho Ryu Ramen" offers the "Kaedama" system, which allows customers to order smaller portions with the option of adding extra servings to ensure the noodles remain firm.

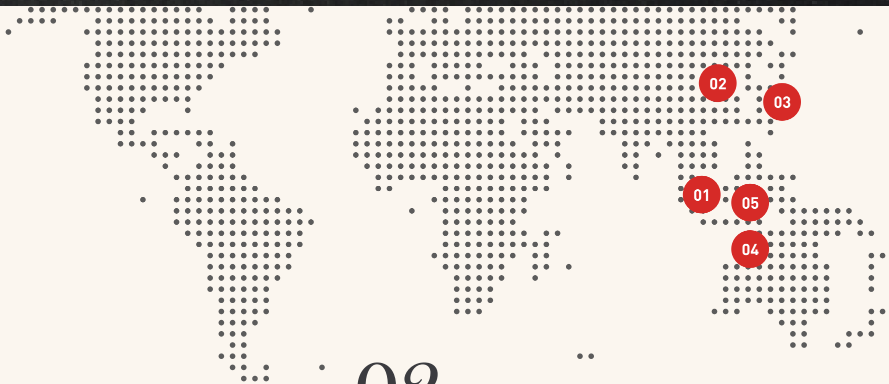
## YONEHACHI

Established in 1976, "Yonehachi" has more than 140 shops across Japan. Using top quality rice from northern Japan such as Iwate and Akita, "Yonehachi" serves okowa (glutinous rice mixed with different ingredients) made the traditional way.

## 麺 (MEN) HOUSE YAMAMOTO

"麺 (Men) House Yamamoto" is a self-developed concept restaurant by Chef Atsushi Yamamoto, founder of the Michelin-starred "Konjiki Hototogisu" in Tokyo, Japan. The restaurant specialises in chicken and seafood soup with black and white truffle and porcini mushrooms. It is also the first in Singapore to offer avocado ramen, a vegan option using homemade avocado paste cooked with soya milk and roasted corn giving the dish a pleasant fragrance.

# OUR NETWORKS




## 01
### SINGAPORE

**AFURI RAMEN**
• Funan

**AJISEN RAMEN / DEN / KARAMEN**
• AMK Hub
• Bedok Mall
• Bugis Junction
• Bukit Panjang Plaza
• Causeway Point
• Changi City Point
• Compass One
• Hougang Mall
• IMM
• Junction 8
• Lot One Shoppers' Mall
• NEX
• Plaza Singapura
• Square 2
• Tampines Mall
• Tiong Bahru Plaza

**CURRY IS DRINK**
• Changi City Point

**YONEHACHI**
• Takashimaya Department Store
• Great World City

**FRUIT PARADISE / KAGURAZAKA SARYO**
• AMK Hub
• VivoCity
• Junction 8
• III Somerset

**KONJIKI HOTOTOGISU**
• Chijmes
• Causeway Point
• Great World City
• Jewel
• Paragon
• Raffles City
• Waterway Point
• 100 AM

**JAPANESE GOURMET TOWN**
• VivoCity

**KAZOKUTEI**
• Bugis Junction

**NEW MANLEE BAK KUT TEH**
• Bugis+

**MENYA MUSASHI**
• Bugis Junction
• Chinatown Point
• Northpoint City
• Takashimaya Department Store
• Tampines Mall
• The Clementi Mall
• The Star Vista
• VivoCity
• Westgate

**MENZO BUTAO**
• Marina Square
• Changi City Point

**OSAKA OHSHO**
• Bugis Junction
• Junction 8
• Raffles City
• Waterway Point
• Westgate

**SHITAMACHI TENDON AKIMITSU**
• AMK Hub
• Changi City Point
• Northpoint City
• Plaza Singapura
• VivoCity
• Westgate

**SHO RYU RAMEN**
• Funan
• III Somerset

## 02
### CHINA

**MENYA MUSASHI[2]**
• IAPM Mall, Shanghai
• L+Mall, Shanghai
• Raffles City, Shanghai
• IFC, Shanghai
• China World Mall, Beijing
• Beijing Financial Street, Beijing
• New Park, Guangzhou
• K11 Mall, Wuhan
• Tianhuan Plaza, Guangzhou

## 03
### HONG KONG

**MENYA MUSASHI[2]**
• APM, Kwung Tong, Kowloon
• Maritime Square, Tsing Yi, New Territories
• Moko, Mong Kok, Kowloon
• Sun Hung Kai centre, Wanchai, Hong Kong
• Sunshine City, Ma On Shan, New Territories

**KONJIKI HOTOTOGISU**
• IFC Mall, Hong Kong

## 04
### INDONESIA

**MENYA MUSASHI[1]**
• Kota Kasablanka, Jakarta

## 05
### MALAYSIA

**AJISEN RAMEN[1]**
• Vivacity Megamall, Kuching, Sarawak

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

# CHAIRMAN'S MESSAGE

> Those three months coincided with the last quarter of our financial year ended 31 March 2020 ("**FY2020**") and it had a significant impact on our earnings and plans for the current financial year ending 31 March 2021, including disruptions in the progress of our joint venture company Dining Collective[1] in opening stores in Japan.

1 In December 2018, Japan Foods announced a binding Memorandum of Understanding with Minor Food Group (Singapore) Pte. Ltd. to expand the geographical reach of their respective brands. The 50-50 joint venture company formed by both parties in Singapore named Dining Collective Pte. Ltd., was formed to conduct the business of franchising and operating existing restaurant brands owned by Japan Foods and Minor Singapore in Thailand, Japan and the People's Republic of China.

**Dear Shareholders,**

I would like to begin by saying that I hope you are all staying hale and hearty as we all gradually emerge from the Singapore Government's "Circuit Breaker" measures ("**Circuit Breaker**") to prevent the spread of Covid-19.

To say that recent events were unprecedented is an understatement. Since the start of 2020, the business community especially those of us operating in the retail, F&B and services sector in Singapore, have been hit by the Covid-19 pandemic. In the first three months of the year from January to March, even before the Circuit Breaker was implemented, we were observing falling customer numbers across all our restaurants as news of the pandemic started to gain traction. Those three months coincided with the last quarter of our financial year ended 31 March 2020 ("**FY2020**") and it had a significant impact on our earnings.

Plans for the current financial year ending 31 March 2021 have also been disrupted, including the progress of our joint venture company Dining Collective[1] in opening stores in Japan. We are still determined to open new stores in Japan, Thailand and China but we will be approaching it at a more cautious and slower pace.

# CHAIRMAN'S MESSAGE

## FY2020 PERFORMANCE REVIEW

Despite the challenging conditions, we achieved revenue of S$68.4 million in FY2020, a modest increase of 0.5% year-on-year ("**YOY**") mainly driven by new brands and network growth. We were particularly excited by the performance of "Afuri Ramen", which was the ramen brand that we launched at Funan Mall in FY2020, as it drew a lot of online attention that led to long queues and waiting times when it opened. However, due to the onset of the Covid-19 outbreak towards the end of the year under review, the Group's net profit attributable to equity holders of the Company fell 69.5% YOY to S$1.0 million.

Elsewhere in the region, the performance of the Group's associated companies in Hong Kong, China and Indonesia were similarly affected by the Covid-19 pandemic and the Group's share of loss of associated companies widened in FY2020.

Due to the impairment loss arising from the Covid-19 pandemic and also higher operating costs in relation to a larger restaurant network, the Group recorded a net loss attributable to equity holders of the Company of S$0.5 million in in second half of FY2020, which resulted in the weaker full-year performance in FY2020.

## EMBRACING A NEW NORMAL

Moving forward, we expect things to be different in the way we operate our business although we will retain the principles that have always guided us. We will continue to practice good restaurant portfolio management and maintain an efficient and lean cost structure. However we now have tools to take us forward under the new normal.

To drive revenue growth, we will tap on our JFH Rewards programme to engage diners with targeted marketing activities and promotion. We are pleased to note that membership had expanded from 18,000 members when we launched the programme in December 2017 to 230,000 members as at 31 March 2020.

We will also beef up our delivery offerings with more restaurants extending food deliveries at more locations. We will support this by increasing our online and social media presence to reach out to the online community. We will also continue to engage our landlords to negotiate best possible terms upon renewal and/or entering into new leases.

> We will also beef up our delivery offerings with more restaurants extending food deliveries at more locations. We will support this by increasing our online and social media presence to reach out to the online community.

However, we remain mindful that the virus may be around for a while and it will also take time for things to go back to pre-Covid-19 levels. We believe the operating environment in the local F&B industry will be increasingly challenging in the next 12 months. Ongoing measures such as social distancing have reduced the number of covers we can do daily as we have to space tables further apart and adhere to all other safety measures to avoid overcrowding.

With a network that now comprise 59 restaurants in Singapore, we face higher operating costs. While the support extended by the Singapore Government, in particular the Job Support Scheme and rental relief from landlords will cushion the decline in the Group's revenue in the short term, we are also facing uncertain demand as the economic fall-out from the Covid-19 pandemic is likely to lead to cautiousness among consumers, not to mention lingering concerns about catching the infection. As such, we expect growth prospects to be curtailed for the remainder of the current financial year ending 31 March 2021.

Against this backdrop, the Group will prioritise its resources on tackling immediate challenges brought about by the Covid-19 pandemic and will adopt a cautious and prudent approach in managing its restaurants portfolio in Singapore and overseas in the near term.

In the longer term, we remain confident of our fundamentals. There will always be opportunities in every situation. This may be in the form of good locations where others have vacated, or potential franchise partnerships or otherwise that are of reasonable value. With zero borrowings, we believe we are in a strong position to take advantage of good opportunities that come our way.

# CHAIRMAN'S MESSAGE

Accordingly, the Board is proposing a final dividend of 0.25 Singapore cents per share subject to shareholders' approval at the upcoming annual general meeting. Together with the interim dividend of 1.0 Singapore cents per share which was paid to shareholders on 6 December 2019, this brings total dividend in FY2020 to 1.25 Singapore cents per share, representing a dividend payout ratio of 214.0% of net profit for FY2020.

## PROPOSED DIVIDEND

Despite the macro environment, the Board of Directors (the "**Board**") and the management of Japan Foods are confident about the long-term prospects of the Group. Accordingly, the Board is proposing a final dividend of 0.25 Singapore cents per share subject to shareholders' approval at the upcoming annual general meeting. Together with the interim dividend of 1.0 Singapore cents per share which was paid to shareholders on 6 December 2019, this brings total dividend in FY2020 to 1.25 Singapore cents per share, representing a dividend payout ratio of 214.0% of net profit for FY2020.

This is also a gesture to thank our shareholders for your support over the past year.

## SUSTAINABILITY MATTERS

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.

We are including as part of this annual report, our fourth sustainability report, which is guided by the Global Reporting Initiative ("**GRI**") Standards: Core option. In this report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("**ESG**") and economic performance.

## ACKNOWLEDGEMENT

In closing, I want to thank the staff of Japan Foods for your understanding as the management made tough decisions to tide us through these difficult times. We have been through many challenges before and I am confident that together we can emerge stronger from this.

I would also like to express my appreciation to my fellow directors for your sound guidance and to our business partners and suppliers, for working with us to get through this period together.

Thank you to our shareholders for keeping your faith in us. Do come and dine with us and show us your continued support.

**Takahashi Kenichi**
**Executive Chairman and CEO**

# FINANCIAL HIGHLIGHTS

| S$MILLION | FY2016 | FY2017 | FY2018 | FY2019 | FY2020[1] |
|---|---|---|---|---|---|
| **Financial Results** | | | | | |
| Revenue | 62.8 | 65.5 | 67.8 | 68.1 | **68.4** |
| Gross profit | 52.9 | 55.6 | 57.7 | 57.5 | **57.8** |
| Profit before tax | 4.7 | 5.7 | 7.0 | 4.1 | **1.4** |
| Net profit | 3.8 | 4.7 | 5.8 | 3.3 | **1.0** |
| **Cash Flow Statement** | | | | | |
| Net cash provided by operating activities | 9.6 | 11.3 | 9.3 | 8.5 | **23.2** |
| Net cash used in investing activities | (5.0) | (3.8) | (4.0) | (4.5) | **(4.6)** |
| Net cash used in financing activities | (3.8) | (4.3) | (3.7) | (4.3) | **(20.4)** |
| Cash and cash equivalents at end of financial year[2] | 15.1 | 18.1 | 19.8 | 19.5 | **17.6** |
| **Balance Sheet** | | | | | |
| Current assets | 21.2 | 23.8 | 25.6 | 26.8 | **25.5** |
| Non-current assets | 17.7 | 17.0 | 17.6 | 16.9 | **52.6** |
| Total assets | 38.9 | 40.8 | 43.2 | 43.7 | **78.1** |
| Current liabilities | 7.1 | 8.3 | 8.8 | 9.6 | **27.1** |
| Non-current liabilities | 0.9 | 0.9 | 0.4 | 0.3 | **19.6** |
| Total liabilities | 8.0 | 9.1 | 9.2 | 9.9 | **46.7** |
| Share capital | 9.4 | 9.0 | 9.1 | 9.1 | **9.4** |
| Reserves | 21.5 | 22.7 | 24.9 | 24.7 | **22.0** |
| Total shareholders' equity | 30.9 | 31.7 | 34.0 | 33.8 | **31.4** |
| **Financial Ratios Analysis** | | | | | |
| Gross profit margin (%) | 84.2 | 84.9 | 85.0 | 84.5 | **84.4** |
| Earning per share (Singapore cents) | 2.17 | 2.68 | 3.33 | 1.92 | **0.58** |
| Net asset value per share (Singapore cents) | 17.74 | 18.29 | 19.63 | 19.48 | **18.03** |
| Return on assets (%) | 9.8 | 11.5 | 13.3 | 7.6 | **1.3** |
| Return on equity (%) | 12.2 | 14.8 | 17.0 | 9.9 | **3.2** |
| Net debt to equity ratio | Net Cash | Net Cash | Net Cash | Net Cash | **Net Cash** |
| Asset turnover (times) | 1.6 | 1.6 | 1.6 | 1.6 | **0.9** |

**Notes:**

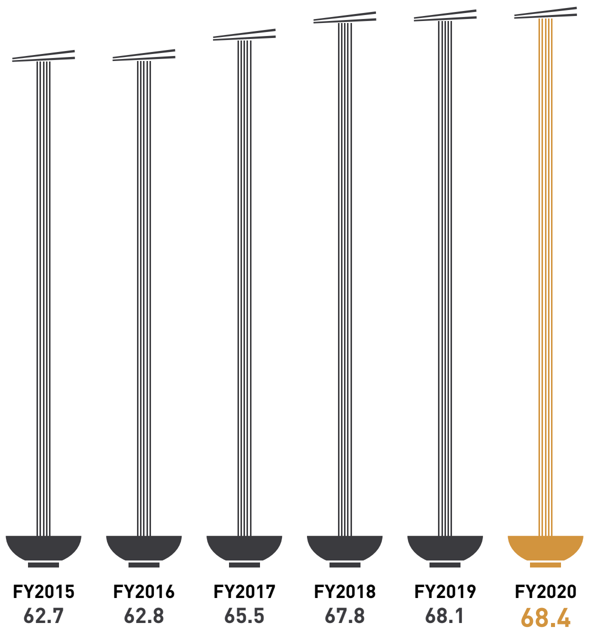
(1) Include the effect from adoption of SFRS(I)16, Leases, from 1 April 2019 on a prospective basis.

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

# FINANCIAL HIGHLIGHTS

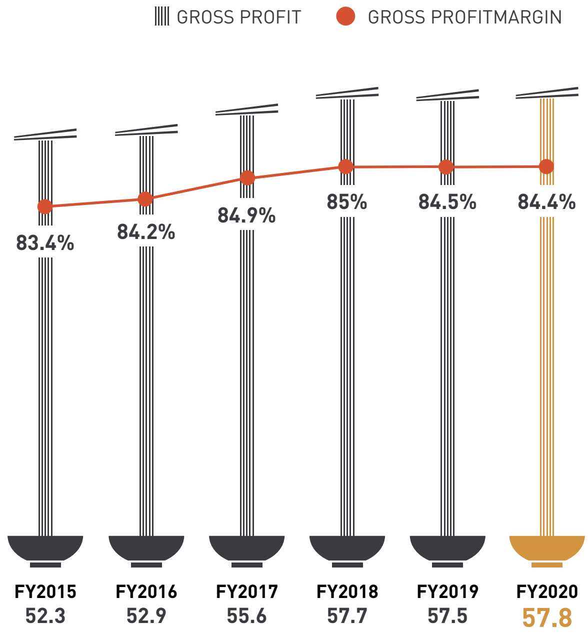
REVENUE (S$M)

**68.4 MILLION**



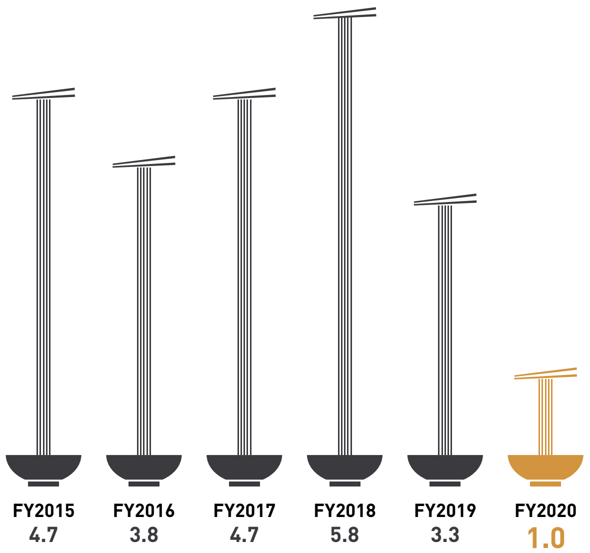

GROSS PROFIT (S$M) & GROSS PROFIT MARGIN (%)

**57.8 MILLION**

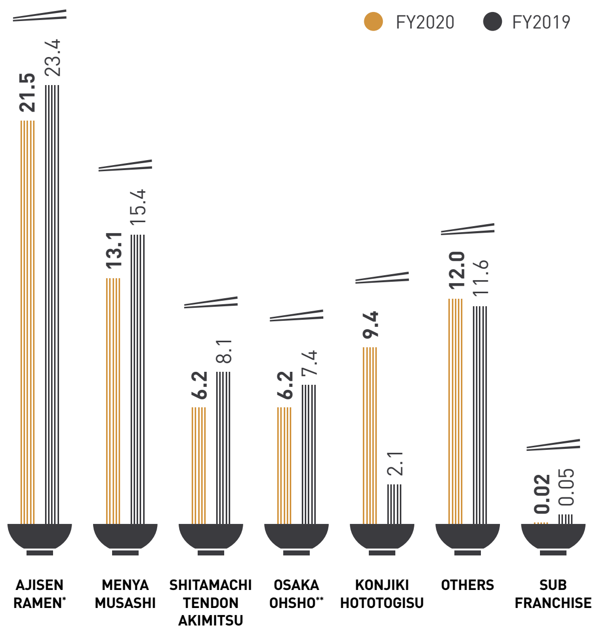



NET PROFIT (S$M)

**1.0 MILLION**



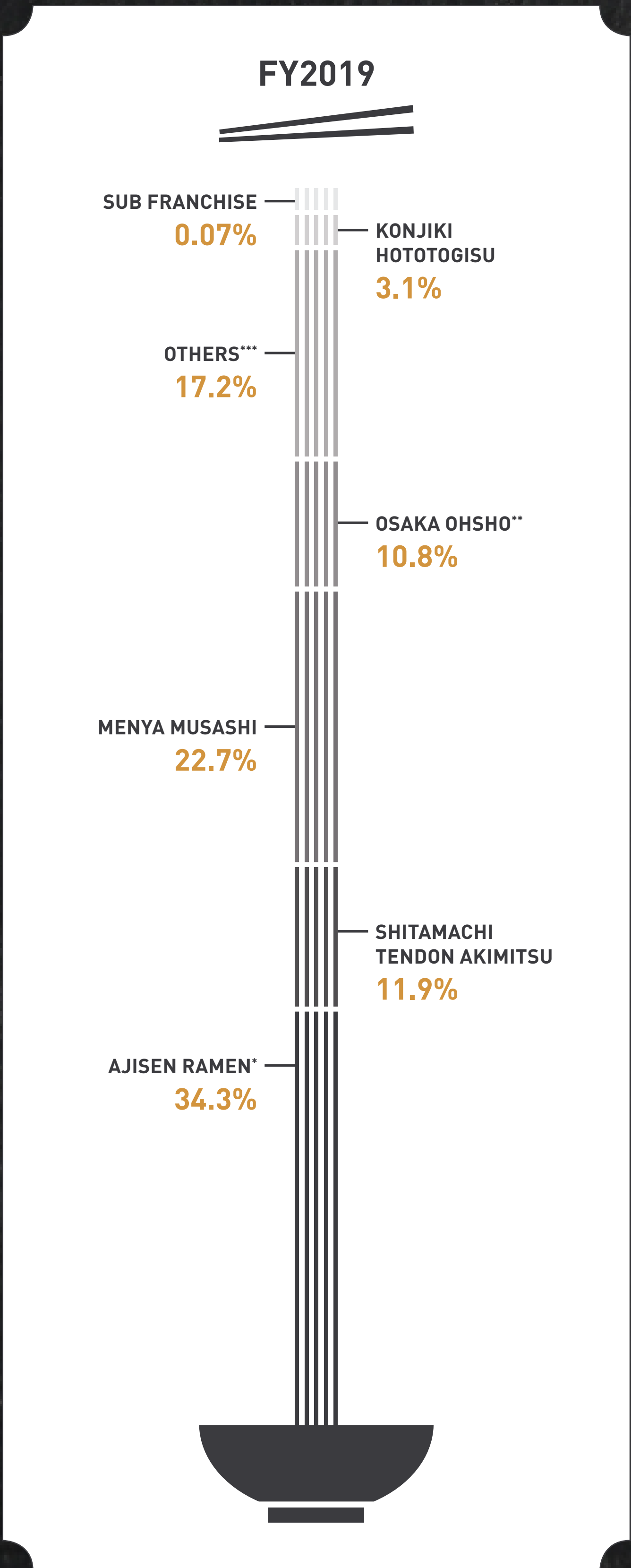

REVENUE MIX BY BRANDS (S$M)

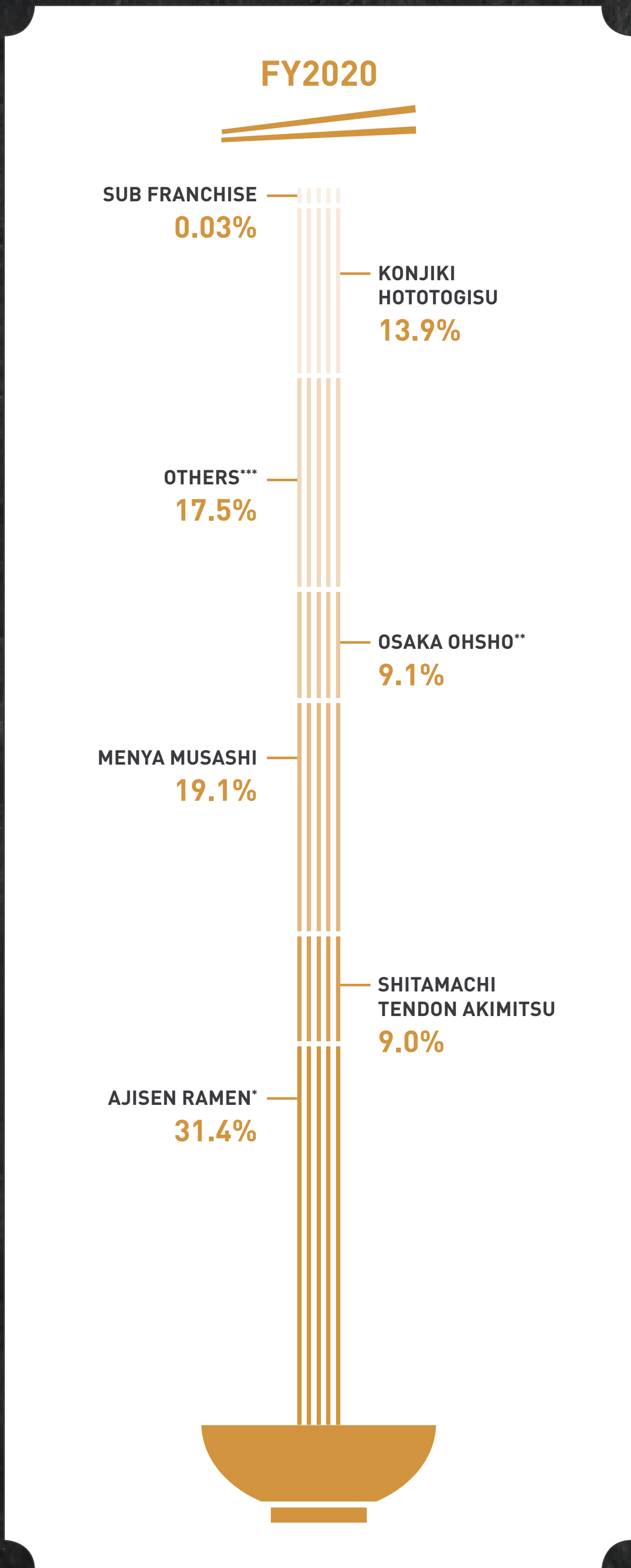



* Includes Kara Men

** Includes 1 " Kotsujiru Nabe " brand restaurant, which is a brand extension of the "Osaka Ohsho " brand

# FINANCIAL HIGHLIGHTS




**Notes:**

* Includes Kara men

** Includes 1 " Kotsujiru Nabe " brand restaurant, which is a brand extension of the "Osaka Ohsho " brand

*** Includes revenue contribution from one new restaurant brand "AFURI Ramen"

# FINANCIAL HIGHLIGHTS

## VALUE ADDED STATEMENT

| S$'000 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|
| **Value added from:** | | | | | |
| Revenue | 62,804 | 65,467 | 67,845 | 68,079 | **68,413** |
| Less: Purchases of materials & services | (36,431) | (38,372) | (38,841) | (40,005) | **(25,772)** |
| | 26,373 | 27,095 | 29,004 | 28,074 | **42,641** |
| Add/(less): | | | | | |
| Other income | 1,331 | 996 | 971 | 663 | **762** |
| Share of profits of associated companies / JV | 587 | 606 | 474 | 132 | **(342)** |
| Loss on disposal of plant and equipment | (7) | (6) | (1) | (1) | **–** |
| Plant & equipment W/O | (131) | (86) | (160) | (104) | **(189)** |
| Inventories W/O | (2) | (3) | (4) | (4) | **(3)** |
| Impairment of plant and equipment | (810) | (259) | – | (110) | **(665)** |
| Currency translation gain/(loss) | (34) | (5) | (11) | 9 | **5** |
| **Total value added** | 27,307 | 28,338 | 30,273 | 28,659 | **42,209** |
| **Distribution of total value added:** | | | | | |
| To employees | | | | | |
| Salaries and other staff costs | 17,336 | 17,464 | 18,911 | 20,357 | **19,755** |
| To government | | | | | |
| Corporate tax | 888 | 1,045 | 1,223 | 789 | **381** |
| To providers of capital | | | | | |
| Dividend | 3,518 | 3,488 | 3,557 | 3,653 | **3,651** |
| Finance costs[1] | – | – | – | – | **984** |
| Retained for future capital requirements | | | | | |
| Depreciation and amortisation[2] | 5,308 | 5,173 | 4,364 | 4,178 | **20,072** |
| Retained profit | 257 | 1,168 | 2,218 | (318) | **(2,634)** |
| **Total distribution** | 27,307 | 28,338 | 30,273 | 28,659 | **42,209** |
| **Productivity analysis** | | | | | |
| Value added per $ employment cost | 1.6 | 1.6 | 1.6 | 1.4 | **2.1** |
| Value added per $ investment in fixed assets | 0.8 | 0.8 | 0.9 | 0.8 | **1.1** |
| Value added per $ sales (S$) | 0.4 | 0.4 | 0.4 | 0.4 | **0.6** |
| Fixed assets (Cost) | 34,173 | 36,635 | 34,604 | 36,645 | **39,577** |

**Notes:**
(1) Include S$984 Lease Interest Expenses in FY2020 from adoption of FRS(I)16.
(2) Include S$16,068 (Depreciation of ROU Assets) in FY2020 from adoption of FRS(I)16.

# OPERATING AND FINANCIAL REVIEW

## REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE

for *FY2020*

### REVENUE

The Group's revenue in FY2020 was comparable to that achieved in FY2019, increasing only marginally by S$0.3 million or 0.5% from S$68.1 million in FY2019 to S$68.4 million in FY2020. The increase in the Group's revenue for most of FY2020 was negated by the onset of the Covid-19 pandemic in January 2020. The Group's increase in revenue was due to the following:

(i) **net decrease in revenue of S$1.9 million from the restaurants operating under the "Ajisen Ramen" brand**
The Group's revenue from restaurants operating under the "Ajisen Ramen" brand decreased from S$23.3 million in FY2019 to S$21.4 million in FY2020, mainly attributable to mainly attributable to the closure of outlets at White Sands and Sembawang Shopping Centre in November 2018 and April 2019 respectively and lower revenue from existing restaurants.

(ii) **net decrease in revenue of S$2.4 million from the restaurants operating under "Menya Musashi" brand**
The Group's revenue from restaurants operating under the "Menya Musashi" brand decreased from S$15.4 million in FY2019 to S$13.0 million in FY2020, mainly attributable to (i) conversion of a Menya Musashi restaurant to "Konjiki Hototogisu" brand in September 2019; (ii) closure of a restaurant at Punggol Waterway Point in January 2020 and (iii) lower net sales generated from existing restaurants.

(iii) **net decrease in revenue of S$1.2 million from the restaurants operating under "Osaka Ohsho" brand**
The Group's revenue from restaurants operating under the "Osaka Ohsho" brand decreased from S$7.4 million in FY2019 to S$6.2 million in FY2020, mainly attributable lower net sales generated from some existing restaurants.

(iv) **net decrease in revenue of S$1.9 million from the restaurants operating under the "Shitamachi Tendon Akitmitsu" brand**
The Group's revenue from restaurants operating under the "Shitamachi Tendon Akimitsu" brand decreased from S$8.1 million in FY2019 to S$6.2 million in FY2020, mainly attributable to lower net sales generated from some existing restaurants.

(v) **net increase in revenue of S$8.2 million from the restaurants operating under other brands**
The Group's new restaurants operating under other brands recorded an increase in revenue of S$10.4 million in FY2020 mainly contributed by new restaurants operating under the "Afuri", "Konjiki Hototogisu", "Menzo Butao", "Fruit Paradise" and "Yonehachi" brands. The increase in revenue contributed by new restaurants was however partially offset by a decrease in revenue of S$2.2 million due to the closure of restaurants under the "Dutch Baby Café" and Ginza Kushi-Katsu" brands as well as lower revenue from existing restaurants under the "New ManLee Bak Kut Teh", "Kazokutei", "Japanese Gourmet Town", and "Curry Is Drink" brands.

(vi) **impact of JFH Rewards**
The reward points known as $J earned by members (net of expired points of approximately S$0.1 million) under JFH Rewards amounted to S$1.4 million in FY2020 compared to S$0.9 million in FY2019. In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognised during the respective financial years.

# OPERATING AND FINANCIAL REVIEW

**TABLE 1: The Group's portfolio in Singapore**

| Restaurant Brands | As at 31 Mar 2020 | As at 31 Mar 2019 |
|---|---|---|
| Afuri Ramen | 1 | - |
| Ajisen Ramen[a] | 16 | 18 |
| Karamen | - | 1 |
| Curry Is Drink | 1 | 1 |
| Fruit Paradise | 2 | 2 |
| Japanese Gourmet Town | 1 | 1 |
| Kagurazaka Saryo | 2 | 2 |
| Kazokutei | 1 | 1 |
| Konjiki Hototogisu | 8 | 3 |
| Menya Musashi | 9 | 11 |
| Menzo Butao | 2 | 2 |
| New ManLee Bak Kut Teh | 1 | 1 |
| Osaka Ohsho[b] | 5 | 5 |
| Shitamachi Tendon Akitmitsu | 6 | 7 |
| Yonehachi | 2 | 1 |
| Sho Ryu Ramen | 2 | - |
| **TOTAL RESTAURANTS** | **59** | **55** |

**Notes:**
(a) Includes 5 "Den by Ajisen Ramen" brand restaurants
(b) 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 Mar 2020 | As at 31 Mar 2019 |
|---|---|---|
| **Ajisen Ramen** (operated by sub-franchisees) | | |
| • Malaysia | 1 | 1 |
| **Menya Musashi** (interests via associated companies) | | |
| • Indonesia | 1 | 1 |
| • Hong Kong | 5 | 7 |
| • China | 9 | 12 |
| **Konjiki Hototogisu** (interests via associated companies) | | - |
| • Hong Kong | 1 | |
| **TOTAL RESTAURANTS** | **17** | **21** |

## GROSS PROFIT

The Group's gross profit increased marginally by S$0.2 million or 0.4% from S$57.5 million in FY2019 to S$57.7 million in FY2020. The Group maintained its overall gross profit margin at 84.4% in FY2020 as compared to 84.5% in FY2019.

## OTHER INCOME

The Group's other income increased by S$63,000 or 11.6% from S$543,000 in FY2019 to S$606,000 in FY2020 mainly due to fees from the sub-franchise of Hototogisu Ramen brand to an associated company in Hong Kong.

## OTHER GAINS

The Group's other gains decreased by S$3,000 or 37.5% from S$8,000 in FY2019 to of S$5,000 in FY2020 mainly due to lower currency translation gain in FY2020.

## EXPENSES

Selling and distribution expenses: The Group's selling and distribution expenses increased by S$0.9 million or 1.8% from S$49.4 million in FY2019 to S$50.3 million in FY2020 mainly due to higher manpower cost, rental, utilities and online delivery charges in line with the Group's expanded restaurant network.

Administrative expenses: The Group's administrative expenses decreased S$0.3 million or 6.0% from S$3.5 million in FY2019 to S$3.2 million in FY2020 due to lower provision of bonus in line with poor business performance due to Covid-19 pandemic.

Other operating expenses: The Group's other operating expenses increased by S$0.3 million from S$1.3 million in FY2020 to S$1.6 million in FY2019 due to higher franchise and royalty fees as well as fixed assets written off in relation to re-branding of 2 existing restaurants.

## IMPAIRMENT OF PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The impairment of plant and equipment and right-of-use assets increased by S$0.6 million or 504.5% from S$0.1 million in FY2019 to S$0.7 million in FY2020 mainly due to certain stores being assessed as non-performing after taking into account the aggravated impact of Covid-19 pandemic.

# OPERATING AND FINANCIAL REVIEW

### LEASE INTEREST EXPENSES

Lease interest expenses relate to imputed interest on operating leases amounting to S$1.0 million in FY2020 arising from the adoption of SFRS(I) 16.

### SHARE OF RESULTS OF ASSOCIATED COMPANIES AND JOINT VENTURE

The Group recorded its share of losses of its associated companies of S$0.3 million in FY2020 as compared to its share of profit of S$0.1 million FY2019 as the Group's associated company operating the "Menya Musashi" brand in Hong Kong was impacted by social unrest and Covid-19 pandemic and its associated companies in China and Indonesia also incurred losses due to the impact of Covid-19 pandemic. These losses were partially offset by profit from an associated company operating "Hototogisu" brand restaurant in Hong Kong.

The Group recorded its share of loss of its joint venture of S$9,000 in FY2020. As at 31 March 2020, the joint venture, Dining Collective Pte. Ltd., had not commenced operations and the loss was due to general overhead and administrative costs incurred during FY2020.

### INCOME TAX EXPENSES

The Group's income tax expenses decreased by S$0.4 million or 51.7% from S$0.8 million in FY2019 to S$0.4 million in FY2020 in line with lower operating profit in FY2020. The effective tax rate was higher than the headline tax rate of 17% of the Group's profit before tax in FY2020 as some expenses such as impairment charges of plant and equipment and right-of-use assets as well as share of losses of associated companies which were not tax deductible.

### NET PROFIT

As a result of the aforementioned reasons, the Group's net profit attributable to equity holders of the Company decreased by S$2.3 million or 69.5% from S$3.3 million in FY2019 to S$1.0 million in FY2020.

## REVIEW OF THE GROUP'S FINANCIAL POSITION

(As at 31 March 2020)

### CURRENT ASSETS

The Group's total current assets decreased by S$1.3 million, from S$26.8 million as at 31 March 2019 to S$25.5 million as at 31 March 2020.

This was mainly due to the decreases in (i) cash and bank balances of S$1.6 million; (ii) trade receivables of S$0.4 million and (iii) lower rental deposit of S$0.8 million as some landlords utilised a portion to offset rental payments. The decreases were partially offset by an increase in other receivables of S$1.6 million from the Job Support Scheme introduced in the Resilience Budget as announced by the Singapore Government in March 2020 and an increase in inventory of S$0.1 million.

### NON-CURRENT ASSETS

The Group's total non-current assets increased by S$35.7 million, from S$16.9 million as at 31 March 2019 to S$52.6 million as at 31 March 2020.

This was mainly due to (i) an increase in ROU assets of S$35.5 million arising from the adoption of SFRS(I) 16; (ii) an increase in long-term security deposits of S$0.2 million; and (iii) an increase in loan to a joint venture of S$0.3 million.

The increases were offset by a decrease in investments in associated companies of S$0.3 million due to share of losses of associated companies.

# OPERATING AND FINANCIAL REVIEW

## CURRENT LIABILITIES

The Group's total current liabilities increased by S$17.5 million, from S$9.6 million as at 31 March 2019 to S$27.1 million as at 31 March 2020 due to an increase in trade and other payables and accruals of S$0.7 million and the recognition of current portion of lease liabilities amounting to S$17.2 million arising from the adoption of SFRS(I) 16. These were partially offset by a decrease in current income tax provision of S$0.4 million.

## NON-CURRENT LIABILITIES

The Group's total non-current liabilities increased by S$19.3 million from S$0.3 million as at 31 March 2019 to S$19.6 million as at 31 March 2020 due to the recognition of the long-term portion of lease liabilities of S$19.4 million arising from the adoption of SFRS(I) 16 and partially offset by a decrease of deferred tax liabilities.

## SHAREHOLDER'S EQUITY

The Group's shareholders' equity decreased by S$2.4 million from S$33.8 million as at 31 March 2019 to S$31.4 million as at 31 March 2020. The decrease was mainly due to the distribution of dividend of S$3.6 million, partially offset by the net profit achieved by the Group in FY2020 of S$1.0 million and the transfer of treasury shares to the Group's employees pursuant to the Japan Foods Performance Share Plan (as announced on 14 August 2019) amounting to S$0.2 million.

## REVIEW OF STATEMENT OF CASH FLOW

for *FY2020*

The Group's net cash generated from operating activities in FY2020 was S$23.2 million. This was mainly due to operating profit before working capital changes of S$23.7 million, working capital inflow of S$0.2 million and interest received of S$0.2 million which were partially offset by payment of income tax of S$0.9 million.

The Group's net cash used in investing activities in FY2020 was S$4.6 million mainly due to (i) renovation cost and purchase of equipment for the Group's new restaurants of S$4.3 million and (ii) loan to joint venture of S$0.3 million in preparation to set up restaurants in Japan.

The Group's net cash used in financing activities in FY2020 was S$20.4 million mainly due to dividend payment of S$3.6 million, increase in short-term bank deposit pledged of S$0.3 million, principal payment of lease liabilities of S$15.5 million and interest paid of S$1.0 million.

# CORPORATE STRUCTURE

**JAPAN FOODS HOLDING LTD.**

100%
BACHMANN ENTERPRISES PTE. LTD.

100%
BACHMANN JAPANESE RESTAURANT PTE. LTD.

100%
JAPAN FOODS ENTERPRISES PTE. LTD.

100%
JAPAN FOODS BRIDGE PTE. LTD.[1]

25%
ACJF HOLDING LIMITED

20%
HIGHLY YIELD LIMITED

30%
FIRST HARMONY HOLDINGS LIMITED

30%
PT MENYA MUSASHI INDONESIA

50%
DINING COLLECTIVE PTE. LTD.

30%
WAKAYAMA INTERNATIONAL LIMITED

**Note:**
(1) Dormant since incorporation on 10 March 2017

# 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
- 21 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**
24 July 2019

**Length of Service**
12 years (since November 2008)

**Present Directorships in other Listed Companies and Major Appointments**
- Non-executive director of Sirus Angel Fund Pte. Ltd.
- 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 chairman of APAC Realty Limited
- Non-executive director of Cargo Community Network Pte. Ltd.
- Non-executive director of Singapore Cruise Centre Pte. Ltd.
- Non-executive director of Hargol Foodtech Ltd.
- Non-executive of Mekhala Pte. Ltd.
- Non-executive director of Dining Collective Pte. Ltd
- Non-executive director of SGX-ST listed Jason Marine Group Limited
- Non-executive director of SGX-ST listed Alliance Healthcare Group Limited
- Vice Chairman, SBF's China and North Asia Business Group
- Non-executive Member of NTU's Food Science and Technology Industry Advisory Panel
- Council member of China-Singapore Business Council
- Non-executive chairman of NTUC Learninghub Pte Ltd
- Non-executive chairman of NTUC Learninghub Co-operative limited
- Council member of Malaysia-Singapore Business Council
- Council member of ASEAN-India Business Council
- Council member of Andhra Pradesh-Singapore Business Council

**Past Directorships in other Listed Companies Held Over the Preceding Three Years**
- Non-executive director of Singapore Kitchen Equipment Limited from 25 June 2013 to 26 April 2018
- Board member of International Enterprise Singapore 1 January 2012 to 31 March 2018
- Non-executive director of Neo Group Limited from 11 June 2012 to 11 July 2018.
- Board member of Agri-food & Vetinary Authority of Singapore from 1 April 2012 to 21 March 2019
- Board member of Enterprise Singapore from 1 April 2018 to 31 March 2020

**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.
- A Chartered Valuer and Appraiser in 2018

# BOARD OF DIRECTORS

## LEE SOK KOON, CONSTANCE
**Lead Independent Director**

**Date of Appointment**
1 September 2011

**Date of Last Re-Appointment**
23 July 2018

**Length of Service**
9 years (since September 2011)

**Present Directorships in other Listed Companies and Major Appointments**
- Independent Director of NUS America Foundation, Inc. since 27 August 2013.
- Independent Director at SGX-ST listed SBS Transit Ltd since 1 May 2017.
- Honorary member of Fundraising Committee of Singapore Arts School Ltd.

**Past Major Appointment Held Over The Preceding Three Years**
- Director (Operations) in the Development Office of National University of Singapore from May 2012 to August 2017.
- Director on the Board of Singapore Arts School Ltd from 22 August 2011 to 31 January 2020.

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

## TAN LYE HUAT
**Independent Director**

**Date of Appointment**
24 November 2008

**Date of Last Re-Appointment**
24 July 2019

**Length of Service**
12 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, and Dynamic Colours Limited.

**Past Directorships in other Listed Companies Held Over the Preceding Three Years**
- Independent director of Nera Telecommunications Ltd from 28 January 2013 to 29 May 2020.

**Skills & Experience**
- A Fellow Chartered Director of the Institute of Directors, UK
- A Fellow of the Association of Chartered Certified Accountants
- A life member of the Institute of Singapore Chartered Accountants
- A member of the Australian Institute of Company 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 operations 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 Association of Chartered Certified Accountants (UK).

# KEY MANAGEMENT

### FONG SIEW GEEN
**Head of Operations**

Fong Siew Geen is our Head of Operations. She is primarily responsible for the operations 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 INFORMATION

**BOARD OF DIRECTORS**

**TAKAHASHI KENICHI**
Executive Chairman and CEO

**WONG HIN SUN, EUGENE**
Non-Executive Vice Chairman

**LEE SOK KOON, CONSTANCE**
Lead Independent Director

**TAN LYE HUAT**
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

**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**
80 Robinson Road
#25-00
Singapore 068898

**DIRECTOR-IN-CHARGE:**
**LEE LOOK LING**
Appointed since financial year ended
31 March 2020

**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

## 1. BOARD STATEMENT

We reaffirm our commitment to sustainability with the publication of our sustainability report ("**Report**"). For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("**ESG**") factors and economic performance.

We are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long-term future of our Group. In line with our commitment, the Board having considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

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

The operating environment in the local food and beverage industry is expected to remain challenging in the next 12 months due to the adverse impact of the Coronavirus disease 2019 ("**COVID-19**" or "**Pandemic**") which include dampened consumers' demand, supply chain disruptions and operational restrictions. To protect our customers and employees, we have stepped up hygiene measures such as increasing the frequency of cleaning and sanitisation of our premises, enforcing safe-distancing measures and equipping our employees with masks and sanitisers. We have also intensified our efforts to control costs and improve operational efficiency. Amidst this Pandemic, we remained financially healthy with S$20.4 million in cash and bank balances and no bank borrowings as at 31 March 2020.

Given the volatile nature of COVID-19 and the uncertain outlook, we will continue to engage our stakeholders through providing timely updates on business developments via announcements on the platform of Singapore Exchange Limited ("**SGX**"). In addition, we will provide more details on our sustainability strategy in relation to COVID-19 in our next Report when there is more clarity.

A summary of our sustainability performance in FY2020 is as follows:

| S/N | Material factor | Sustainability performance for FY2020 |
|---|---|---|
| **General disclosure** | | |
| 1 | Total customer satisfaction | • We operated a chain of 59 restaurants in Singapore serving authentic Japanese fare under various franchise as well as self-developed brands<br>• We had 230,000 members under our JFH rewards program as at 31 March 2020<br>• Our revenue increased marginally by S$0.3 million from S$68.1 million to S$68.4 million |
| **Economic** | | |
| 2 | Sustainable business performance | • Generated S$23.2 million of net cash provided by operating activities<br>• Recorded S$1.0 million of total comprehensive income for the period attributable to equity holders of the company<br>• Declared a total tax-exempt dividend of 1.25 Singapore cents per share |

# SUSTAINABILITY REPORT

| S/N | Material factor | Sustainability performance for FY2020 |
|---|---|---|
| **Environmental** | | |
| 3 | Energy conservation | • Liquefied petroleum gas ("**LPG**") consumption rate was 81.5 (kWh/ S$'000)<br>• Electricity consumption rate[1] was 98.8 (kWh/ S$'000) |
| 4 | Water conservation | Water consumption rate[1] was 1.2 (CuM/ S$'000) |
| 5 | Responsible waste management | 100% of waste oil generated from operations was handled by licensed waste collectors |
| **Social** | | |
| 6 | Commitment to consistent quality and food safety | All our restaurants were graded A by the National Environment Agency of Singapore ("**NEA**") for the overall hygiene, cleanliness and housekeeping standards |
| 7 | Inclusive workplace | • 36% of all employees and 32% of managers were females<br>• 34% of all employees were at least 40 years old |
| 8 | Safe working environment | 16 incidents of non-fatal workplace injuries resulting in 179 man-days lost |
| 9 | Employee training and development | Training programs ranging from soft skill training to food hygiene and safety courses were in place to equip our employees with the right capabilities |
| 10 | Ongoing community engagement | We continued our cooperation with Movement for the Intellectually Disabled of Singapore ("**MINDS**") to hire employees with disabilities |
| **Governance** | | |
| 11 | Robust corporate governance framework | Singapore Governance and Transparency Index ("**SGTI**") score assessed by National University of Singapore Business School was 90 |

## 2. VISION, MISSION AND CORE VALUES

**JOURNEY TO SUSTAINABILITY**

**CORE VALUES**

- Quality and freshness
- Customer focused
- Productivity
- People development
- Relationship with partners
- Shareholder's value
- Social and environmental responsibility

**MISSION**

To endeavour to achieve annual growth in our restaurant network and sales

**VISION**

To enlarge our regional footprint by offering innovative dining concepts and serving top quality cuisine in multiple markets within Asia

Our path to sustainability is closely aligned with our core values, mission and vision as our sustainability factors and strategies will bring us to where we envision ourselves to be. Our vision and mission are driven by our core values of which material sustainability factors are based on.

As we move on with our sustainability journey, we face potential risks relating to the identified sustainability factors. We recognise that if risks are identified early and managed well, they will lead to opportunities. Refer to Section 8 for more details on the alignment of our material sustainability factors with our core values, mission and vision and corresponding risks and opportunities.

1 Consumption rate is calculated by dividing the absolute consumption by the total revenue (S$'000) from entities covered.

# SUSTAINABILITY REPORT

### 3. REPORTING FRAMEWORK AND MARKET BENCHMARKING

This Report has been prepared in accordance with the GRI Standards: Core option and published in pursuant to 711A and 711B of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). We have chosen to report using GRI Standards: Core option as it is an internationally recognised reporting framework.

As part of our continual efforts to align our sustainability reporting with relevant market standards, we have mapped our sustainability efforts to the 2030 Agenda for Sustainable Development which is adopted by all United Nations Member States in 2015 ("**UN Sustainability Agenda**"). The UN Sustainability Agenda provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("**SDGs**"), which form an urgent call for action by all countries - developed and developing - in a global partnership. We have incorporated the SDGs, where appropriate, as a supporting framework to shape and guide our sustainability strategy.

### 4. REPORTING PERIOD AND SCOPE

This Report articulates our strategies and practices in all aspects of sustainability, provides a detailed account of our sustainability performance in our operations and is applicable for the Group's financial year ended 31 March 2020 ("**FY2020**" or "**reporting period**"). This Report covers all our subsidiaries and a sustainability report will be published annually in accordance with our SR Policy.

### 5. FEEDBACK

Your feedback on this Report will help us to improve 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.

### 6. STAKEHOLDER ENGAGEMENT

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

We actively engage our key stakeholders through the following channels:

| S/N | Key stakeholder | Key engagement channel | Frequency of engagement | Key concern raised by stakeholder |
|---|---|---|---|---|
| 1 | Communities | • Community campaigns | Ongoing | • Social inclusion<br>• Environmental initiatives |
| 2 | Customers | • Customer questionnaires<br>• Online feedback forms | Daily | • Customer service standards<br>• Food safety |
| 3 | Employees | • Staff evaluation | Annually | • Equal employment opportunity<br>• Career development and training opportunities<br>• Job security<br>• Remuneration |

| S/N | Key stakeholder | Key engagement channel | Frequency of engagement | Key concern raised by stakeholder |
|---|---|---|---|---|
| 4 | Regulators | Consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange | As and when required | Corporate governance |
| 5 | Shareholders | • Annual general meeting<br>• Issuance of annual report<br>• Results announcements<br>• Investor relations communication | Annually<br><br>Quarterly[2]<br>Ongoing | • Sustainable business performance<br>• Market valuation<br>• Dividend payment<br>• Corporate governance |
| 6 | Suppliers | • Suppliers evaluation<br>• Feedback provided by procurement teams to suppliers | As and when required | Order volatility |

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

## 7. POLICY, PRACTICE AND PERFORMANCE REPORTING

### 7.1 Reporting Structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. The Group's Sustainability Committee, which includes senior management executives and key managers from various functions, is led by the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), and tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

We track the progress of our material sustainability factors by identifying the relevant data points (i.e. the information source of the relevant factor) and measuring them. In addition, performance targets that are aligned with our strategy will be set to ensure that we maintain the right course in our path to sustainability. We also consistently enhance our performance-monitoring processes and improve our data capture systems.

**BOARD OF DIRECTORS**

**CEO / CFO**

**Sustainability Committee**

Human resources | Outlet operations | Purchasing | Central kitchen | Information technology | Finance and accounts | Marketing

2 We adopted a half-yearly financial reporting cycle from 7 February 2020.

# SUSTAINABILITY REPORT

### 7.2 SUSTAINABILITY REPORTING PROCESSES

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

| | |
|---|---|
| IDENTIFICATION | Identification of the material factors that are relevant to our Group's activities and data points for performance reporting |
| PRIORITISATION | Prioritisation of the material factors and identification of key sustainability factors to be reported |
| VALIDATION | Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalise the sustainability report content |
| REVIEW | Monitor, review and update our material factors from the previous reporting period, taking into account the feedback received from engagement with stakeholders as well as organisational and external developments |

### 7.3 MATERIALITY ASSESSMENT

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

| Reporting priority | Description | Criteria |
|---|---|---|
| I | High | Factors with high reporting priority are reported on in detail. |
| II | Medium | Factors with medium reporting priority are considered for inclusion in the Report. If it is decided that such factors are not material, they may be excluded from the Report. |
| III | Low | Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material. |

The reporting priority is supported by a material factor matrix which considers the level of concern expressed by external stakeholders in relation to a particular sustainability factor and its potential impact on our business.

### 7.4 PERFORMANCE TRACKING AND REPORTING

We track the progress of our material sustainability factors by identifying the relevant data points (i.e. the information source of the relevant factor) and measuring them. In addition, performance targets that are aligned with our strategy will be set to ensure that we maintain the right course in our path to sustainability. We also consistently enhance our performance-monitoring processes and improve our data capture systems.

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## 8 MATERIAL FACTORS

Our materiality assessment performed for FY2020 involved the Group's Senior Management in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainable value for our stakeholders.

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

<u>List of material sustainability factors</u>

| S/N | Material factor | Core value | SDG | Key stakeholder | Reporting priority |
|---|---|---|---|---|---|
| **General disclosure** | | | | | |
| 1 | Total customer satisfaction | Customer focused | Decent work and economic growth | Customers | I |
| **Economic** | | | | | |
| 2 | Sustainable business performance | Shareholder's value | Decent work and economic growth | Shareholders | I |
| **Environmental** | | | | | |
| 3 | Energy conservation | Social and environmental responsibility | Affordable and clean energy | • Communities<br>• Shareholders | II |
| 4 | Water conservation | Social and environmental responsibility | Clean water and sanitation | • Communities<br>• Shareholders | II |
| 5 | Responsible waste management | Social and environmental responsibility | Responsible consumption and production | • Communities<br>• Shareholders | III |
| **Social** | | | | | |
| 6 | Commitment to consistent quality and food safety | Quality and freshness | Decent work and economic growth | • Customers<br>• Suppliers | I |
| 7 | Inclusive workplace | People development | Reduced inequalities | Employees | I |
| 8 | Safe working environment | People development | Good health and well-being | Employees | II |
| 9 | Employee training and development | People development | Quality education | Employees | II |
| 10 | Ongoing community engagement | Social responsibility | - | Communities | III |
| **Governance** | | | | | |
| 11 | Robust corporate governance framework | Shareholder's value | Peace, justice and strong institutions | • Shareholders<br>• Regulators | II |

# SUSTAINABILITY REPORT

Material factors matrix

| STAKEHOLDERS' CONCERN \ BUSINESS IMPACT | Low | Medium | High |
|---|---|---|---|
| High | | • Inclusive workplace | • Total customer satisfaction<br>• Commitment to consistent quality and food safety<br>• Sustainable business performance |
| Medium | | • Safe working environment<br>• Employee training and development<br>• Energy conservation<br>• Water conservation<br>• Robust corporate governance framework | |
| Low | • Responsible waste management<br>• Ongoing community engagement | | |

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

### 8.1 TOTAL CUSTOMER SATISFACTION

In line with our core value to be customer-focused, we are committed to build a loyal customer base for our long-term sustainability by maximising customer's satisfaction through the following:

Offer a diverse portfolio of brands

Our franchise restaurant brands include "Ajisen Ramen", "Kazokutei", "Menya Musashi", "Akimitsu", "Osaka Ohsho", "New ManLee Bak Kut Teh", "Afuri Ramen", "(Men) House Yamamoto", "Menzo Butao", "Yonehachi", "Kagurazaka Saryo" as well as Michelin-starred "Konjiki Hototogisu" brands. Over the years, we have also developed our own brands such as "Fruit Paradise", "Japanese Gourmet Town", "Curry is Drink", and "Sho Ryu Ramen".

With an in-depth understanding of our market, we constantly review our brand portfolio to bring new tastes and experiences to satisfy diverse needs of our customers. Our Marketing Department, under the leadership of our key executives, works closely with various stakeholders on this front.

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Maintain presence and proximity to whom we serve

We recognise that a convenient location is key to attract returning customers. Over the years, we have built up good relationships with major mall operators and through this relationship, we are able to secure and build a network of 59 restaurants as at 31 March 2020 (As at 31 March 2019: 55 restaurants) in high-traffic and popular malls island-wide.

Provide good food at affordable prices

Our strategy is to offer authentic Japanese cuisine at affordable prices. Under this strategy,

- Our Research and Development team constantly adds new items to our menus to attract customers.
- We operate a central kitchen to process ingredients for the restaurants so that we are able to ensure consistency of food standard.
- We play an active role in sourcing for suppliers to ensure that they offer quality products with competitive pricing. Strategic suppliers are regularly evaluated through measures such as annual assessments and visits to suppliers' facilities.

Provide quality and safe products

We adopt market standards and best practices in our operations to ensure quality and safety in our products and services. For further details on how we maintain product safety and consistency in quality, refer to section 8.6.

Proactively gather customer feedback through technology for improvements and to develop strategies

We adopt technology widely to stay agile in addressing customer feedback, which is collected through various touchpoints such as social media and a customer relationship management system that allows a deeper and more meaningful analysis of customer preferences. Insights gathered are discussed during our management meetings to drive product and service improvements, enhance our operational efficiency and provide inputs for strategies.

Build loyalty through membership program

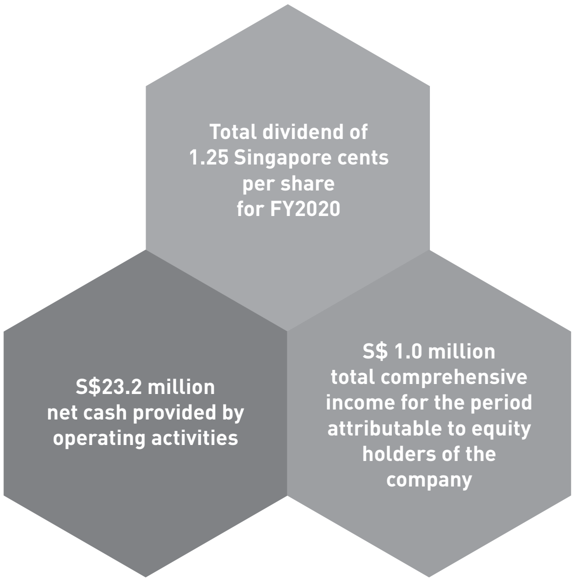
We have a membership program in place to build loyalty amongst customers. Under the program, members are connected via social media that promote the latest additions to our menus and promotions. Members are also eligible for discounts when they patronise our restaurants. As at 31 March 2020, we have accumulated 230,000 members (As at 31 March 2019: 116,000 members).

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| • Maintain a balanced and attractive brand portfolio<br>• Revenue growth in excess or in line with the industry growth rate<br>• Increase the number of members | Target met as follows:<br>• We operated a chain of 59 restaurants in Singapore serving authentic Japanese fare under various franchise as well as self-developed brands<br>• Our revenue increased marginally by S$0.3 million from S$68.1 million to S$68.4 million<br>• Number of members increased to 230,000 | • Maintain a balanced and attractive brand portfolio<br>• Maintain or improve market presence subject to market conditions<br>• Maintain or increase the number of members |
| **Risk and opportunity analysis** | | |
| **Risk** | Risks identified:<br>• Lack of choice in restaurant locations<br>• Reduction of gross sales due to unattractive pricing<br>• Improper food handling resulting in food poisoning cases<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To expand our brand presence and enhance our attractiveness as a franchise partner to Japanese food and beverage brand owners who are looking to expand their business beyond their local market | |

### 8.2 SUSTAINABLE BUSINESS PERFORMANCE

We believe in creating long-term economic value for shareholders and are committed to dividend distribution, positive operating cash flow and continual profitability for our shareholders.

We generated S$23.2 million (FY2019: S$8.5 million) of net cash provided by operating activities and S$1.0 million (FY2019: S$3.3 million) of total comprehensive income for the period attributable to equity holders of the company. A lower dividend of 1.25 Singapore cents per share (FY2019: 1.90 Singapore cents per share) was declared for FY2020 in light of the uncertain market outlook and business environment. Nonetheless, the dividend amount represented 214% of the Group's net profits attributable to shareholders in FY2020, which was in excess of the dividend rate of not less than 50% of our consolidated net profits attributable to shareholders annually as stated in our dividend policy.




As mentioned under the Board Statement, the operating environment in the local food and beverage industry is expected to remain challenging in the next 12 months due to the adverse impact of COVID-19 which include dampened consumers' demand, supply chain disruptions and operational restrictions. To protect our customers and employees, we have stepped up hygiene measures such as increasing the frequency of cleaning and sanitisation of our premises, enforcing safe-distancing measures and equipping our employees with masks and sanitisers. We have also intensified our efforts to control costs and improve operational efficiency. Amidst this Pandemic, we remained financially healthy with S$20.4 million in cash and bank balances and no bank borrowings as at 31 March 2020.

For more information on our dividend policy, refer to Guideline 15.5 of our Corporate Governance Report in this Annual Report.

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

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Improve our financial performance whilst maintaining our dividend rate where applicable | Target not met as follows:<br>We did not meet our targets to improve our financial performance and dividend rate.<br><br>Our weaker financial performance was attributable to weaker consumer sentiment and the effects of social distancing as a result of COVID-19 which started in late January 2020 and caused a significant decrease in footfall at shopping malls, where our restaurants are located. | • Improve or maintain our financial performance subject to market conditions<br>• Distribute dividend in accordance with our dividend policy |
| **Risk and opportunity analysis** | | |
| **Risk** | Risks identified:<br>• Lack of choice in restaurants locations<br>• Reduction of gross sales due to unattractive pricing<br>• Escalating costs<br>• Business disruptions in the event of a pandemic outbreak<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report | |
| **Opportunity** | To create long-term economic value for our shareholders | |

# SUSTAINABILITY REPORT

**8.3 ENERGY CONSERVATION**

We are driven by our core value to be environmentally responsible and therefore committed to responsible usage of energy resources through enhancing energy usage efficiency.

We operate a head office, a central kitchen and various restaurants in Singapore. To run our operations, we rely mainly on the following energy sources:

- LPG for operating cooking equipment
- Electricity for running equipment for refrigeration, lighting, office work, cooling and ventilation

Key statistics on energy consumption during the reporting period are as follows:

| Resource | Unit of measurement | Energy consumption rate (Consumption/ Revenue) | | Increase or decrease between FY2020 and FY2019 (%) |
|---|---|---|---|---|
| | | FY2020 Unit/ S$ '000 | FY2019 Unit/ S$ '000 | |
| LPG | kWh | 81.5 | 77.6 | 5% |
| Electricity | kWh | 98.8 | 95.7 | 3% |

We track and review electricity and LPG consumption regularly to control usage. One of our proactive measures to control energy consumption is the implementation of a systematic maintenance program for operating equipment to maintain energy efficiency and achieve cost savings by limiting equipment degradation.

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Reduce or maintain the energy consumption rate | Target not met as follows:<br>We recorded a slight increase in the LPG and electricity consumption rates. The increase in consumption rates was mainly due to the more than proportional decrease in revenue from our restaurants as compared to energy consumed at the onset of COVID-19.<br><br>In line with our commitment to the environment, we will continuously work towards reducing both the LPG and electricity consumption rates. | Reduce or maintain the energy consumption rate |
| **Risk and opportunity analysis** | | |
| **Risk** | Risk identified:<br>• Escalating costs<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To improve our operational efficiency and achieve environmental sustainability | |

### 8.4 WATER CONSERVATION

In line with our core value to be environmentally responsible, we are committed to responsible usage of water resources through enhancing our water consumption efficiency.

Key statistics on water consumption during the reporting period are as follows:

| Resource | Unit of measurement | Water consumption rate (Consumption/ Revenue) | | Increase or decrease between FY2020 and FY2019 (%) |
|---|---|---|---|---|
| | | FY2020 Unit/ S$ '000 | FY2019 Unit/ S$' 000 | |
| Water | CuM | 1.2 | 1.2 | - |

We rely on water resources to run our operations primarily in the following areas:
- Central kitchen such as running water to thaw meat and washing
- Central kitchen and restaurants as an ingredient in our products such as soup bases
- Restaurants such as for dishwashing

Our water conservation initiatives include performing periodic inspections to check faucets and pipes for leaks and encouraging staff to use water responsibly, such as to operate the dishwasher only when the wash basin is filled with utensils for washing.

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Reduce or maintain the water consumption rate | Target met as follows:<br>No material changes in the water consumption rate | Reduce or maintain the water consumption rate |
| **Risk and opportunity analysis** | | |
| **Risk** | Risk identified:<br>• Escalating costs<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To improve our operational efficiency and achieve environmental sustainability | |

### 8.5 RESPONSIBLE WASTE MANAGEMENT

We believe that responsible waste management can help to preserve the environment in which we operate in. Accordingly, we are committed to improve the management of waste generated in operations.

Ingredient waste generated from our operations is deemed not to be material as the products we serve are mostly fast-moving and semi-processed food such as char siew which can be used interchangeably for different dishes whilst the final dishes are cooked only when ordered.

Nonetheless, we have implemented various initiatives to minimise waste generated in operations. Such initiatives include having a barcode system in place to track the shelf life of our products, ensuring that the waste oil generated in operations are collected by licensed waste collectors and not providing disposable chopsticks when customers dine at our restaurants.

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Maintain or improve the proportion of waste oil generated from operations that is properly disposed | Target met as follows:<br>100% of waste oil generated from operations was handled by licensed waste collectors. | Maintain or improve the proportion of waste oil generated from operations that is properly disposed |
| **Risk and opportunity analysis** | | |
| **Risk** | No material residual risk associated with this factor was identified | |
| **Opportunity** | To improve our operational efficiency and achieve environmental sustainability | |

### 8.6 COMMITMENT TO CONSISTENT QUALITY AND FOOD SAFETY

To fulfil our core value of ensuring quality and freshness to our customers, the following key measures are in place:

Maintain high food hygiene standards at our restaurants

As at 31 March 2020, 100% (As at 31 March 2019: 100%) of our restaurants were graded A by the NEA for the overall hygiene, cleanliness and housekeeping standards[3]. There were no major food safety incidents[4] during the reporting period (FY2019: zero incident).

**100%**
**OF OUR RESTAURANTS WERE GRADED A BY NEA**

We will continuously work towards improving food hygiene standards at our restaurants.

To fulfil the commitment to the health and safety of our customers whilst dining at our premises during the COVID-19 situation, we have implemented the following precautionary measures to provide a safe and clean environment for our customers when they dine with us ("Precautionary Measures"):

- Daily temperature checks for our employees
- Provision of hand sanitisers for our diners and employees
- Sanitisation of tables and chairs after every use
- Thorough and extensive disinfection for all surfaces every night
- Implement social distancing measures at our premises

In April 2020, a set of Circuit Breaker measures was implemented by the Government of Singapore to stem the spread of COVID-19. Under these measures, customers were not allowed to dine-in at our restaurants, instead, only takeaways were allowed during the period from 7 April to 1 June 2020. Nonetheless, we remain committed to the strict implementation of the above-mentioned Precautionary Measures when the Circuit Breaker measures were lifted.

Proactive supply quality and security management

We play an active role in ensuring that our ingredients are obtained from competent and reliable suppliers. We have implemented Hazard Analysis Critical Control Point ("**HACCP**"), a market standard which is designed to prevent or reduce the occurrence of health hazards.

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

- Strategic suppliers are constantly evaluated through measures such as annual assessments and visits made to suppliers' facilities. The procurement team constantly furnishes feedback to suppliers to make improvements. A supplier that does not meet assessment criteria or improve will be disqualified.
- A set of receiving inspection procedures is in place for ingredients and raw materials to comply with our established product standards.
- Key ingredients manufactured internally at our central kitchen are subject to a stringent set of quality control procedures.

3 As part of the licensing requirements to operate a food and beverage business in Singapore, each restaurant is assessed by the NEA and assigned a grade based on the overall hygiene, cleanliness and housekeeping standards of the premises. The grade ranges from A to D with A being the best and D the worst.

4 A Major Food Safety Incident is defined as an incident whereby at least 5 unrelated customers (at the same venue or event) are affected from consuming food items produced by the Central Kitchen

In addition, a third-party laboratory is engaged to perform periodic testing of our food products and ensure food safety and quality.

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Maintain the NEA grading for our restaurants | Target met as follows:<br>All of our restaurants were graded A by the NEA for the overall hygiene, cleanliness and housekeeping standards | • Maintain or improve NEA Grade A for all our restaurants<br>• Maintain zero food safety incidents |
| **Risk and opportunity analysis** | | |
| **Risk** | Risk identified:<br>• Improper food handling resulting in food poisoning cases<br>• Business disruptions in the event of a pandemic outbreak<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To build customer confidence in our products and services | |

**8.7 INCLUSIVE WORKPLACE**

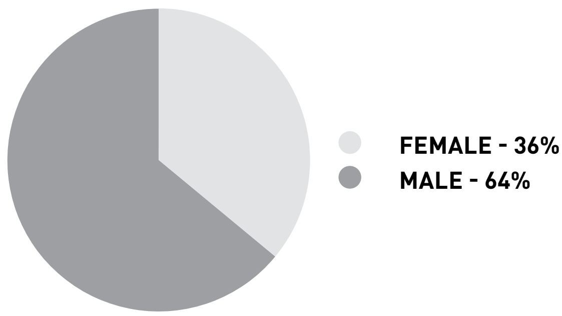
To focus on people development, we aim to provide a work environment for our employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender and age. Therefore, we are committed to the goals of diversity and equal opportunity in employment. The total number of full-time employees in the Group as at 31 March 2020 was 473 (As at 31 March 2019: 454).

For gender diversity, 36% (As at 31 March 2019: 35%) of our total workforce was made up of female employees whilst the percentage of female managers was approximately 32% (As at 31 March 2019: 33%) of total managers. We will continuously move towards a more balanced gender ratio. We also view diversity at the Board level as an essential element in supporting sustainable development with one (As at 31 March 2019: one) female Board member or 25% (As at 31 March 2019: 25%) female representation on the Board.

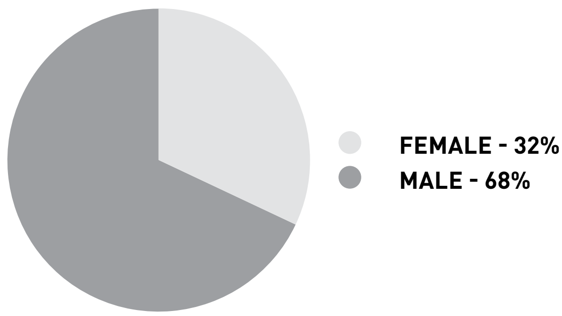
Matured workers are valued in our Group for their experience, knowledge and skills. As at 31 March 2020, 34% (As at 31 March 2019: 33%) of our workforce was at least 40 years old.

To promote equal opportunity, we have a comprehensive Human Resource Policy to ensure that employees are recruited and promoted based on merit and competency. We also perform annual assessment to share information with all levels of employees and align business goals and objectives with them.

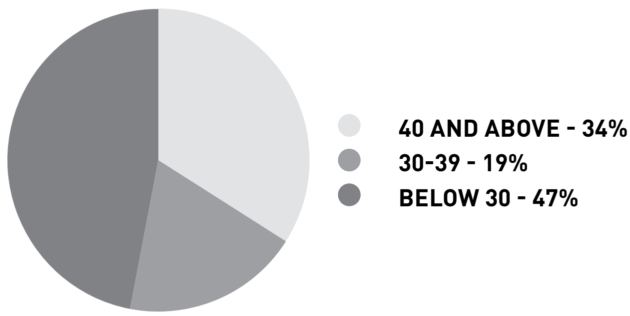
**Gender diversity (all employees)**




**Gender diversity (managers)**




**Age diversity (all employees)**



| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| • Ratio of female against male employees and managers should not fall below 25%<br>• Ratio of employees with age 40 and above should not exceed 50% or fall below 25% | Target met as follows:<br>• Ratio of female against male employees and managers was above 25%<br>• Ratio of employees with age 40 and above fell between 25% and 50% | • Ratio of female against male employees and managers should not fall below 25%<br>• Ratio of employees with age 40 and above should not exceed 50% or fall below 25% |
| **Risk and opportunity analysis** | | |
| **Risk** | Risks identified:<br>• Turnover of managerial staff<br>• Shortage of operational staff<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To create a diverse and inclusive workplace that will bring new perspectives into our business and strengthen our ability to overcome new challenges and innovate | |

**8.8 SAFE WORKING ENVIRONMENT**

A safe working environment allows our employees to work safely without the fear of getting injured. This helps to build loyalty amongst our employees and support the sustainability of the Group. Accordingly, we are committed to prioritise on maintaining a safety and security conscious culture amongst our employees of all levels.

We recorded no workplace fatality (FY2019: none) during the reporting period and 16 (FY2019: 20) non-fatal workplace injuries[5] which resulted in 179[6] (FY2019: 208) man-days lost during the reporting period. The workplace accidents are mainly associated with burn and cut injuries. Nonetheless, we remain committed to maintain a safe working environment and ensure that lessons from the workplace accidents are shared across business units to prevent recurrence. We will continuously work towards reducing both the occurrence and severity of workplace accidents.

Key measures adopted to manage health and safety in the workplace environment are as follows:
- A set of safety rules and regulations is in place
- A safety committee is in place and safety inspections are performed regularly
- New employees are briefed on safety procedures during orientation
- First aid kits are placed at key locations with easy access

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Reduce the number of workplace accidents | Target met as follows:<br>16 incidents of non-fatal workplace injuries and resulting in 179 man-days lost, which was an improvement from the previous year | Reduce the number of workplace accidents |
| **Risk and opportunity analysis** | | |
| **Risk** | Risk identified:<br>• Accidents at the central kitchen and restaurants leading to injuries or fatalities<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To create a safe working environment that will reduce absenteeism and turnover, increase productivity, raise employee morale and lower injury or illness costs | |

5 A workplace injury is defined as one whereby an employee is injured in a work accident resulting in (i) hospitalisation of at least 24 hours and/or (ii) an issuance of a medical certificate of more than 3 days (need not be consecutive)
6 Includes a non-workplace related injury of 64 man-days lost

### 8.9 EMPLOYEE TRAINING AND DEVELOPMENT

In line with our commitment to focus on people development, we place a high priority on the competency development of our employees as we believe that well trained employees are vital to the long-term success of our business.

In order to provide employees with a clear and forward-looking career path with better prospects, we have introduced the following initiatives:

Systematic and comprehensive training programs
Our employees play a vital role in contributing to the success of our business as they interact first-hand with customers and are also responsible for maintaining food safety and hygiene standard of our restaurants.

To equip our retail employees with the right capabilities, we have implemented various training programs ranging from soft skill training to food hygiene and safety courses. Such programs also motivate them to maintain a high level of performance.

Robust performance appraisal system
Staff assessment serves as a platform to evaluate the performance of the employees and to discuss areas for improvement. It also encourages employees to take self-initiated enrichment actions to improve their current skillsets, which in turn helps to value-add to our business.

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| - | Not applicable[7]<br>Training programs ranging from soft skill training to food hygiene and safety courses were in place to equip our employees with the right capabilities | Continuously identify opportunities to upskill workforce |
| **Risk and opportunity analysis** | | |
| **Risk** | Risks identified:<br>• Turnover of managerial staff<br>• Shortage of operational staff<br><br>Refer to our risk disclosure in the Corporate Governance Report in this annual report for more details | |
| **Opportunity** | To expand the knowledge base of our employees, strengthen our ability to overcome new challenges and innovate | |

### 8.10 ONGOING COMMUNITY ENGAGEMENT

We strive not only to set a good example but also to encourage individuals and other corporations to embrace the spirit of giving. We recognise that the long-term success of our business is closely related to the health and prosperity of the communities.

During the reporting period, we continued our cooperation with MINDS to hire employees with disabilities and integrate them in our workforce. As at 31 March 2020, we employed 10 employees (As at 31 March 2019: 10 employees) with special needs.

7 Not applicable as this is a newly disclosed sustainability factor.

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Continue with existing campaigns to help communities | Target met as follows:<br>We continued our cooperation with MINDS to hire employees with disabilities | Initiate various campaigns to help the communities |
| **Risk and opportunity analysis** | | |
| **Risk** | No material residual risk associated with this factor was identified | |
| **Opportunity** | To strengthen our reputation and build goodwill with the communities that we operate in | |

### 8.11 ROBUST CORPORATE GOVERNANCE FRAMEWORK

We are committed to high standards of corporate governance as corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interest and maximising long-term shareholder value.

During the reporting period, we clinched the Best Annual Report (Silver) award for companies with less than S$300 million in market capitalisation granted at the Singapore Corporate Awards 2019, in recognition of companies that have demonstrated an excellent standard of corporate reporting and disclosure beyond the minimum regulatory requirements that are in line with the needs of investors and shareholders.

We have a proven track record of receiving awards that recognise our good corporate governance and transparency practices, such as the Most Transparent Company Award – Hotel/ Restaurant and Best Managed Board (Gold) Award received in 2018.

We continue to be one of the companies listed on the Catalist Board of Singapore Exchange under the SGX Fast Track Program of Singapore Exchange Regulation. This program recognises public listed companies with good corporate governance practices and compliance track records and allows them to enjoy fast-tracked approval for certain corporate actions.

In line with our commitment to maintain a robust corporate governance framework, we have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In FY2020, no valid[8] complaint was received via the whistle blowing channel (FY2019: zero valid complaint).

The overall SGTI score assessed by National University of Singapore Business School was 90 for the year 2019 (Year 2018: 85).

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

| Target for FY2020 | Performance in FY2020 | Target for FY2021 |
|---|---|---|
| Improve or maintain SGTI score | Target met as follows:<br>SGTI score increased by 5 points in year 2019. | Improve or maintain SGTI score |
| **Risk and opportunity analysis** | | |
| **Risk** | No material residual risk associated with this factor was identified | |
| **Opportunity** | To drive long-term sustainable growth and increase corporate values | |

8 As defined in our whistle blowing policy

# SUSTAINABILITY REPORT

### 9. SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS

We have incorporated the SDGs under the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, where appropriate, as a supporting framework to shape and guide our sustainability strategy. The results shown below are how our sustainability factors relate to these SDGs:

| SDG | Our effort (SR factor) |
| --- | --- |
| 3 GOOD HEALTH AND WELL-BEING<br>Ensure healthy lives and promote well-being for all at all ages | We implement measures to ensure a safe and secure working environment for our employees work in is both safe and secure, as well as to maintain the physical and mental health of our employees. (**Section 8.8 Safe working environment**) |
| 4 QUALITY EDUCATION<br>Ensure inclusive and equitable quality education and promote lifelong learning opportunities | We invest in training, education and development of our people to enhance our business competencies. (**Section 8.9 Employee training and development**) |
| 6 CLEAN WATER AND SANITATION<br>Ensure availability and sustainable management of water sanitation for all | We implement checks and measures to best prevent water wastage throughout our business operations, which in turn helps us to work towards achieving sustainable management and efficient use of natural resources. (**Section 8.4 Water conservation**) |
| 7 AFFORDABLE AND CLEAN ENERGY<br>Ensure access to affordable, reliable, sustainable and modern energy for all | We implement measures to reduce our energy consumption rate as not only does it help to improve our energy efficiency, it also helps us to save costs incurred to support our business operations. (**Section 8.3 Energy conservation**) |

# SUSTAINABILITY REPORT

| SDG | Our effort (SR factor) |
|---|---|
| 8 DECENT WORK AND ECONOMIC GROWTH<br>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | • We place heavy emphasis on customer satisfaction as we understand that maintaining a high level of customer satisfaction is essential to the continued success of our business. This in turn helps to contribute to economic growth as well as the creation of new jobs. (**Section 8.1 Total customer satisfaction**)<br>• We ensure compliance to market standards with regards to the quality and safety of our food as such factors also helps us to maintain customer satisfaction and the continued success of our business. This in turn helps to contribute to economic growth and the creation of new jobs. (**Section 8.6 Commitment to consistent quality and food safety**)<br>• We contribute to economic growth through creating long-term value for our stakeholders. (**Section 8.2 Sustainable business performance**) |
| 10 REDUCED INEQUALITIES<br>Reduce inequality within and among countries | We ensure equal opportunity for all regardless of age, gender, race and educational background. (**Section 8.7 Inclusive workplace**) |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>Ensures sustainable consumption and production patterns | We implement measures to help prevent and reduce waste generated from our business operations. (**Section 8.5 Responsible waste management**) |

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

| GRI Standard & disclosure title | | Section reference | Page |
|---|---|---|---|
| **Organisation profile** | | | |
| 102-1 | Name of the organisation | Cover Page | - |
| 102-2 | Activities, brands, products, and services | • Corporate Profile<br>• Our Brands | 01<br>04-06 |
| 102-3 | Location of headquarters | Corporate Information | 24 |
| 102-4 | Location of operations | • Our Networks<br>• Corporate Information | 7<br>24 |
| 102-5 | Ownership and legal form | • Corporate Structure<br>• Financial Contents > Notes to the Financial Statements > General Information<br>• Financial Contents > Notes to the Financial Statements > Investments in Subsidiary Corporations<br>• Financial Contents > Notes to the Financial Statements > Investment in Associated Companies<br>• Financial Contents > Notes to the Financial Statements > Investment in a Joint Venture<br>• Statistics of Shareholdings | 19<br>90<br>112<br>113-114<br>114-115<br>140-141 |
| 102-6 | Markets served | Our Networks | 07 |
| 102-7 | Scale of the organisation | • Our Brands<br>• Financial Highlights<br>• Operating and Financial Review<br>• Sustainability Report > Material Factors > Inclusive Workplace<br>• Financial Contents > Consolidated Statement of Comprehensive Income<br>• Financial Contents > Balance Sheets | 04-06<br>11-14<br>15-18<br>37-38<br>85<br>86 |
| 102-8 | Information on employees and other workers | Sustainability Report > Material Factors > Inclusive Workplace | 37-38 |
| 102-9 | Supply chain | Sustainability Report > Material Factors > Total Customer Satisfaction | 31-32 |
| 102-10 | Significant changes to the organisation and its supply chain | Operating and Financial Review | 15-18 |
| 102-11 | Precautionary Principle or approach | None | - |
| 102-12 | External initiatives | Sustainability Report > Supporting the UN Sustainable Development Goals | 41-42 |
| 102-13 | Membership of associations | None | - |
| **Strategy** | | | |
| 102-14 | Statement from senior decision-maker | Sustainability Report > Board Statement | 25 |
| **Ethics and integrity** | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | • Sustainability Report > Material Factors > Robust Corporate Governance Framework<br>• Corporate Governance Report | 40<br>46-71 |
| **Governance** | | | |
| 102-18 | Governance structure | • Sustainability Report > Material Factors > Robust Corporate Governance Framework<br>• Corporate Governance Report | 40<br>46-71 |
| **Stakeholder engagement** | | | |
| 102-40 | List of stakeholder groups | Sustainability Report > Stakeholder Engagement | 27-28 |
| 102-41 | Collective bargaining agreements | None of our employees are covered by collective bargaining agreements | - |
| 102-42 | Identifying and selecting stakeholders | Sustainability Report > Stakeholder Engagement | 27-28 |
| 102-43 | Approach to stakeholder engagement | Sustainability Report > Stakeholder Engagement | 27-28 |
| 102-44 | Key topics and concerns raised | • Sustainability Report > Stakeholder Engagement<br>• Sustainability Report > Material Factors > Total Customer Satisfaction | 27-28<br>31-32 |

# SUSTAINABILITY REPORT

| GRI Standard & disclosure title | | Section reference | Page |
|---|---|---|---|
| **Reporting practice** | | | |
| 102-45 | Entities included in the consolidated financial statements | • Corporate Structure<br>• Financial Contents > Notes to the Financial Statements > Investment in Subsidiary Corporations | 19<br>112 |
| 102-46 | Defining report content and topic boundaries | Sustainability Report > Sustainability Reporting Process | 29 |
| 102-47 | List of material topics | Sustainability Report > Material Factors | 30-40 |
| 102-48 | Restatements of information | None | - |
| 102-49 | Changes in reporting | Sustainability factor added:<br>Sustainability Report > Material Factors > Employee Training and Development | 39 |
| 102-50 | Reporting period | Sustainability Report > Reporting Period and Scope | 27 |
| 102-51 | Date of most recent report | Annual Report 2019 > Sustainability Report 2019 | - |
| 102-52 | Reporting cycle | Sustainability Report > Reporting Period and Scope | 27 |
| 102-53 | Contact point for questions regarding the report | Sustainability Report > Feedback | 27 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | • Sustainability Report > Reporting Framework and Market Benchmarking<br>• Sustainability Report > GRI Content Index | 27<br>43-44 |
| 102-55 | GRI content index | Sustainability Report > GRI Content Index | 43-44 |
| 102-56 | External assurance | We may seek external assurance in the future | - |
| **Management approach** | | | |
| 103-1 | Explanation of the material topic and its Boundary | Sustainability Report > Material Factors | 30-40 |
| 103-2 | The management approach and its components | • Sustainability Report > Board Statement<br>• Sustainability Report > Policy, Practice and Performance Reporting<br>• Sustainability Report > Material Factors | 25<br>28-29<br>30-40 |
| 103-3 | Evaluation of management approach | Sustainability Report > Material Factors | 30-40 |
| **Category: Economic** | | | |
| 201-1 | Direct economic value generated and distributed | • Financial Highlights<br>• Operating and Financial Review<br>• Sustainability Report > Material Factors > Sustainable Business Performance<br>• Financial Contents > Consolidated Statement of Comprehensive Income<br>• Financial Contents > Balance Sheets | 11-14<br>15-18<br>33<br>85<br>86 |
| **Category: Environmental** | | | |
| 302-3 | Energy intensity | Sustainability Report > Material Factors > Energy Conservation | 34 |
| 303-1 | Water withdrawal by source | Sustainability Report > Material Factors > Water Conservation | 35 |
| 306-2 | Waste by type and disposal method | Sustainability Report > Material Factors > Responsible Waste Management | 35-36 |
| **Category: Social** | | | |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Sustainability Report > Material Factors > Safe Working Environment | 38 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Sustainability Report > Material Factors > Employee Training and Development | 39 |
| 405-1 | Diversity of governance bodies and employees | Sustainability Report > Material Factors > Inclusive Workplace | 37-38 |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | Sustainability Report > Material Factors > Ongoing Community Engagement | 39-40 |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Sustainability Report > Material Factors > Commitment to Consistent Quality and Food Safety | 36-37 |

# FINANCIAL CONTENTS

# CORPORATE GOVERNANCE REPORT

**INTRODUCTION**

The board of directors ("**Board**") and the management ("**Management**") of Japan Foods Holding Ltd. (the "**Company**") are committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (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 corporate governance processes and practices of the Group that were in place throughout the financial year ended 31 March 2020, with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code 2018**") issued on 6 August 2018, which forms part of the continuing obligations of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

The Board is pleased to confirm that for the financial year ended 31 March 2020 ("**FY2020**"), the Group has adhered to the principles and provisions as outlined in the Code 2018 except for the following Provisions where the deviations and explanations have been provided:-

(a) Provision 2.2 – Independent Directors Comprising Majority of the Board
(b) Provision 3.1 – Common Role of Chairman and CEO
(c) Provision 9.1 – Establishment of a Separate Risk Committee

**BOARD MATTERS**

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

*Provision 1.1*
*Roles and duties of Board*

The Board aims to preserve and enhance long-term Shareholders' value. To this end, each director of the Company ("**Director**") endeavours to objectively discharge his or her duties and responsibilities as fiduciaries 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) sets 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

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group. It works with management, its external advisors and auditors to make objective decisions in the interest of the Group. In addition, the Board sets the tone for the entire organisation where ethics and values are concerned. The Board is also supported by three Board committees to facilitate the discharge of its functions to which it has delegated specific areas of responsibilities.

*Conflict of Interest*

Internal guidelines have been established which require all Board members who have a potential conflict of interest in a particular agenda item to recuse themselves from the discussion and decisions involving the relevant Board discussion. This policy also applies to all Board committees.

*Provision 1.2*
*Continuous Training and Development of Directors*

During FY2020, 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**"), Singapore, Securities Investors Association (Singapore) and other professional bodies. The external auditors update the Directors on the new or revised financial reporting standards on an annual basis.

The Board also ensures that incoming new Directors (if any) are given guidance and orientation (including onsite visits, if necessary) to familiarise with the Group's business and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. For new Directors that do not have any prior experience as a director of a listed company, the Company will arrange for such person to attend training courses organised by SID or other training institutions in areas such as accounting, legal and industry-specific knowledge where appropriate, in connection with their duties.

*Provision 1.3*
*Internal Guidelines on Matters Requiring Board's Approval*

The Group has adopted internal guidelines governing matters that require the Board approval. A delegation of authority matrix provides clear directions to the management on matters requiring the Board's specific approval. The matters requiring Board's approval include (but are not limited to) the following:

(a) Annual budgets and business plan of the Group;

(b) Material acquisition and disposal of assets/investments;

(c) Corporate/financial restructuring and corporate exercise;

(d) Issuances of shares, dividend payout and other returns to Shareholders;

(e) Interested persons transactions;

(f) SGX-ST announcements and release of annual reports; and

(g) Any other matters as prescribed by relevant legislations and regulations, as well as the provisions of the Company's Constitution.

# CORPORATE GOVERNANCE REPORT

*Provision 1.4*
*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 2020, the ARC, the RC and the NC each comprised entirely of non-executive Directors.

*Provision 1.5*
*Meetings of Board and Board Committees*

The constitution of the Company ("**Constitution**") provides for the Directors to participate in Board meetings by teleconference or videoconference means. Directors with multiple board representations must ensure that sufficient time and attention are given to the affairs of the Company.

The number of Board and Board committees' meetings held in FY2020 and the attendance of each Director are set out below:

| FY2020 Meeting Attendance | Board | ARC | NC | RC | AGM |
|---|---|---|---|---|---|
| Total Number of Meetings | 4 | 5 | 2 | 2 | 1 |
| Takahashi Kenichi | 4 | NA | NA | NA | 1 |
| Wong Hin Sun, Eugene | 4 | 5 | 2 | 2 | 1 |
| Lee Sok Koon, Constance | 4 | 5 | 2 | 2 | 1 |
| Tan Lye Huat | 4 | 5 | 2 | 2 | 1 |

NA: Not applicable

*Provision 1.6*
*Access to Information*

To enable the Board to fulfil its responsibilities, the Management provides adequate and timely information to the Board to make informed decisions. A system of communication between the Management and the Board, and between the Board and Board Committees has been established and improved over time. All scheduled Board and Board Committees meetings are planned in advance of each financial year and meeting papers are normally circulated to the Directors at least one week before the meetings. All Directors have unrestricted access to the Management and are free to request for additional information when necessary.

The Board receives quarterly board papers, management financial statements, annual budgets and explanation on material variances to enable them to understand and oversee the Group's performance and prospects. Directors are also provided with updates on material developments of the Group as and when necessary.

*Provision 1.7*
*Separate and Independent Access to Management and Company Secretary*

The Company provides for Directors, individually or as a group, to have separate and independent access to the management, the Company Secretary and to seek external professional advice where necessary at the expense of the Company, in furtherance of their duties and after consultation with the Chairman of the Board.

Under the direction of the Chairman, the Company Secretary facilitates timely information flow within the Board and its Board Committees and between the management and the non-executive Directors.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committee meetings. The Company Secretary administers and attends all Board and Board Committees meetings and prepares minutes of meetings. The Company Secretary is also responsible for, among other things, ensuring Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies' Act, Securities and Futures Act and the Catalist Rules, are complied with.

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

## BOARD COMPOSITION AND BALANCE

**Principle 2: Strong and Independent Element on the Board**

*Provision 2.1*
*Independence of Directors*

As set out under the Code 2018, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

The NC deliberates annually to determine the independence of a Director. In determining whether a director is independent, the NC has adopted the definition in the Code 2018 of what constitutes an independent director as well as other relevant circumstances and facts.

For FY2020, the NC has assessed the independence of Mdm Lee Sok Koon, Constance and Mr Tan Lye Huat, and is satisfied that there are no relationships or other factors such as past associations, business dealings, relationship with the Directors and the management that could impair or compromise their independent judgement or which could deem them to be not independent.

To facilitate the NC in its review of the independent status of the Directors, each Director completes a checklist to confirm his/her independence. The checklist is based on the principles of good corporate governance and provisions of the Code 2018. The checklist will also indicate whether a Director considers himself/herself as an independent Director despite not having any of the relationships identified in the Code 2018.

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 save as disclosed below, there is no relationship which would deem the Independent Directors to be not independent.

Mr Tan Lye Huat, an Independent Director who was appointed on 24 November 2008 has served more than nine years on the Board. Mdm Lee Sok Koon, Constance, our Independent Director who was appointed on 1 September 2011 will be serving her ninth year in office this year.

The Board has subjected the independence of each of Mr Tan Lye Huat and Mdm Lee Sok Koon, Constance to rigorous review by all other Directors. All the other Directors completed a questionnaire to review rigorously the independence of Mr Tan Lye Huat and Mdm Lee Sok Koon, Constance. Having considered the assessment made by the other Directors on the independent status of Mr Tan Lye Huat and Mdm Lee Sok Koon, Constance, with the concurrence of the NC, the Board is of the view that each of Mr Tan Lye Huat and Mdm Lee Sok Koon, Constance has demonstrated strong independence and judgement over the years in discharging their duties and responsibilities as an independent director of the Company. They had expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management where necessary. Taking into account the above, the Board confirms that each of Mr Tan Lye Huat and Mdm Lee Sok Koon, Constance, continues to be considered as an independent director, notwithstanding them being in office for more than nine years.

As the Company will adopt the two-tier voting process ahead of the Catalist Rule 406(3)(d)(iii) coming into effect on 1 January 2022, both Mr Tan and Mdm Lee will be subject to the two-tier voting process in connection with the re-election of Mr Tan and continued appointment of Mdm Lee as independent directors ("**IDs**") at the forthcoming annual general meeting.

Save for the above, there are no other IDs who has served beyond nine years from the respective date of their first appointment during FY2020.

*Provision 2.2*
*Independent Directors Comprising Majority of the Board*

Under Provision 2.2 of the Code 2018, independent directors should make up a majority of the Board where the Chairman is not independent. The Board currently comprises four members of which two are independent directors. Whilst the Company has not complied with Provision 2.2 of the Code 2018 , the Board currently comprises only one executive director and the majority of the Board is made up of non-executive directors. In line with the transitional period as indicated by the Corporate Governance Council with regard to changes to board composition pursuant to the Code 2018, the Company will comply with Provision 2.2 by 1 January 2022.

*Provision 2.3*
*Proportion of Non-executive Director*

Under Provision 2.3 of the Code 2018, non-executive directors should make up a majority of the Board. The Company has complied with Provision 2.3 as the Board currently comprises four members of which three are non-executive Directors.

*Provision 2.4*
*Board Composition, Size and Diversity*

The Board currently has four members, comprising two independent Directors, one non-executive Director and one executive Director. 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 |
| Mdm Lee Sok Koon, Constance | Lead Independent Director |
| Mr Tan Lye Huat | Independent Director |

The Board is of the opinion that its current size and composition is appropriate for effective decision making, taking into account the scope and nature of the operations of the Group. With two out of four 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 diversity. Presently, the Company has a 25% female representation on the Board.

During FY2020, 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 the Group's matters.

*Provision 2.5*
*Meeting of Non-Executive Directors*

The Board has three 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 agreed 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 between the Board and Management and Balance of Power and Authority**

*Provision 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.

Mr Wong Hin Sun, Eugene is the Vice Chairman and non-executive Director of the Company and supports Mr Takahashi Kenichi in his Chairman role.

The Board is of the view that with the establishment of the three Board Committees and the appointment of Vice Chairman, there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

*Provision 3.2*
*Roles and Responsibilities of Chairman*

The Board has established and set out in writing the division of responsibilities between the roles of Chairman and the roles of CEO notwithstanding that these roles are assumed by the same person.

The Chairman 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 complete, accurate, timely and clear information;
(d) ensure effective communication with Shareholders;
(e) encourage constructive relations within the Board and 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.

The responsibilities of the CEO are set out in a service agreement entered into between the Company and the CEO. The CEO is responsible for the development and expansion of the Group's business and is responsible for the Group's entire operations, strategic planning, major decision-making, as well as developing the business and vision of the Group.

*Provision 3.3*
*Lead Independent Director*

The NC, RC and ARC are all chaired by independent Directors. Mdm Lee Sok Koon, Constance who is the Chairperson of the NC and RC is 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, Mdm Lee Sok Koon, Constance will be available to Shareholders if they have concerns 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.

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

*Provision 4.1 and Provision 4.2*
*Membership & Roles and Responsibilities 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 |

Mdm Lee Sok Koon, Constance who is the Lead Independent Director is the Chairperson of the NC.

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;
(d) evaluating the effectiveness of the Board as a whole and the contribution of each individual Director towards the effectiveness of the Board;
(e) reviewing of succession plans for Directors and key management personnel; and
(f) reviewing of training and professional development programmes for the Board and its Directors.

*Provision 4.3*
*Selection, Appointment and Re-appointment of Directors*

*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 taking into consideration the requirement for board diversity. 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.

*Process for Re-appointment of Directors*
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, including 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/her appointment. At the forthcoming AGM, Mr Takahashi Kenichi is due for retirement by rotation under Regulation 101 of the Constitution. Mr Takahashi has consented to remain in office and offered himself for re-election. The Board, acting on the recommendation of the NC, proposed that Mr Takahashi be re-elected at the forthcoming annual general meeting.

Under Catalist Rule that will come into effect 1 January 2022, the appointment of IDs who have served an aggregate period of more than nine years will be subject to a two-tier voting process to be approved by the majority of (i) all shareholders and (ii) all shareholders, excluding shareholders who also serve as directors or the CEO (and their associates). The two-tier voting process will be valid for a term of the ID appointment (up to three years).

Both Mr Tan Lye Huat and Mdm Lee Sok Koon, Constance had voluntarily offered themselves to be subject to the two-tier voting process. The Company will adopt the two-tier voting process ahead of the Catalist Rule 406(3)(d)(iii) coming into effect on 1 January 2022 and table the respective resolutions proposing the re-election of Mr Tan and continued appointment of Mdm Lee as IDs at the forthcoming AGM.

Please refer to page 72 to 76 in the Annual Report for the detailed information required pursuant to Rule 720(5) of Catalist Rules.

*Provision 4.4*
*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 2018 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.

*Provision 4.5*
*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 and with other commitments. 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 five listed companies (including the Company) for Directors who do not hold any full time employment and not more than two listed companies (including the Company) for Directors who hold full time employment.

Please refer to page 20 to 21 in the Annual Report for the detailed information on the directorships and principal commitments of each Director.

**BOARD PERFORMANCE**

**Principle 5: Formal Annual Assessment of the Effectiveness of the Board and its Board Committees and Individual Directors**

*Provision 5.1 and Provision 5.2*
*Board and Individual Director Evaluation Process*

The Board has put 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 FY2020, the Company did not engage any external facilitator for Board and Director assessment.

*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.

*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.

**REMUNERATION MATTERS**

**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

**Principle 6: Formal and Transparent Procedure for Developing Policy on Executives' Remuneration and Fixing the Remuneration Packages of Individual Directors**

*Provision 6.1 and Provision 6.2*
*Membership and Functions of the RC*
The RC comprises the following members:

| | |
|---|---|
| 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 |

All members of the RC are non-executive directors, the majority of whom, including the chairperson, are independent.

During the year, the RC held two scheduled meetings, which all members attended.

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 as well as the specific remuneration packages for each Director and the key management personnel;

(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/her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

*Provision 6.3*
*All Aspects of Remuneration*

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind as well as termination terms. The RC also reviews the fairness and reasonableness of the service agreements of the Executive Director and key management personnel to ensure that there is no overly onerous or generous termination clause. The RC's recommendations are submitted for endorsement by the entire Board.

*Provision 6.4*
*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 did not engage any external remuneration consultant to advise on remuneration matters for FY2020.

**LEVEL AND MIX OF REMUNERATION**

**Principle 7: Level of Remuneration of Directors to be Appropriate and Not Excessive**

*Provision 7.1*
*Remuneration of Executive Directors and Key Management Personnel*

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 Executive Directors. In determining the remuneration of the Executive Directors and key management personnel, the RC reviewed their respective KPIs achievement and assessed their performance for the financial year.

The KPIs for individual performance take into consideration the broad categories of objectives, namely financial, business, regulatory and controls, organisational and people development as well as alignment to the Group's risk policies. For FY2020, the RC has evaluated the extent to which the Executive Directors and key management personnel have delivered on the corporate and individual objectives and based on the evaluation, has approved the compensation which was endorsed by the Board.

*Provision 7.2*
*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.

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

| Role | Member | Chairperson |
|---|---|---|
| Board of Directors | 20,000 | Additional S$9,000 (Note 1) |
| Audit and Risk Committee | 6,000 | Additional S$6,000 |
| Nominating Committee | 2,500 | Additional S$2,500 |
| Remuneration Committee | 2,500 | Additional S$2,500 |
| Lead Independent Director | 2,000 | N/A |

Note 1:Applicable to Vice Chairman

Although Non-Executive Directors are eligible to participate in the PSP (as defined hereinafter), the Company has not implemented any share-based compensation scheme for Directors.

*Provision 7.3*
*Long-term Incentive Scheme*

The Company has entered into a service agreement with the CEO which contains a profit-sharing incentive bonus and the Company has also adopted the Japan Foods Performance Share Plan ("**PSP**"), further details of which are set out under the write-ups in respect of Provision 8.1 and Provision 8.3, respectively. As the CEO is also the controlling Shareholder of the Company, he and his associates are not eligible to participate in the PSP.

The RC is of the view that the current compensation structure is appropriate to attract, retain and motivate the CEO to provide good stewardship of the Company and key management personnel to successfully manage the Group for the long term.

**DISCLOSURE ON REMUNERATION**

**Principle 8: Clear Disclosure of Remuneration Policy, Level and Mix of Remuneration, and Procedure for Setting Remuneration**

*Provision 8.1 and Provision 8.3*
*Remuneration of Directors and Top 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.

The breakdown of the annual remuneration (including all forms of remuneration from the Company and any of its subsidiaries) of each of the Directors for FY2020 is set out below:

| Name of Director | Total remuneration in FY2020 (S$'000) | Director's fees (%) | Salary (%) | Incentive bonus and other benefits (%) | Total (%) |
|---|---|---|---|---|---|
| Takahashi Kenichi | 410 | - | 64 | 36 | 100 |
| Wong Hin Sun, Eugene | 40 | 100 | - | - | 100 |
| Lee Sok Koon, Constance | 38 | 100 | - | - | 100 |
| Tan Lye Huat | 37 | 100 | - | - | 100 |
| Total S$'000 | 525 | 115 | 260 | 150 | 525 |

The Company had, on 19 December 2008, entered into a service agreement with Mr Takahashi Kenichi, in relation to his appointment as the 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 FY2020, 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 (%) | PSP (%) | Total (%) |
|---|---|---|---|---|---|
| Chan Chau Mui | Band A[1] | 89.9 | 10.1 | Nil | 100 |
| Chan Fuang Chiang | Band A[1] | 69.7 | 8.1 | 22.2 | 100 |
| Fong Siew Geen | Band A[1] | 69.6 | 8.2 | 22.2 | 100 |
| Kenneth Liew Kian Er | Band A[1] | 66.6 | 7.4 | 26.0 | 100 |
| Otsuka Ichiro | Band A[1] | 65.3 | 8.4 | 26.3 | 100 |
| Total S$'000 | | 609 | 71 | 175 | 855 |

**Notes:**
(1) Band A : Remuneration from S$0 – S$250,000
(2) Salary is inclusive of CPF contribution.

Total remuneration (including CPF, Bonus and benefit-in-kind) paid to the top five key management personnel for FY2020 was approximately S$855,000.

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

*Provision 8.2*
*Employee Related to Directors/CEO*

Ms Chan Chau Mui is a deemed associate of Mr Takahashi Kenichi, the Executive Chairman and CEO of the Company. Ms Chan's annual remuneration for FY2020 was between S$100,000 and S$150,000.

Save as disclosed above, the Group does not have any employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year.

*Provision 8.3*
*Performance Share Plan ("PSP")*

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

The 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 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 PSP. Non-executive Directors are allowed to participate in the 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 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 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 PSP, an aggregate of 490,000 treasury shares, constituting approximately 0.28% of the total number of issued shares of the Company as at 31 March 2020, were awarded on 14 August 2019. The Company has announced the details as required under Rule 704(32) of the Catalist Rules in relation to the grant of awards on 14 August 2019.

Since the commencement of the PSP and up to the date of this report, an aggregate of 3,410,000 fully-paid shares, constituting approximately 2.0% 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 PSP, none of the Directors has been awarded any shares under the PSP.

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

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 9: Board's governance of risk management system and internal controls**

*Provision 9.1*
*Risk Management and Internal Control Systems*

In May 2015, Audit Committee was expanded and renamed as the Audit and Risk Committee ("**ARC**") to strengthen its risk management process and framework. 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.

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. During FY2020, the ARC assisted the Board to oversee Management in the design, implementation and monitoring of the risk management and internal control systems and the ARC reported to the Board on critical risk issues, material matters, findings and recommendations pertaining to risk management.

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 subsidiaries 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:

(a) Risks identified are aligned with the objectives of the Group;

(b) A risk reporting structure is defined to identify the Risk Owners, Approvers, Champions and their respective risk responsibilities;

(c) 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; and

(d) 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.

# CORPORATE GOVERNANCE REPORT

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

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

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.

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.

Adequacy and Effectiveness of Risk Management and Internal Control Systems

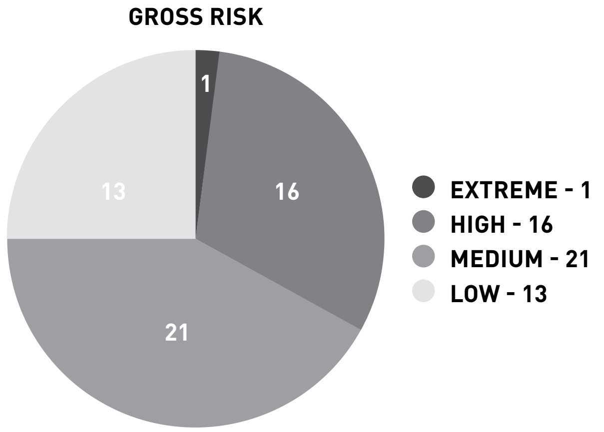
The risk management and internal control systems have been integrated throughout the Group and have been an essential part of its business planning and monitoring process.

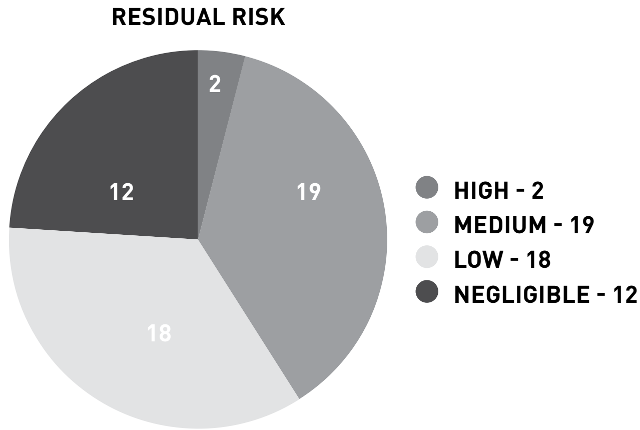
An ERM exercise was performed in FY2020 involving 9 middle and senior managers of the Group, including the C-Suite executives. All key operating entities of the Group, except for the less active or dormant entities, were covered.

# CORPORATE GOVERNANCE REPORT

Arising from the ERM exercise, a total of 51 risks were identified under the four main risk categories of Strategic, Operational, Financial and Compliance risks.

The overall results of the ERM exercise for FY2020 by risk level are shown as follows:




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

| S/N | Risk title and description | Risk level: Gross | Risk level: Residual | Risk treatment |
|---|---|---|---|---|
| 1 | Business disruption in the event of a disease outbreak<br>In the event of a disease outbreak such as COVID-19, Sever Acute Respiratory syndrome ("**SARS**") or Middle East Respiratory Syndrome ("**MERS**"), customers' demand may decrease significantly and abruptly, arising from anxiety, fear and/or regulatory actions such as a lockdown. Our supply of raw materials and ingredients may also be affected due to trade restrictions or regulatory actions imposed by governments in which our key suppliers are based.<br><br>Should the outbreak be severe and prolonged with extensive imposition of operational restrictions, our operations and financial performance may be adversely affected. | Extreme | High | We focus on ensuring management and staff are suitably trained to respond effectively to pandemic outbreaks.<br><br>Key mitigating controls in place include maintaining a competent and experienced team, a cash reserve and standby credit line as buffer against a sudden or prolonged downturn in economic conditions, implementing adequate, effective business contingency policy and procedures and putting in place robust, reliable systems. |

# CORPORATE GOVERNANCE REPORT

| S/N | Risk title and description | Risk level: Gross | Risk level: Residual | Risk treatment |
|---|---|---|---|---|
| 2 | Improper food handling resulting in food poisoning cases<br>We operate a central kitchen that supplies ingredients to our outlets. Improper food handling at the central kitchen and outlets may result in food contamination and consequentially lead to cases of food poisoning when consumed by customers.<br><br>A serious food poisoning case may lead to regulatory actions such as fines, suspension of business licenses from relevant authorities. In such an event, our reputation and financial performance will be adversely affected. | High | Medium | We focus on maintaining an adequate and effective food handling internal control system.<br><br>Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policies and procedures, training and conduct of laboratory tests on food by third party professionals. |
| 3 | Lack of choice in outlet locations<br>The success of our business is dependent on our outlet locations.<br><br>Shopping mall operators will not introduce choice locations to us 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.<br><br>Non-choice locations with low human traffic will lead to lesser sales volume. Should there be a lack of choice location for our outlets, our financial performance will be adversely affected. | High | Medium | We strive to maintain a strong relationship with mall owners, operators and build a strong brand equity.<br><br>Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policies and procedures, adopting a robust budgetary system and setting up effective training programmes to handle customer feedback. |
| 4 | Turnover of managerial staff<br>Our operations are led by a team of senior managers and supported by a team of experienced middle managers.<br><br>The loss of key managers or the inability for our Group to attract and retain qualified and experienced personnel may have an adverse impact on our business operations and financial performance. | High | Medium | We focus on building and maintaining a conducive, fulfilling and rewarding work environment to address the risk of turnover for key managers.<br><br>Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policies and procedures and putting in place a market aligned remuneration structure, benefits and incentive schemes. |

# CORPORATE GOVERNANCE REPORT

| S/N | Risk title and description | Risk level Gross | Risk level Residual | Risk treatment |
|---|---|---|---|---|
| 5 | Shortage of operational staff<br>We employ 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.<br><br>If we are unable to hire the necessary personnel, a shortage of wait staff or workers at the central kitchen will adversely affect our business and financial performance. | High | Medium | We are constantly exploring new sources for operational staff and also focus on maintaining an adequate and effective human resource internal control system.<br><br>Key mitigating controls in place include implementing adequate, effective policies and procedures, performing remuneration and benefit review and adopting a comprehensive manpower planning. |
| 6 | Escalating costs<br>The key cost components of our business include cost of ingredients, rental, salaries and other operating expenses such as utilities, utensils and consumables.<br><br>Cost escalations caused by inflation/ supply chain disruptions without adequate cost controls/ contingency plans in place may lead to margin erosions and adverse financial performance if we are unable to pass them on to the customers. | High | Medium | We focus on effective cost controls and seek to maximise value for costs incurred.<br><br>Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policies and procedures, putting in place an effective enterprise resource planning system and regular review of financial performance. |
| 7 | Reduction of gross sales due to unattractive pricing<br>The food and beverage industry is highly competitive where barriers to entry are low. If we are unable to offer attractive pricing to our customers, our market share will be eroded and this will adversely affect our financial performance. | High | Medium | We make continuous efforts to provide authentic Japanese cuisine at affordable prices.<br><br>Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policies and procedures, putting in place an effective enterprise resource planning system and regular review of financial performance. |
| 8 | Accidents at the central kitchen and restaurants leading to injuries or fatalities<br>Accidents may occur as our operations involve the use of various kitchen equipment and machineries, such as stove, oven and kitchen tools with sharp edges such as knifes and cutters.<br><br>Our reputation may be adversely impacted if serious accidents occur and are publicised in the mass media. In addition, regulators may impose punitive measures such as fines or stop work order pending the results of investigation which will adversely affect our operations and financial performance. | High | Medium | We place significant emphasis on creating a workplace that allows employees to work in a safe and healthy environment.<br><br>Key mitigating controls in place include maintaining a competent, experienced team, implementing adequate, effective policies and procedures, putting in place safety committees, proper and regular safety briefings and ensuring that first aid kits are placed at key locations with easy access. |

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 the 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.

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, 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 Provisions 10.1, 10.2 and 10.3 below)and rules of conduct to establish a clear tone from the top with regard to employees' business and ethical conduct.

*Provision 9.2*
*Assurance from CEO, CFO and other responsible key management personnel ("KMP")*

The Board has received assurance from the CEO and the CFO in respect of FY2020 that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. Based on representations received from KMP, the CEO and CFO had also provided assurance that the Group's risk management and internal control systems were adequate and effective.

***Board's comment on Adequacy and Effectiveness of Internal Controls***

Based on the ERM Framework, Assurance Framework and internal controls established and maintained in the 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, with the concurrence of the ARC, is of the opinion that the Group's risk management and internal control framework and systems were adequate and effective as at 30 March 2020 to address financial, operational, compliance and information technology .

**AUDIT AND RISK COMMITTEE**
**Principle 10: Establishment of Audit and Risk Committee which Discharge its Duties Objectively**

*Provisions 10.1, 10.2 and 10.3*

*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 |

The ARC members bring with them invaluable professional expertise in the accounting and financial management domains. All members of the ARC (including ARC Chairman) have relevant accounting or related financial management expertise or experience.

The Board, after considering the advice from the NC, believes that the ARC members are appropriately qualified to discharge the ARC's responsibilities as defined under its written terms of reference which have been approved by the Board.

The ARC does not comprise any former partners or directors of the Company's existing auditing firm or auditing corporation.

*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 effectiveness and adequacy of the Group's material internal controls and with Management on 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;

(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; and

(i) reviewing the assurance from the CEO and the CFO on the financial records and financial statements.

*Activities of ARC*

The ARC met five times during FY2020. 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.

The ARC had reviewed the external auditor's audit plan for FY2020 and had agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In the ARC's review of the financial statements of the Group for FY2020, the ARC had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The ARC also reviewed and addressed, amongst other matters, the following key audit matter as reported by the external auditors for FY2020:

- Impairment of Plant and Equipment and Right-of-Use assets

  The ARC acknowledges that the impairment of Plant and Equipment ("**PE**") and Right-of-use ("**ROU**") assets involves significant judgement. Towards this end, the ARC had developed a set of indicators to guide reviews and decisions on possible impairment to PE and ROU. The ARC undertakes a review on this basis, as supported with management's documentations and justifications, as and when necessary during the course of the year.

  The PE and ROU was also an area of focus by the external auditor. The ARC concurred with the basis and conclusion of the external auditor which has included this item as a key audit matter in its audit report for FY2020. Please refer to page 82 of this Annual Report.

  The ARC has considered the approach and methodology applied on the impairment assessment. Following the review and discussion with management and the external auditors, the ARC is satisfied that the impairment charge has been adequately provided for in FY2020.

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

Following the review, the ARC is satisfied that all the aforesaid matters have been properly dealt with and recommended the Board to approve the financial statements. The Board had on 7 August 2020 approved the financial statements.

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.

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

*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 FY2020 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 FY2020** | **$'000** | **% of Total Fees** |
|---|---|---|
| Total Audit Fees | 75 | 78 |
| Total Non-Audit Fees | 21 | 22 |
| Total Fees Paid | 96 | 100 |

# CORPORATE GOVERNANCE REPORT

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.

*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. In FY2020, no valid[1] compliant was received via the whistle blowing channel.

*Whistle-Blowing Committee*

The WBC consists of the CEO, the Chief Operating Officer and the CFO 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.

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

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

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

1 As defined in our whistle blowing policy

*Provision 10.4*
*Internal Auditors' Reporting Line, Compliance and Functions*

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 primary reporting line of the internal audit function, which is outsourced to Yang Lee & Associates ("**YLA**"), is to the ARC, which also endorses the appointment, termination and remuneration of the internal auditors. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including the ARC, and has appropriate standing within the Company.

YLA is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was set up in the year 2005 and currently maintains a diverse outsourced internal audit portfolio of SGX-ST listed companies across different industries including distribution, manufacturing, services, food & beverage, trading, retail and property development industries. YLA is a corporate member of the Institute of Internal Auditors Singapore and is staffed with professionals with relevant qualifications such as the Certified Internal Auditor qualification with the Institute of Internal Auditors. The Group's engagement with YLA stipulates that its work shall be guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The Company's internal audit function is independent of the activities it audits. At the beginning of each year, an annual internal audit plan which entails the latest Group's business developments and emerging risks identified is developed and approved by the ARC. A comprehensive 3-year rotational Group internal audit plan ("Rotational Internal Audit Plan") which is aligned with the results of risk assessments performed under the ERM Framework, has been devised such that all key operating cycles and entities of the Group are audited within an internal-audit cycle.

Having reviewed the experience, competency, resource, independence and reporting structure of the YLA, the ARC is satisfied that the Company's internal audit function is:

(a) effective and adequately resourced and staffed to perform the work for the Group;

(b) has the appropriate standing within the Company; and

(c) independent of the activities it audits.

*Adequacy and Effectiveness of the Internal Audit Function*

The IA completed one review during FY2020 in accordance with the Rotational Internal Audit Plan approved by the ARC. The Management has adopted key recommendations of the IA set out in the IA's report.

The IA engagement team comprises two Directors, a Manager, an Assistant Manager and supported by an Associate. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 14 years of relevant experience.

For FY2020, the ARC reviewed the adequacy of the internal function to ensure that internal audits were conducted effectively and that Management provided the necessary co-operation to enable YLA to perform its function. After having reviewed the YLA plans, reports and remedial actions implemented by Management to address any internal control inadequacies identified, the ARC is satisfied that the internal audit function is independent, adequate and effective.

Upon the recommendation of the ARC, the Board has approved the re-engagement of YLA as IA of the Group in the ensuing year ending 31 March 2021.

*Provision 10.5*
*Independent Meeting with External and Internal Auditors*
During FY2020, 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.

**SHAREHOLDER RIGHT AND ENGAGEMENT**

**SHAREHOLDER RIGHT AND CONDUCT OF GENERAL MEETING**
**Principle 11: Fair and equitable treatment of shareholders, enabling them to exercise shareholder rights and communicate their views. Providing shareholders with balanced and understandable assessment of the Company's performance, position and prospect**

*Provision 11.1*
*Opportunity for Shareholders to Participate and Vote at General Meetings*

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.

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.

The Constitution of the Company allows a Shareholder who are not relevant intermediaries to appoint up to two proxies to attend and vote at general meetings. Shareholders who are relevant intermediaries such as banks and Central Provident Fund Board ("**CPF**"), are allowed to appoint more than two proxies. This is to facilitate indirect shareholders to participate in general meetings. Such indirect shareholders were so appointed as proxy, will have the same rights as direct shareholders to attend, speak and vote at general meetings.

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.

*Provision 11.2*
*Separate Resolution at General Meeting*

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

*Provision 11.3*
*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.

*Provision 11.4*
*Absentia Voting*

The Company's Constitution does permit voting in absentia by mail, electronic mail or facsimile. However, such voting methods would need to be cautiously evaluated to ensure that the authenticity of the vote and the shareholder's identity is not compromised.

*Provision 11.5*
*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

*Provision 11.6*
*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 including but not limited to circumstances arising from Covid-19 pandemic. 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.

**ENGAGEMENT WITH SHAREHOLDERS**

**Principal 12: Regular communication with shareholders and facilitation of shareholders' participation at general meetings**

*Provision 12.1*
*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. 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. 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.)

*Provisions 12.2 and 12.3*
*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.

To enhance and encourage communication with Shareholders and investors, the Company provides contact information of its investor relations consultant, namely, August Consulting Pte Ltd in its press releases.

# CORPORATE GOVERNANCE REPORT

**MANAGING STAKEHOLDERS RELATIONSHIPS**

**ENGAGEMENT WITH STAKEHOLDERS**

**Principle 13: Managing stakeholder relationships, balancing the needs and interests of material stakeholders for the Company's best interests**

*Provisions 13.1, 13.2 and 13.3*
*Managing stakeholder relationships*

The company has appropriate channels in place to identify and engage with its material stakeholder groups. It recognises the importance of having intimate knowledge of its business and regular interactions with its stakeholders to determine material issues for its business.

The Company's approach to stakeholder engagement and materiality assessment can be found under the "Sustainability Report" section of this Annual Report.

The Company maintains a corporate website at www.jfh.com.sg. to communicate and engage with all stakeholders.

OTHER CORPORATE GOVERNANCE

**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, trade-sensitive, financial or confidential information are not allowed to deal in the Shares during the period commencing one month before the announcement of the Group's half year and full year results and ending on the date of announcement of such results, and when in possession of unpublished price-sensitive and/or trade-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**

To ensure compliance with Chapter 9 of the Catalist Rules, the Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval if such transactions do occur. The Company does not have a general mandate from shareholders in respect of interested person transactions pursuant to Rule 920 of the Catalist Rules and there were no interested person transaction during FY2020.

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 FY2020 or if not subsisting, were entered into since 1 April 2020.

**SPONSOR**

No fees relating to non-sponsorship activities or services were paid to the Company's Sponsor, CIMB Bank Berhad, Singapore Branch, during FY2020.

# ADDITIONAL INFORMATION ON DIRECTORS' RE-ELECTION AND CONTINUED APPOINTMENT

- pursuant to Catalist Rule 720(5) and Appendix 7F

| | **Takahashi Kenichi** | **Tan Lye Huat** | **Lee Sok Koon, Constance** |
|---|---|---|---|
| **Date of initial Appointment** | 18 February 2008 | 24 November 2008 | 1 September 2011 |
| **Date of last re-appointment (if applicable)** | N.A. | 24 July 2019 | 23 July 2018 |
| **Age** | 64 | 71 | 67 |
| **Country of principal residence** | Singapore | Singapore | Singapore |
| **The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)** | The Board of Directors of the Company, having considered among others, the recommendations of the Nominating Committee ("**NC**") and the qualifications, work experience and competencies of Mr Takahashi Kenichi, is of the view that he is suitable for re-appointment as Executive Director of the Company. | The Board of Directors of the Company concurred with the NC that Mr Tan Lye Huat remains objective in expressing his views and in participating in the deliberation and decision making of the Board and Board committees, notwithstanding his tenure in office of more than 9 years, and is of the view that he is suitable for re-appointment as Independent Director, the Chairman of the Audit and Risk Committee ("**ARC**") and a member of the NC, a member of the Remuneration Committee ("**RC**") of the Company. | The Board of Directors of the Company concurred with the NC that Mdm Lee Sok Koon Constance remains objective in expressing her views and in participating in the deliberation and decision making of the Board and Board committees, notwithstanding her tenure in office of more than 9 years, and is of the view that she is suitable for re-appointment as Lead Independent Director, the Chairpersons of the NC and RC and a member of the ARC |
| **Whether appointment is executive, and if so, the area of responsibility** | Executive Chairman and Chief Executive Officer | Non-Executive | Non-Executive |
| **Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)** | • Chief Executive Officer<br>• Executive Chairman | • Independent Director<br>• Chairman of the ARC<br>• Member of the NC<br>• Member of the RC | • Lead Independent Director<br>• Chairperson of the NC<br>• Chairperson of the RC<br>• Member of the ARC |
| **Professional qualifications** | • Founder of the Group in 1997<br>• 23 years of F&B experience<br>• Graduated with a Certificate of Mechanical Engineering from Sophia University | • Fellow Chartered Director of the Institute of Directors, UK<br>• Fellow of the Association of Chartered Certified Accountants<br>• Life Member of the Institute of Singapore Chartered Accountants<br>• Member of the Australian Institute of Company Directors | • Graduated with a Bachelor of Accountancy (Second Class Honours) from the National University of Singapore in 1975<br>• Member of the Institute of Singapore Chartered Accountants<br>• Member of the Singapore Institute of Directors |
| **Working experience and occupation(s) during the past 10 years** | Executive Chairman and Chief Executive Officer of the Group | Professional Independent Director | Director (Operations) in the Development Office of National University of Singapore from May 2012 to August 2017. |
| **Shareholding interest in the listed issuer and its subsidiaries** | Direct Interest: 114,814,800 shares<br>Deemed Interest: 8,100,000 shares | Nil | Nil |

# ADDITIONAL INFORMATION ON DIRECTORS' RE-ELECTION AND CONTINUED APPOINTMENT

- pursuant to Catalist Rule 720(5) and Appendix 7F

| | Takahashi Kenichi | Tan Lye Huat | Lee Sok Koon, Constance |
|---|---|---|---|
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | Mdm Chan Chau Mui, the Chief Operating Officer, is a deemed associate of Mr Takahashi Kenichi. | Nil | Nil |
| **Conflict of interest (including any competing business)** | Nil | Nil | Nil |
| **Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer** | Yes | Yes | Yes |
| **Other Principal Commitments Including Directorships** | Nil | • SP Corporation Limited (1999 to present)<br>• Neo Group Limited (2012 to present) | • Director of NUS America Foundation, Inc. since 27 August 2013<br>• Honorary Member of Fundraising Committee of Singapore Arts Singapore Ltd since 23 January 2020<br>• Independent Director, SBS Transit Ltd since 1 May 2017 |

**The general statutory disclosures of the Directors are as follows:**

| | | | |
|---|---|---|---|
| A. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS' RE-ELECTION AND CONTINUED APPOINTMENT

- pursuant to Catalist Rule 720(5) and Appendix 7F

| | | Takahashi Kenichi | Tan Lye Huat | Lee Sok Koon, Constance |
|---|---|---|---|---|
| B. | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No |
| C. | Whether there is any unsatisfied judgment against him? | No | No | No |
| D. | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No |
| E. | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS' RE-ELECTION AND CONTINUED APPOINTMENT

- pursuant to Catalist Rule 720(5) and Appendix 7F

| | | Takahashi Kenichi | Tan Lye Huat | Lee Sok Koon, Constance |
|---|---|---|---|---|
| F. | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No |
| G. | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No |
| H. | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No | No |
| I. | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No | No |
| J. | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— | | | |

# ADDITIONAL INFORMATION ON DIRECTORS' RE-ELECTION AND CONTINUED APPOINTMENT

- pursuant to Catalist Rule 720(5) and Appendix 7F

| | Takahashi Kenichi | Tan Lye Huat | Lee Sok Koon, Constance |
|---|---|---|---|
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | Yes<br>Assisting in the 'post crisis' work at CAM International Holdings Ltd in 1998 and Kian Ho Bearings Ltd (now known as Raffles United Holdings Ltd) in 1999 | No |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No | No |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No | No |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | No | No | No |
| in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | | |
| K. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No | No |

# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of Japan Foods Holding Ltd. (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 31 March 2020 and the balance sheet of the Company as at 31 March 2020.

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 85 to 139 are drawn up so as to give a true and fair view of the balance sheets of the Company and of the Group as at 31 March 2020 and the financial performance, statement of changes in equity and statement of 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
Wong Hin Sun, Eugene
Lee Sok Koon, Constance
Tan Lye Huat

**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 78 to 79 of this statement.

**DIRECTORS' INTERESTS IN SHARES OR DEBENTURES**

a) 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 name of a director or nominee** | | **Holdings in which director is deemed to have an interest** | |
|---|---|---|---|---|
| | **At 31 March 2020** | **At 1 April 2019** | **At 31 March 2020** | **At 1 April 2019** |
| **The Company** | | | | |
| (No. of ordinary shares) | | | | |
| Takahashi Kenichi | 114,814,800 | 114,814,800 | 8,100,000 | 8,100,000 |
| Wong Hin Sun, Eugene | – | – | 9,487,000 | 9,487,000 |

b) 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 2020 were the same as those as at 31 March 2020.

**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, Lead Independent Director) |
| Tan Lye Huat | (Member, 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. 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.

# DIRECTORS' STATEMENT

**JAPAN FOODS PERFORMANCE SHARE PLAN ("JF PSP")**

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 2020, Awards comprising 490,000 shares were granted to certain key management personnel on 14 August 2019. 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 2020.

No performance shares were outstanding as at 31 March 2020.

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.

**AUDIT AND RISK COMMITTEE**

The members of the Audit and Risk Committee at the date of this statement are set out as follows:

| | |
|---|---|
| Tan Lye Huat | (Chairperson, Independent Director) |
| Lee Sok Koon, Constance | (Member, Lead 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 2020 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") 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 auditor;

(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 SGX-ST Catalist Rules.

# DIRECTORS' STATEMENT

**AUDIT AND RISK COMMITTEE**

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 2020, the fees charged by the independent auditor for the provision of non-audit services amounted to $21,100 (2019: $28,850). 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.

**INDEPENDENT AUDITOR**

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

On behalf of the directors

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**Takahashi Kenichi**
Director

............................................................

**Wong Hin Sun, Eugene**
Director

**7 August 2020**

# INDEPENDENT AUDITOR'S REPORT

**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 2020, 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 85 to 139.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2020 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 *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 Matter*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Key Audit Matter (continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment of plant and equipment and right-of-use assets** | |
| As at 31 March 2020, the Group's plant and equipment and right-of-use assets amounted to S$9.3 million (2019: S$9.3 million) and $35.6 million (2019: $Nil), accounted for 12% (2019: 21%) and 45% (2019: Nil) of the Group's total assets respectively.<br><br>In accordance with SFRS(I) 1-36 – "Impairment of Assets", an annual impairment review is performed on assets when there is an indication of impairment.<br><br>For the financial year ended 31 March 2020, certain restaurant outlets incurred losses, which provides an indication that certain plant and equipment and right-of-use assets of the Group may be impaired. Management performed impairment tests on the plant and equipment and right-of-use assets of these outlets and determined their recoverable amounts based on value-in-use calculations.<br><br>In carrying out the impairment assessment, management has identified the cash generating units ("CGUs") to be the respective restaurant outlets to which the plant and equipment and right-of-use assets belong. Accordingly, the recoverable amounts of the CGUs are determined by estimating the expected discounted future cash flows which require key assumptions to be made regarding the sales growth rate, gross profit margin and the discount rate.<br><br>Due to significant management judgements and estimates involved in the impairment assessment, we have determined this area to be a key audit matter. | Our audit procedures included, amongst others, the following:<br><br>• Assessed management's determination as to whether there is an indication of impairment of the plant and equipment and right-of-use assets of each restaurant outlet.;<br><br>• Evaluated the key assumptions used in the impairment assessment by:<br><br>- Assessing the sales growth rate and gross profit margin against historical performance and economy outlooks.<br><br>- Engaging our internal valuation specialist to evaluate reasonableness of the discount rate used.<br><br>- Performing sensitivity analysis to assess the extent of changes to the key assumptions that would cause the recoverable amounts to be below the carrying amounts of the plant and equipment and right-of use assets.<br><br>• Assessed the adequacy of the disclosure in the consolidated financial statements with respect to the impairment assessment. |

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' statement and other sections of the annual report, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

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

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

*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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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 financial 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 Lee Look Ling.

**Nexia TS Public Accounting Corporation**
**Public Accountants and Chartered Accountants**

**Singapore**
**7 August 2020**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2020

| | | The Group | |
|---|---|---|---|
| | | 2020 | 2019 |
| | Note | $'000 | $'000 |
| Revenue | 4 | 68,413 | 68,079 |
| Cost of sales | | (10,647) | (10,555) |
| Gross profit | | 57,766 | 57,524 |
| Other income | 5 | 762 | 663 |
| Other gains/(losses) - net | 6 | 5 | 8 |
| Expenses | | | |
| - Selling and distribution | | (50,260) | (49,350) |
| - Administrative | | (3,258) | (3,466) |
| - Other operating | | (2,291) | (1,387) |
| - Lease interest | 22(b) | (984) | – |
| Share of (loss)/profit of associated companies | 16 | (333) | 132 |
| Share of loss of joint venture | 17 | (9) | – |
| Profit before income tax | | 1,398 | 4,124 |
| Income tax expense | 9(a) | (381) | (789) |
| **Total comprehensive income, representing net profit** | | 1,017 | 3,335 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | 1,017 | 3,335 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | 1,017 | 3,335 |
| **Earnings per share for profit attributable to equity holders of the Company (cents per share)** | | | |
| - Basic and diluted earnings per share | 10 | 0.58 | 1.92 |

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

# BALANCE SHEETS

As at 31 March 2020

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 11 | 20,443 | 22,051 | 3,242 | 2,643 |
| Trade and other receivables | 12 | 2,248 | 1,010 | 1,054 | 4,093 |
| Inventories | 13 | 780 | 682 | – | – |
| Other current assets | 14 | 2,030 | 3,068 | 52 | 48 |
| | | 25,501 | 26,811 | 4,348 | 6,784 |
| **Non-current assets** | | | | | |
| Investments in subsidiary corporations | 15 | – | – | 5,772 | 5,727 |
| Investments in associated companies | 16 | 2,111 | 2,423 | 212 | 191 |
| Investment in joint ventures | 17 | 91 | 100 | 100 | 100 |
| Loan to an associated company | 18 | 248 | 248 | 248 | 248 |
| Loan to a joint venture | 19 | 320 | – | 320 | – |
| Other investments at amortised cost | 20 | 753 | 754 | – | – |
| Plant and equipment | 21 | 9,262 | 9,309 | 15 | 10 |
| Right-of-use assets | 22(a) | 35,549 | – | 262 | – |
| Intangible assets | 23 | 324 | 388 | – | – |
| Club membership | 24 | 322 | 322 | 322 | 322 |
| Long-term security deposits | 25 | 3,634 | 3,391 | 34 | 13 |
| | | 52,614 | 16,935 | 7,285 | 6,611 |
| **Total assets** | | 78,115 | 43,746 | 11,633 | 13,395 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | 9,354 | 8,593 | 410 | 516 |
| Lease liabilities | 22(g) | 17,212 | – | 139 | – |
| Current income tax liabilities | 9(b) | 593 | 1,014 | 5 | 9 |
| | | 27,159 | 9,607 | 554 | 525 |
| **Non-current liability** | | | | | |
| Lease liabilities | 22(g) | 19,367 | – | 126 | – |
| Deferred income tax liabilities | 27 | 216 | 320 | 2 | 2 |
| | | 19,583 | 320 | 128 | 2 |
| **Total liabilities** | | 46,742 | 9,927 | 682 | 527 |
| **NET ASSETS** | | 31,373 | 33,819 | 10,951 | 12,868 |
| **EQUITY** | | | | | |
| Share capital | 28(a) | 9,522 | 9,522 | 9,522 | 9,522 |
| Treasury shares | 28(b) | (181) | (376) | (181) | (376) |
| Capital reserves | 28(c) | 73 | 80 | 73 | 80 |
| Retained profits | 29 | 21,959 | 24,593 | 1,537 | 3,642 |
| **TOTAL EQUITY** | | 31,373 | 33,819 | 10,951 | 12,868 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2020

| | Note | Share capital $'000 | Treasury shares $'000 | Capital reserves $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| **2020** | | | | | | |
| **Beginning of financial year** | | 9,522 | (376) | 80 | 24,593 | 33,819 |
| Performance shares granted | 28(b), 28(c) | – | 220 | (7) | – | 213 |
| Dividends relating to 2020 paid | 30 | – | – | – | (1,741) | (1,741) |
| Dividends relating to 2019 paid | 30 | – | – | – | (1,910) | (1,910) |
| Purchase of treasury shares | 28(b) | – | (25) | – | – | (25) |
| Total comprehensive income for the financial year | | – | – | – | 1,017 | 1,017 |
| **End of financial year** | | 9,522 | (181) | 73 | 21,959 | 31,373 |
| **2019** | | | | | | |
| **Beginning of financial year** | | 9,522 | (424) | 24 | 24,911 | 34,033 |
| Performance shares granted | 28(b), 28(c) | – | 283 | 56 | – | 339 |
| Dividends relating to 2019 paid | 30 | – | – | – | (1,390) | (1,390) |
| Dividends relating to 2018 paid | 30 | – | – | – | (2,263) | (2,263) |
| Purchase of treasury shares | 28(b) | – | (235) | – | – | (235) |
| Total comprehensive income for the financial year | | – | – | – | 3,335 | 3,335 |
| **End of financial year** | | 9,522 | (376) | 80 | 24,593 | 33,819 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 March 2020

| | Note | The Group 2020 $'000 | The Group 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | 1,017 | 3,335 |
| Adjustments for: | | | |
| - Allowance for impairment of plant and equipment | 7 | 223 | 110 |
| - Allowance for impairment of right-of-use assets | 7 | 442 | – |
| - Amortisation of government grants | 5 | (2) | (9) |
| - Amortisation of intangible assets | 23 | 64 | 62 |
| - Amortisation of other investments at amortised cost | 7 | 1 | * |
| - Bad debt written off | 7 | 10 | – |
| - Depreciation of plant and equipment | 21 | 3,939 | 4,116 |
| - Depreciation of right-of-use assets | 22 | 16,068 | – |
| - Employee performance shares expenses | 8 | 213 | 339 |
| - Income tax expense | 9(a) | 381 | 789 |
| - Interest on lease liabilities | 22(b) | 984 | – |
| - Interest income from bank deposits | 5 | (156) | (120) |
| - Loss on disposal of plant and equipment | 6 | – | 1 |
| - Plant and equipment written-off | 7 | 189 | 104 |
| - Share of loss/(profit) of associated companies | | 333 | (132) |
| - Share of loss of joint venture | | 9 | – |
| | | 23,715 | 8,595 |
| Changes in working capital: | | | |
| - Inventories | | (98) | (26) |
| - Trade and other receivables | | 326 | 12 |
| - Other current assets | | 1,038 | (1,009) |
| - Long-term security deposits | | (243) | 894 |
| - Trade and other payables | | (811) | 1,335 |
| Cash generated from operations | | 23,927 | 9,801 |
| Income tax paid | 9(b) | (906) | (1,416) |
| Interest received | | 156 | 120 |
| **Net cash provided by operating activities** | | 23,177 | 8,505 |
| **Cash flows from investing activities** | | | |
| Additions to intangible assets | 23 | – | (315) |
| Additions to plant and equipment | 21 | (4,304) | (4,369) |
| Additions to associated companies | 16 | (21) | (143) |
| Additions to joint venture | 19 | – | (100) |
| Loan to joint venture | 19 | (320) | – |
| Redemption of other investments at amortised cost | 20 | – | 251 |
| Proceeds from disposal of plant and equipment | | – | 6 |
| Dividends received from associated company | 16 | – | 217 |
| **Net cash used in investing activities** | | (4,645) | (4,453) |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 March 2020

| | Note | The Group 2020 $'000 | The Group 2019 $'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Principal repayment of lease liabilities | | (15,480) | - |
| Interest paid | | (984) | - |
| Purchase of treasury shares | 28(b) | (25) | (235) |
| Increase in short-term bank deposits pledged | | (260) | (432) |
| Dividends paid to equity holders of the Company | 30 | (3,651) | (3,653) |
| **Net cash used in financing activities** | | (20,400) | (4,320) |
| **Net decrease in cash and cash equivalents** | | (1,868) | (268) |
| **Cash and cash equivalents** | | | |
| Beginning of financial year | | 19,511 | 19,779 |
| **End of financial year** | 11 | 17,643 | 19,511 |

* Less than $1,000

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2020

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 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.

**Coronavirus (COVID-19) Impact**

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. Measures to slow the spread of COVID-19, have had a significant impact on global economies and equity, debt and commodity markets.

On 3 April 2020, the Multi-Ministry Taskforce of the Singapore Government announced a set of elevated safe distancing measures to pre-empt the trend of increasing local transmission of COVID-19 ("Circuit Breaker Measures"). All restaurants will remain open only for takeaway or delivery. Taking into consideration business costs and operational efficiency, the Group's operations had been reduced, and most of the restaurants were temporarily closed.

Subsequently, the further announcement made on 21 April 2020 by the government outlined the enhanced measures to deal with COVID-19 (the "Enhanced Measures"). As part of the Enhanced Measures, all non-essential workplaces are to remain close from 7 April 2020 to 1 June 2020 ("Effective Period").

During the Effective Period, some of the Group's restaurants remained open for takeaways and deliveries based on the guidelines from the Ministry of Trade & Industry of Singapore. In the month of May 2020, in view of the extension of the Circuit Breaker Measures to 1 June 2020 and to sustain manpower expenses and other overheads, the Group had progressively resume the operations of more restaurants.

The Group has considered the impact of COVID-19 and the related market volatility in preparing its consolidated financial statements. In general, COVID-19 has a negative impact on the group's future financial results. While the extent of the impact cannot be determined at this stage, the financial impacts on near-term financial results which are based on available information such as preliminary review of the management accounts (unaudited) of the group and financial assessments and estimates are as follows:

- Decrease in revenue significantly due to temporary closures of restaurant outlets during the Effective Period.

- Certain fixed costs such as wages and overheads are paid during this closure. The said costs will be partially offset by various support measures from the government such as Job Support Scheme, waiver of foreign worker's levy and property tax rebate.

An assessment was made for the reporting year whether there is any indication that the above-mentioned assets and liabilities may be impacted adversely. If any such indication of uncertainties exists, a write-down/allowance would be done accordingly.

Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Group's and Company's assets and liabilities may arise in the future.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) 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.

**Interpretations and amendments to published standards effective in 2019**

On 1 April 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") 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 SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

**Adoption of SFRS(I) 16 Leases**

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 April 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 April 2019.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

**Adoption of SFRS(I) 16 Leases (continued)**

(a) When the Group is the lessee (continued)

For leases previously classified as operating leases on 1 April 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 April 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 April 2019.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 April 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 April 2019 are as follows:

| | **Increase** |
|---|---|
| | **$'000** |
| Right-of-use assets (Note 22) | 29,510 |
| Lease liabilities | 29,510 |

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 March 2019 and the lease liabilities recognised in the balance sheet as at 1 April 2019 are as follows:

| | **$'000** |
|---|---|
| Operating lease commitment disclosed as at 31 March 2019 | 34,900 |
| Less: Short-term leases | (4,181) |
| Less: Discounting effects using weighted average incremental borrowing rate of 3.2% | (1,209) |
| Lease liabilities recognised as at 1 April 2019 | 29,510 |

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

*(a) Restaurant sales*

Sales from restaurant is recognised upon the satisfaction of each performance obligation which is usually serve or delivery of food and beverages to customers. Each delivery order comprises of a single performance obligation which is satisfied at a point in time.

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

*(b) Sales of food ingredients*

Revenue from the sale of goods is recognised upon the satisfaction of each performance obligation which is usually the delivery of goods to customers. Each fulfilled order comprises of a single performance obligation which is satisfied at a point in time.

Sale of materials represents the invoiced value of raw materials and sundry consumables, net of discounts and goods and services tax.

*(c) Franchise income*

Upfront franchise fees are recognised over time throughout the license period as the franchisee simultaneously receives and consumes the benefit from the Group's performance of providing access to its license.

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 satisfied over a period of time as the customer simultaneously receives and consumes the benefits over the duration of the royalty agreement.

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

*(e) Interest income*

Interest income is recognised using the effective interest method.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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 unless the transaction provides evidence of an impairment indicator of the transferred asset. 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'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, 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 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 measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Group accounting (continued)**

(a) Subsidiary corporations (continued)

(ii) Acq*uisition*s (continued)

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 result in a loss of control over the subsidiary, 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, associated companies and joint ventures" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) Associated companies and joint ventures

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%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

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

*(i) Acquisitions*

Investments in associated companies and joint ventures 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 and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Group accounting (continued)

(b) Associated companies and joint ventures (continued)

*(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' or joint venture' 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 or joint venture are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, 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 or joint venture. If the associated company or joint venture 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. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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

*(iii) Disposals*

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture 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, associated companies and joint ventures" for the accounting policy on investments in associated companies or joint ventures in the separate financial statements of the Company.

### 2.5 Plant and equipment

(a) Measurement

*(i) Plant and equipment*

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 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Plant and equipment (continued)

(b) Depreciation

Depreciation on 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 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 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.

(d) Disposal

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gain/(losses) – net".

### 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, associated companies and joint ventures

Investments in subsidiary corporations, associated companies and joint ventures 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of non-financial assets

*Intangible assets*
*Club membership*
*Plant and equipment*
*Right-of-use assets*
*Investments in subsidiary corporations, associated companies and joint ventures*

Intangible assets, club membership, plant and equipment, right-of-use assets and investments in subsidiary corporations, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

*(i) Classification and measurement*

The Group classifies its financial assets as amortised costs.

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

*(i) Classification and measurement (continued)*

At subsequent measurement

Debt instruments mainly comprise of cash and bank balances, trade and other receivables and other investments at amortised cost.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

*(ii) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and other receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 - Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has applied general approach the other financial assets carried at amortised cost.

*(iii) 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 debt instrument, 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.

### 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings 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. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

### 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

The accounting policy for leases before 1 April 2019 are as follows:

*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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Leases (continued)

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

The accounting policy for leases from 1 April 2019 are as follows:

*When the Group is the lessee:*

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  The right-of-use assets are presented as a separate line in the balance sheets.

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments consist of the fixed payment (including in-substance fixed payments), less any lease incentives receivables.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a change in the Group's assessment of whether it will exercise an extension option; or
  - There are modifications in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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, associated companies and joint venture, 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.

### 2.18 Provisions

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Currency translation (continued)

*(b) Transactions and balances (continued)*

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.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gain/(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.

*(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 bank balances 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 equivalents.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

*Impairment of plant and equipment and right-of-use assets*

Plant and equipment and right-of-use assets 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 judgements and estimates.

As at 31 March 2020, the Group has recognised impairment losses of $223,000 (2019: $110,000) and $442,000 (2019: $Nil) for plant and equipment and right-of-use assets respectively. 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 2020, the Group would have recognised further impairment losses on plant and equipment and right-of-use assets of $80,000 (2019: $Nil) and $370,000 respectively. Further details are provided in Note 21 to the financial statements.

The carrying amounts of plant and equipment and right-of-use assets are disclosed in Note 21 and 22 to the financial statements.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

*Leases*

The application of SFRS(I) 16 requires the Group to exercise judgement and estimates in applying transition options and practical expedients, and in the determination of key assumptions used in measuring the lease liabilities. Key assumptions include lease terms and discount rates on the lease payments.

In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the Group to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the Group is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The lease payments are discounted using the rate implicit in the lease or the Group's incremental borrowing rate. This requires the Group to estimate the rate of interest that it would have to pay to borrow the funds to obtain a similar asset over a similar term.

The incremental borrowing rate applied to lease liabilities as at 31 March 2020 was 3.2% for leases of premises and restaurant outlets and office equipment. The carrying amount of lease liabilities of the Group and the Company as at 31 March 2020 was $36,579,000 and $265,000 respectively.

Changes in these assumptions may significantly impact the measurement of the lease liabilities.

The accounting policies for leases are stated in Note 2.15. The effects of the implementation of SFRS(I) 16 have been disclosed in Note 2.1.

## 4 REVENUE

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Restaurant sales | 68,391 | 68,027 |
| Sales of food ingredients | 22 | 52 |
| | 68,413 | 68,079 |

All the sales are recognised at a point in time.

## 5 OTHER INCOME

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Amortisation of government grants | 2 | 9 |
| Franchise income | 103 | 18 |
| Government grants | | |
| - Special Employment Credit [a] | 120 | 106 |
| - Wage Credit Scheme [b] | 100 | 77 |
| - Temporary Employment Credit [c] | – | 19 |
| | 220 | 202 |
| Interest income from bank deposits | 156 | 120 |
| Royalty income | 209 | 218 |
| Others | 72 | 96 |
| | 762 | 663 |

(a) The Special Employment Credit ("SEC") was introduced in Budget Initiative in 2011 to support employers, and to raise the employability of older low-wage Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers.

(b) The Wage Credit Scheme is to help business which may face rising wage costs in a tight labour market. Wage Credit Scheme pay outs will allow businesses to free up resources to make investments in productivity and to share the productivity gains with their employees.

(c) The Temporary Employment Credit ("TEC") was announced as a Budget 2014 Initiative to help employers adjust to the 1 percentage point increase in Medisave contribution rates which took effect in January 2015. With the TEC, employers will receive a one-year offset of 0.5% of wages for their Singaporean and Singapore Permanent Resident ("PR") employees.

## 6 OTHER GAINS/(LOSSES) – NET

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Amortisation of other investments at amortised cost | 1 | * |
| Currency exchange gains/(losses) - net | 4 | 9 |
| Loss on disposal of plant and equipment | – | (1) |
| | 5 | 8 |

* Less than $1,000

## 7 EXPENSES BY NATURE

| | The Group | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Purchases of inventories | 10,745 | 10,581 |
| Allowance for impairment of plant and equipment (Note 21) | 223 | 110 |
| Allowance for impairment of right-of-use assets (Note 22) | 442 | – |
| Amortisation of intangible assets (Note 23) | 64 | 62 |
| Bad debt written off | 10 | – |
| Consumables | 860 | 765 |
| Credit card and NETS commission | 794 | 747 |
| Depreciation of plant and equipment (Note 21) | 3,939 | 4,116 |
| Depreciation of right-of-use assets (Note 22) | 16,068 | – |
| Employee compensation (Note 8) | 19,755 | 20,358 |
| Fees on audit services paid/payable to: | | |
| - Auditor of the Company | 75 | 84 |
| Fees on non-audit services paid/payable to: | | |
| - Auditor of the Company | 21 | 29 |
| Inventories written-down (Note 13) | 3 | 4 |
| Plant and equipment written-off (Note 21) | 189 | 104 |
| Rental expense on operating leases | 5,274 | 20,261 |
| Repair and maintenance | 1,413 | 1,140 |
| Royalty fees | 1,348 | 1,092 |
| Utilities | 2,979 | 2,826 |
| Changes in inventories | (98) | (26) |
| Other expenses | 2,352 | 2,505 |
| Total cost of sales, selling and distribution, administrative and other operating expenses | 66,456 | 64,758 |

## 8 EMPLOYEE COMPENSATION

| | The Group | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Wages and salaries | 16,471 | 16,864 |
| Directors' fees | 115 | 115 |
| Employer's contribution to Central Provident Fund | 1,222 | 1,195 |
| Employee performance shares | 213 | 339 |
| Other short-term benefits | 1,734 | 1,845 |
| | 19,755 | 20,358 |

## 9 INCOME TAXES

(a) Income tax expense

| | The Group | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Tax expense attributable to profit is made up of: | | |
| Profit from current financial year: | | |
| - Current income tax | 581 | 1,013 |
| - Deferred income tax (Note 27) | (104) | (110) |
| | 477 | 903 |
| Over provisions in prior financial years | | |
| - Current income tax | (96) | (114) |
| | 381 | 789 |

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 | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Profit before income tax | 1,398 | 4,124 |
| Share of loss/(profit) of associated companies, net of tax | 333 | (132) |
| Share of loss of joint venture, net of tax | 9 | – |
| Profit before tax and share of loss/(profit) of associated companies and joint venture | 1,740 | 3,992 |
| Tax calculated at a tax rate of 17% (2019: 17%) | 296 | 679 |
| Effects of: | | |
| - Expenses not deductible for tax purposes | 284 | 307 |
| - Income not subject to tax | (98) | (35) |
| - Statutory tax exemption | (58) | (71) |
| - Over provision in prior financial years | (96) | (114) |
| - Other | 53 | 23 |
| | 381 | 789 |

(b) Movements in current income tax liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Beginning of financial year | 1,014 | 1,531 | 9 | 7 |
| Income tax paid | (906) | (1,416) | (7) | (7) |
| Income tax expense | 581 | 1,013 | 3 | 9 |
| Over provision in prior financial years | (96) | (114) | – | – |
| End of financial year | 593 | 1,014 | 5 | 9 |

## 10 EARNINGS PER SHARE

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

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| Profit attributable to equity holders of the Company ($'000) | 1,017 | 3,335 |
| Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000) | 173,908 | 173,750 |
| Basic and diluted earnings per share (cents per share) | 0.58 | 1.92 |

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

## 11 CASH AND BANK BALANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and on hand | 14,004 | 13,950 | 1,969 | 1,381 |
| Short-term bank deposits | 6,439 | 8,101 | 1,273 | 1,262 |
| | 20,443 | 22,051 | 3,242 | 2,643 |

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

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Cash and bank balances (as above) | 20,443 | 22,051 |
| Less: Bank deposits pledged | (2,800) | (2,540) |
| Cash and cash equivalents per consolidated statement of cash flows | 17,643 | 19,511 |

Short-term bank deposits amounting to $2,800,000 (2019: $2,540,000) have been pledged to financial institutions as security for performance guarantees.

## 12 TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | | | | |
| - Related parties | 167 | 173 | – | – |
| - Non-related parties | 476 | 822 | – | – |
| Non-trade receivables | | | | |
| - Subsidiary corporations | – | – | 1,054 | 4,089 |
| - Non-related parties | 1,605 | 15 | – | 4 |
| | 1,605 | 15 | 1,054 | 4,093 |
| | 2,248 | 1,010 | 1,054 | 4,093 |

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

## 13 INVENTORIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Raw materials and consumables | 780 | 682 | – | – |

The cost of raw materials recognised as an expense and included in "Cost of sales" amounted to $10,645,000 (2019: $10,555,000).

The Group recognised an expense of $3,000 (2019: $4,000) (Note 7) in respect to the write-down of inventories to net realisable value.

## 14 OTHER CURRENT ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Refundable deposits | 1,657 | 2,407 | 13 | – |
| Prepayments | 373 | 661 | 39 | 48 |
| | 2,030 | 3,068 | 52 | 48 |

## 15 INVESTMENTS IN SUBSIDIARY CORPORATIONS

| | The Company | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| *Equity investments at cost* | | |
| Beginning of financial year | 5,727 | 5,727 |
| Additions [1] | 45 | – |
| End of financial year | 5,772 | 5,727 |

(1) On 4 November 2019, the Company increased its cost of investment in a wholly-owned subsidiary corporation, Japan Foods Enterprises Pte. Ltd., by way of issuance and allotment of 45,000 ordinary shares for a total cash consideration of $45,000.

The Group had the following subsidiary corporations as at 31 March 2020 and 2019:

| Name of Subsidiary Corporations | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent and the Group | |
|---|---|---|---|---|
| | | | 2020 | 2019 |
| | | | % | % |
| 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. [b] | Operating restaurants - Dormant | Singapore 10 March 2017 | 100 | 100 |

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

(b) The subsidiary corporation has not commenced its operation and not required to be audited. It is reviewed by Nexia TS Public Accounting Corporation for consolidation purpose.

## 16 INVESTMENTS IN ASSOCIATED COMPANIES

| | The Company | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| *Equity investments at cost* | | |
| Beginning of financial year | 191 | 48 |
| Additions [1][2] | 21 | 143 |
| End of financial year | 212 | 191 |

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Interests in associated companies | | |
| Beginning of financial year | 2,423 | 2,365 |
| Acquisition of shares [1][2] | 21 | 143 |
| Share of (losses)/profits | (333) | 132 |
| Dividends received | - | (217) |
| End of financial year | 2,111 | 2,423 |

(1) On 25 May 2018, the Company entered into an agreement with PT Arena Gourmet and PT Menya Musashi Indonesia ("MMI") to subscribe for 1,500 new ordinary shares in MMI at a cash consideration of IDR1,500,000,000, equivalent to $143,000.

(2) On 8 August 2019, the Company entered into a shareholders' agreement with Ajisen Investments (International) Limited to acquire 30% of Wakayama International Limited at a consideration of US$15,000, equivalent to $21,000.

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 2020 | % of ownership interest 2019 |
|---|---|---|---|
| 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 |
| PT Menya Musashi Indonesia [b] | Indonesia | 30 | 30 |
| Wakayama International Ltd [a] | Hong Kong / British Virgin Islands | 30 | – |

(a) The financial year end of the associated companies is 31 December and its Independent Auditor is Joseph Kwan & Company, Hong Kong. Reviewed by Nexia TS Public Accounting Corporation, for equity accounting purpose.

(b) The financial year end of the associated company is 31 December and its Independent Auditor is Crowe Horwath Indonesia. Reviewed by Nexia TS Public Accounting Corporation, for equity accounting purpose.

## 16 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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

The directors are of the opinion that the associated companies are not individually material to the Group as at 31 March 2020 and 31 March 2019. Aggregate of unaudited financial information about the Group's investments in associated companies that are individually immaterial but accounted for using the equity method is as follows:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Total comprehensive (loss)/income, representing net (loss)/profit | (1,320) | 488 |

## 17 INVESTMENT IN A JOINT VENTURE

| | The Company | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| *Equity investments at cost* | | |
| Beginning and end of financial year | 100 | 100 |

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Interests in joint venture | | |
| Beginning of financial year | 100 | 100 |
| Share of loss | (9) | – |
| End of financial year | 91 | 100 |

Details of the joint venture company is as follows:

| | | % of ownership interest | |
|---|---|---|---|
| **Name of entity** | **Place of business / country of incorporation** | **2020** | **2019** |
| Dining Collective Pte. Ltd. [a] | Singapore | 50 | 50 |

(a) Audited by Nexia TS Public Accounting Corporation

The Group has an aggregate $830,000 of commitments to provide funding, if called, to its joint venture. There were no contingent liabilities relating to the Group's interest in the joint venture.

## 17 INVESTMENT IN A JOINT VENTURE (CONTINUED)

The directors are of the opinion that the joint venture is not individually material to the Group as at 31 March 2020 and 31 March 2019. Aggregate of unaudited financial information about the Group's investment in a joint venture that is individually immaterial but accounted for using the equity method is as follows:

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Total comprehensive loss, representing net loss | (18) | – |

## 18 LOAN TO AN ASSOCIATED COMPANY

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Non-current | 248 | 248 | 248 | 248 |

For the financial years ended 31 March 2020 and 2019, the loan to an associated company is unsecured, interest-free. Management has indicated that there is no intention 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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Loan to an associated company | 236 | 223 | 236 | 223 |

| | Borrowing rate | |
|---|---|---|
| | 2020 | 2019 |
| | % | % |
| Loan to an associated company | 5.3 | 5.3 |

## 19 LOAN TO A JOINT VENTURE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Non-current | 320 | – | 320 | – |

For the financial year ended 31 March 2020, the loan to a joint venture is unsecured, interest-free. Management has indicated that there is no intention to recall for repayment within the next 12 months and the repayment term will be subject to annual review.

## 19 LOAN TO A JOINT VENTURE (CONTINUED)

The fair value of the loan to a joint venture 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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Loan to a joint venture | 304 | – | 304 | – |

| | Borrowing rate | |
|---|---|---|
| | 2020 | 2019 |
| | % | % |
| Loan to a joint venture | 5.3 | – |

## 20 OTHER INVESTMENTS AT AMORTISED COST

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Beginning of financial year | 754 | – |
| Reclassification at 1 April 2018 on adoption of SFRS(I) 9 | – | 1,005 |
| Amortisation (Note 6) | (1) | * |
| Redemption | – | (251) |
| End of financial year | 753 | 754 |

* Less than $1,000

| | The Group | |
|---|---|---|
| | Carrying amount | Fair value |
| | $'000 | $'000 |
| Listed debt securities | | |
| - Bond with fixed interest of 3.65% and maturity date of 23 August 2027 – Singapore | 252 | 252 |
| - Bond with fixed interest of 2.23% and maturity date of 21 February 2022 – Singapore | 501 | 502 |
| | 753 | 754 |

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.

## 21 PLANT AND EQUIPMENT

| | Furniture and fittings $'000 | Kitchen equipment $'000 | Renovation $'000 | Motor vehicles $'000 | Computer and office equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| **2020** | | | | | | |
| *Cost* | | | | | | |
| Beginning of financial year | 638 | 9,123 | 23,071 | 390 | 3,423 | 36,645 |
| Additions | 19 | 1,082 | 2,725 | 79 | 399 | 4,304 |
| Written-off | (40) | (180) | (951) | – | (161) | (1,332) |
| Disposals | – | (40) | – | – | – | (40) |
| End of financial year | 617 | 9,985 | 24,845 | 469 | 3,661 | 39,577 |
| *Accumulated depreciation and impairment losses* | | | | | | |
| Beginning of financial year | 615 | 6,837 | 16,434 | 371 | 3,079 | 27,336 |
| Depreciation charge (Note 7) | 17 | 947 | 2,715 | 18 | 242 | 3,939 |
| Impairment losses (Note 7) | – | – | 223 | – | – | 223 |
| Written-off | (40) | (149) | (797) | – | (157) | (1,143) |
| Disposals | – | (40) | – | – | – | (40) |
| End of financial year | 592 | 7,595 | 18,575 | 389 | 3,164 | 30,315 |
| ***Net book value*** | | | | | | |
| **End of financial year** | 25 | 2,390 | 6,270 | 80 | 497 | 9,262 |
| **2019** | | | | | | |
| *Cost* | | | | | | |
| Beginning of financial year | 638 | 8,373 | 21,820 | 390 | 3,383 | 34,604 |
| Additions | – | 1,134 | 2,962 | – | 273 | 4,369 |
| Written-off | – | (376) | (1,711) | – | (233) | (2,320) |
| Disposals | – | (8) | – | – | – | (8) |
| End of financial year | 638 | 9,123 | 23,071 | 390 | 3,423 | 36,645 |
| *Accumulated depreciation and impairment losses* | | | | | | |
| Beginning of financial year | 596 | 6,206 | 15,113 | 345 | 3,067 | 25,327 |
| Depreciation charge (Note 7) | 19 | 979 | 2,847 | 26 | 245 | 4,116 |
| Impairment losses (Note 7) | – | – | 110 | – | – | 110 |
| Written-off | – | (347) | (1,636) | – | (233) | (2,216) |
| Disposals | – | (1) | – | – | – | (1) |
| End of financial year | 615 | 6,837 | 16,434 | 371 | 3,079 | 27,336 |
| ***Net book value*** | | | | | | |
| **End of financial year** | 23 | 2,286 | 6,637 | 19 | 344 | 9,309 |

## 21 PLANT AND EQUIPMENT (CONTINUED)

| | Renovation $'000 | Computer equipment $'000 | Total $'000 |
|---|---|---|---|
| **The Company** | | | |
| **2020** | | | |
| *Cost* | | | |
| Beginning of financial year | 3 | 66 | 69 |
| Additions | – | 10 | 10 |
| End of financial year | 3 | 76 | 79 |
| *Accumulated depreciation* | | | |
| Beginning of financial year | 1 | 58 | 59 |
| Depreciation charge | 1 | 4 | 5 |
| End of financial year | 2 | 62 | 64 |
| ***Net book value*** | | | |
| **End of financial year** | 1 | 14 | 15 |
| **2019** | | | |
| *Cost* | | | |
| Beginning of financial year | – | 61 | 61 |
| Additions | 3 | 5 | 8 |
| End of financial year | 3 | 66 | 69 |
| *Accumulated depreciation* | | | |
| Beginning of financial year | – | 37 | 37 |
| Depreciation charge | 1 | 21 | 22 |
| End of financial year | 1 | 58 | 59 |
| ***Net book value*** | | | |
| **End of financial year** | 2 | 8 | 10 |

*Write-off of 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. In addition, the Group has also written-off the net book value of certain furniture and fittings, kitchen equipment, renovation and computer which are deemed to be unusable by the management in the current financial year. The net book value of the plant and equipment written-off are approximately $189,000 (2019: $104,000) (Note 7).

## 21 PLANT AND EQUIPMENT (CONTINUED)

*Impairment of plant and equipment and right-of-use assets*

The Group has identified the cash generating units ("CGUs") to be the respective restaurant outlets to which the plant and equipment and right-of-use assets belong. Management has determined prolong losses as an indicator that the plant and equipment and right-of-use assets may be impaired.

The recoverable amounts of the CGUs were based on its value-in-use calculation using cash flow projections from financial forecasts approved by management covering the remaining lease period and taking into consideration the aggravated impact of the Covid-19 pandemic. Long-term growth rate is not applied to the cash flow projections as the period covered up to the expiry of the lease term is less than 3 years.

Key assumptions used for value-in-use-calculations:

| | **The Group** |
|---|---|
| | **2020** |
| | **%** |
| Gross profit margin | 83 |
| Pre-tax discount rate | 5 |

Following the impairment assessment, impairment losses of $223,000 (2019: $110,000) and $442,000 (2019: $Nil) representing the write-down on the excess of the carrying amount over the recoverable amount of the relevant plant and equipment and right-of-use assets was recognised in the profit or loss.

## 22 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Nature of the Group's leasing activities

**Premises and restaurant outlets**

The Group leases office space, restaurant outlets and kitchen facilities for the purpose of back office operations and restaurant sales respectively.

**Office equipment**

The Group leases printers for the purpose of office operations.

## 22 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Right-of-use assets

| | Premises and restaurant outlets $'000 | Office equipment $'000 | Total $'000 |
|---|---|---|---|
| **The Group** | | | |
| **2020** | | | |
| *Cost* | | | |
| Beginning of financial year | – | – | – |
| Adoption of SFRS(I) 16 on 1 April 2019 | 29,510 | – | 29,510 |
| Additions | 22,494 | 55 | 22,549 |
| End of financial year | 52,004 | 55 | 52,059 |
| *Accumulated depreciation and impairment losses* | | | |
| Beginning of financial year | – | – | – |
| Depreciation charge (Note 7) | 16,062 | 6 | 16,068 |
| Impairment losses (Note 7) | 442 | – | 442 |
| End of financial year | 16,504 | 6 | 16,510 |
| ***Net book value*** | | | |
| **End of financial year** | 35,500 | 49 | 35,549 |
| **The Company** | | | |
| **2020** | | | |
| *Cost* | | | |
| Beginning of financial year | – | – | – |
| Adoption of SFRS(I) on 1 April 2019 | 54 | – | 54 |
| Additions | 246 | 55 | 301 |
| End of financial year | 300 | 55 | 355 |
| *Accumulated depreciation* | | | |
| Beginning of financial year | – | – | – |
| Depreciation charge | 87 | 6 | 93 |
| End of financial year | 87 | 6 | 93 |
| ***Net book value*** | | | |
| **End of financial year** | 213 | 49 | 262 |

Please refer to Note 21 of the financial statements for impairment assessment of right-of-use assets.

(b) Interest expense

| | The Group 2020 $'000 |
|---|---|
| Interest expense on lease liabilities | 984 |

## 22 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(c) Lease expense not capitalised in lease liabilities

| | The Group 2020 $'000 |
|---|---|
| Lease expense – short term leases | 3,730 |
| Lease expense – low-value lease | 118 |
| Variable lease payments | 1,426 |
| Total (Note 7) | 5,274 |

(d) Total cash outflow for all lease in 2020 was $21,738,000.

(e) Future cash outflow which are not capitalised in lease liabilities

(i) Variable lease payments

The leases for restaurant outlets contain variable lease payments that are based on a percentage of sales generated by the outlets, on top of fixed payments. Such variable lease payments are recognised to profit or loss when incurred and amounted to $1,426,000 (Note 22(c)) for the financial year ended 31 March 2020.

(ii) Extension options

The leases for certain restaurant outlets and kitchen facilities contain extension periods, for which the related lease payments have not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable by the Group and not by the lessor.

(f) Lease liabilities

| | The Group 2020 $'000 | The Company 2020 $'000 |
|---|---|---|
| Current | 17,212 | 139 |
| Non-current | 19,367 | 126 |
| | 36,579 | 265 |

(g) Reconciliation of liabilities arising from financing activities

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 1 April 2019 $'000 | Principal and interest payments $'000 | Adoption of SFRS(I) 16 $'000 | Additions $'000 | Interest expense $'000 | 31 March 2020 $'000 |
| Lease liabilities | – | (16,464) | 29,510 | 22,549 | 984 | 36,579 |

## 23 INTANGIBLE ASSETS

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| **Trademarks and franchise rights** | | |
| *Cost* | | |
| Beginning of financial year | 1,013 | 698 |
| Additions | – | 315 |
| End of financial year | 1,013 | 1,013 |
| *Accumulated amortisation* | | |
| Beginning of financial year | 625 | 563 |
| Amortisation charge (Note 7) | 64 | 62 |
| End of financial year | 689 | 625 |
| ***Net book value*** | | |
| **End of financial year** | 324 | 388 |

Trademarks and franchise rights pertain to the exclusive rights of brand names granted by franchisors to its subsidiary corporation, Bachmann Enterprises Pte Ltd for the usage of the brand name at all existing restaurants under the Group.

## 24 CLUB MEMBERSHIP

| | The Group and The Company | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Club membership at cost | | |
| Beginning and 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 | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Club membership | 550 | 570 |

The fair values are within Level 2 of the fair values hierarchy. The fair value is based on the current selling price of the club membership on available market.

## 25 LONG-TERM SECURITY DEPOSITS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Refundable security deposits | 3,634 | 3,391 | 34 | 13 |

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 flows 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 | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Long-term security deposits | 3,453 | 3,043 |

| | Borrowing rate | |
|---|---|---|
| | 2020 | 2019 |
| | % | % |
| Long-term security deposits | 5.3 | 5.3 |

## 26 TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | | | | |
| - Non-related parties | 1,516 | 1,367 | – | – |
| Non-trade payables | | | | |
| - Subsidiary corporations | – | – | 3 | – |
| - Non-related parties | 1,882 | 1,950 | 86 | 99 |
| Accruals for operating expenses | 5,933 | 5,253 | 321 | 417 |
| Franchise deposits | 23 | 23 | – | – |
| | 9,354 | 8,593 | 410 | 516 |

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

## 27 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income 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 | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| **Deferred income tax liabilities, representing accelerated tax depreciation** | | | | |
| - To be settled after one year | 216 | 320 | 2 | 2 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Beginning of financial year | 320 | 430 | 2 | 4 |
| Tax credited to profit or loss (Note 9(a)) | (104) | (110) | – | (2) |
| End of financial year | 216 | 320 | 2 | 2 |

## 28 SHARE CAPITAL, TREASURY SHARES AND CAPITAL RESERVES

(a) Share capital

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of ordinary shares '000 | Amount $'000 | Number of ordinary shares '000 | Amount $'000 |
| The Group and the Company | | | | |
| Beginning and 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.

**28 SHARE CAPITAL, TREASURY SHARES AND CAPITAL RESERVES (CONTINUED)**

(a) Share capital (continued)

**(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, Lead Independent Director) |
| Tan Lye Huat | (Member, 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.

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 have 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 and subsidiary holdings) of the Company on the day immediately preceding the date on which the Award shall be granted.

## 28 SHARE CAPITAL, TREASURY SHARES AND CAPITAL RESERVES (CONTINUED)

(a) Share capital (continued)

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

The details of the performance shares granted under the JF PSP as at 31 March 2020 are as follows:

| | Beginning of financial year | Granted during financial year | End of financial year | Vesting price | Vesting date |
|---|---|---|---|---|---|
| **2020** | | | | | |
| 2019 JF PSP | 2,920,000 | 490,000 | 3,410,000 | $0.435 | 14.08.2019* |
| **2019** | | | | | |
| 2018 JF PSP | 2,220,000 | 700,000 | 2,920,000 | $0.485 | 17.05.2018* |

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

(b) Treasury shares

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of ordinary shares '000 | Amount $'000 | Number of ordinary shares '000 | Amount $'000 |
| The Group and the Company | | | | |
| Beginning of financial year | 833 | 376 | 1,048 | 424 |
| Treasury shares purchased | 86 | 25 | 485 | 235 |
| Less: Treasury shares granted | (490) | (220) | (700) | (283) |
| End of financial year | 429 | 181 | 833 | 376 |

During the financial year, 490,000 (2019: 700,000) 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 $213,150 (2019: $339,000) based on the market price of the Company's share at the grant date.

The Company acquired 85,700 (2019: 485,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was $24,800 (2019: $234,700) and this was presented as a component within shareholders' equity. After these share buy-backs, the Company held 428,800 (2019: 833,100) treasury shares as at 31 March 2020 and the total number of issued shares (excluding treasury shares and subsidiary holdings) was 174,007,200 (2019: 173,602,900) Shares.

(c) Capital reserves

| | The Group and The Company | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Beginning of financial year | 80 | 24 |
| Performance shares granted | (7) | 56 |
| End of financial year | 73 | 80 |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2020

## 29 RETAINED PROFITS

(a) Retained profits of the Group are distributable except for cumulative share of profit of associated companies amounting to $1,899,000 (2019: $2,232,000).

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

| | The Company | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Beginning of financial year | 3,642 | 3,000 |
| Net profit for the financial year | 1,546 | 4,295 |
| Dividend paid (Note 30) | (3,651) | (3,653) |
| End of financial year | 1,537 | 3,642 |

## 30 DIVIDENDS

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| *Ordinary dividends paid* | | |
| Final exempt dividend paid in respect of the previous financial year of 1.10 cents (2019: 1.30 cents) per share | 1,910 | 2,263 |
| Interim exempt dividend paid in respect of the current financial year of 1.00 cents (2019: 0.80 cents) per share | 1,741 | 1,390 |
| | 3,651 | 3,653 |

At the forthcoming Annual General Meeting on 9 September 2020, a final exempt (one-tier) dividend of 0.25 cents per share amounting to a total $434,007 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 2021.

## 31 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.

## 32 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.

As at 31 March 2019, 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 |
|---|---|
| | 2019 |
| | $'000 |
| Not later than one year | 18,144 |
| Between one and five years | 16,756 |
| | 34,900 |

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 April 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance as at 31 March 2020, except for short-term leases.

## 33 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 2020 are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12, 18, 19 and 26 to the financial statements respectively.

(b) Key management personnel compensation

| | The Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Wages and salaries | 1,028 | 1,164 |
| Directors' fees | 115 | 115 |
| Employer's contribution to Central Provident Fund | 62 | 65 |
| Employee performance shares | 175 | 279 |
| | 1,380 | 1,623 |

Included in the above is total compensation to directors of the Company amounting to $525,000 (2019: $637,000).

## 34 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.

## 34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 |
|---|---|---|---|---|---|
| **As at 31 March 2020** | | | | | |
| **Financial assets** | | | | | |
| Cash and bank balances | 20,095 | 42 | 120 | 186 | 20,443 |
| Trade and other receivables | 2,220 | 28 | – | – | 2,248 |
| Other financial assets | 5,611 | – | 248 | – | 5,859 |
| Receivables from subsidiary corporations | 1,051 | – | – | – | 1,051 |
| Other investments at amortised cost | 753 | – | – | – | 753 |
| | 29,730 | 70 | 368 | 186 | 30,354 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (9,214) | (135) | – | (5) | (9,354) |
| Payables to subsidiary corporations | (1,051) | – | – | – | (1,051) |
| | (10,265) | (135) | – | (5) | (10,405) |
| **Net financial assets/(liabilities)** | 19,465 | (65) | 368 | 181 | 19,949 |
| Add: Net non-financial assets | 11,424 | – | – | – | 11,424 |
| **Net assets/(liabilities)** | 30,889 | (65) | 368 | 181 | 31,373 |
| **Currency profile including non-financial assets** | 30,889 | (65) | 368 | 181 | 31,373 |
| **Currency exposure of financial assets net of those denominated in the respective entities' functional currency** | – | (65) | 368 | 181 | 484 |

## 34 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

*(i) Currency risk (continued)*

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 |
|---|---|---|---|---|---|
| **As at 31 March 2019** | | | | | |
| **Financial assets** | | | | | |
| Cash and bank balances | 21,498 | 50 | 182 | 321 | 22,051 |
| Trade and other receivables | 1,010 | – | – | – | 1,010 |
| Other financial assets | 5,798 | – | 248 | – | 6,046 |
| Receivables from subsidiary corporations | 4,089 | – | – | – | 4,089 |
| Other investments at amortised cost | 754 | – | – | – | 754 |
| | 33,149 | 50 | 430 | 321 | 33,950 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (8,439) | (154) | – | – | (8,593) |
| Payables to subsidiary corporations | (4,089) | – | – | – | (4,089) |
| | (12,528) | (154) | – | – | (12,682) |
| **Net financial assets/(liabilities)** | 20,621 | (104) | 430 | 321 | 21,268 |
| Add: Net non-financial assets | 12,551 | – | – | – | 12,551 |
| **Net assets/(liabilities)** | 33,172 | (104) | 430 | 321 | 33,819 |
| **Currency profile including non-financial assets** | 33,172 | (104) | 430 | 321 | 33,819 |
| **Currency exposure of financial assets net of those denominated in the respective entities' functional currency** | – | (104) | 430 | 321 | 647 |

## 34 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

*(i) Currency risk (continued)*

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

| | SGD $'000 | HKD $'000 | Total $'000 |
|---|---|---|---|
| **As at 31 March 2020** | | | |
| **Financial assets** | | | |
| Cash and bank balances | 3,122 | 120 | 3,242 |
| Trade and other receivables | 1,054 | – | 1,054 |
| Other financial assets | 367 | 248 | 615 |
| | 4,543 | 368 | 4,911 |
| **Financial liabilities** | | | |
| Trade and other payables | (410) | – | (410) |
| **Net financial assets** | 4,133 | 368 | 4,501 |
| Add: Net non-financial assets | 6,450 | – | 6,450 |
| **Net assets** | 10,583 | 368 | 10,951 |
| **Currency profile including non-financial assets** | 10,583 | 368 | 10,951 |
| **Currency exposure of financial assets net of those denominated in the Company's functional currency** | – | 368 | 368 |
| **As at 31 March 2019** | | | |
| **Financial assets** | | | |
| Cash and bank balances | 2,593 | 50 | 2,643 |
| Trade and other receivables | 4,093 | – | 4,093 |
| Other financial assets | 13 | 248 | 261 |
| | 6,699 | 298 | 6,997 |
| **Financial liabilities** | | | |
| Trade and other payables | (516) | – | (516) |
| **Net financial assets** | 6,183 | 298 | 6,481 |
| Add: Net non-financial assets | 6,387 | – | 6,387 |
| **Net assets** | 12,570 | 298 | 12,868 |
| **Currency profile including non-financial assets** | 12,570 | 298 | 12,868 |
| **Currency exposure of financial assets net of those denominated in the Company's functional currency** | – | 298 | 298 |

**34 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market risk (continued)**

*(i) Currency risk (continued)*

***Sensitivity analysis***

If the JPY, HKD and USD change against the SGD by 7% (2019: 1%), 6% (2019: 3%) and 5% (2019: 3%) 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:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Increase/(Decrease) Profit after tax | | Increase/(Decrease) Profit after tax | |
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| JPY against SGD | | | | |
| - Strengthened | (4) | (1) | – | – |
| - Weakened | 4 | 1 | – | – |
| HKD against SGD | | | | |
| - Strengthened | 18 | 11 | (18) | (7) |
| - Weakened | (18) | (11) | 18 | 7 |
| USD against SGD | | | | |
| - Strengthened | 8 | 8 | – | – |
| - Weakened | (8) | (8) | – | – |

* *Denotes amount less than $1,000.*

*(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.

## 34 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (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 at balance sheet date, there are no significant concentrations of credit risk within the Group and Company.

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 Group | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Corporate guarantee provided to banks on subsidiary corporation's performance guarantee | 1,353 | 1,531 |

*(i) Impairment of financial assets*

The Group has applied the simplified approach by using the allowance matrix to measure the lifetime expected credit losses ("ECL") for all trade and other receivables.

In measuring the expected credit losses, trade and other receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rate, the Group considers current payment patterns for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a customer fails to make contractual payment greater than 90 days past due based on historical collection trend. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group assess the credit risk rating of other receivables including loan to related corporations based on qualitative and quantitative (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available and applying expected credit judgement).

As at 31 March 2020, the trade and other receivables are not past due and are not subject to any material credit losses.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 March 2020

## 34 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

*(i) Impairment of financial assets (continued)*

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposure.

The Group does 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.

*Financial assets that are neither past due nor impaired*

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially customers with a good collection track records with the Group.

Other that the above, there are no credit loss allowance for other financial assets at amortised cost as at 31 March 2019 and 31 March 2020.

There is no allowance for impairment of trade receivables provided for the financial year ended 31 March 2019 as the Group's management believes that these overdue trade receivables will eventually be fully recovered based on historical payment trends and assessment of the credit worthiness of the customers.

### (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 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| **Less than one year** | | | | |
| Trade and other payables | 9,354 | 8,593 | 410 | 516 |
| Financial guarantee contracts | – | – | 1,353 | 1,531 |

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

## 34 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Capital risk

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as going concern and to maintain an optimal capital structure as to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or to achieve an optimal 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 its capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables less cash and bank balances. Total capital is calculated as total equity plus net debt.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Net debt | (11,089) | (13,458) | (2,832) | (2,127) |
| Total equity | 31,373 | 33,819 | 10,951 | 12,868 |
| Total capital | 20,284 | 20,361 | 8,119 | 10,741 |
| **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 years ended 31 March 2020 and 2019.

### (e) Fair value measurement

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

### (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, in Note 20 to the financial statements, except for the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Financial assets at amortised cost | 28,550 | 29,107 | 4,911 | 6,997 |
| Financial liabilities at amortised cost | 9,354 | 8,593 | 410 | 516 |

## 35 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** | **Franchised operation** | **Total reportable segments** |
| | **$'000** | **$'000** | **$'000** |
| **<u>The Group</u>** | | | |
| **2020** | | | |
| **Revenue** | | | |
| Total segment revenue | 68,390 | 33 | 68,423 |
| Inter-segment revenue | – | (10) | (10) |
| External revenue | 68,390 | 23 | 68,413 |
| **Segment results** | 1,384 | 200 | 1,584 |
| Depreciation and amortisation | 3,939 | 65 | 4,004 |
| Depreciation of right-of-use assets | 16,068 | – | 16,068 |
| Impairment of plant and equipment and right-of-use asset | 665 | – | 665 |
| Plant and equipment written-off | 189 | – | 189 |
| Inventories written-down | 3 | – | 3 |
| Share of losses of associated companies | 333 | – | 333 |
| Share of loss of joint venture | 9 | – | 9 |
| **Segment assets** | 69,855 | 1,068 | 70,923 |
| Segment assets includes: | | | |
| Additions to plant and equipment | 4,304 | – | 4,304 |
| Loan to an associated company | 248 | – | 248 |
| Loan to joint venture | 320 | – | 320 |
| **Segment liabilities** | 45,633 | 300 | 45,933 |

## 35 SEGMENT INFORMATION (CONTINUED)

| | Singapore | | |
|---|---|---|---|
| | Restaurant sales $'000 | Franchised operation $'000 | Total reportable segments $'000 |
| **The Group** | | | |
| **2019** | | | |
| **Revenue** | | | |
| Total segment revenue | 68,028 | 54 | 68,082 |
| Inter-segment revenue | – | (3) | (3) |
| External revenue | 68,028 | 51 | 68,079 |
| **Segment results** | 3,689 | 183 | 3,872 |
| Depreciation and amortisation | 4,116 | 62 | 4,178 |
| Impairment of plant and equipment | 110 | – | 110 |
| Plant and equipment written-off | 104 | – | 104 |
| Loss on disposal of plant and equipment | 1 | – | 1 |
| Inventories written-down | 4 | – | 4 |
| Share of profit of associated companies | 132 | – | 132 |
| **Segment assets** | 33,962 | 929 | 34,891 |
| Segment assets includes: | | | |
| Additions to plant and equipment | 4,369 | – | 4,369 |
| Loan to an associated company | 248 | – | 248 |
| **Segment liabilities** | 8,239 | 354 | 8,593 |

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 associated companies 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.

## 35 SEGMENT INFORMATION (CONTINUED)

**Reconciliations**

(i) *Segment profits*

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

| | The Group 2020 $'000 | The Group 2019 $'000 |
|---|---|---|
| Reported segments | 1,584 | 3,872 |
| Interest income | 156 | 120 |
| Share of (losses)/profits of associated companies | (333) | 132 |
| Share of loss of joint venture | (9) | – |
| Profit before income tax | 1,398 | 4,124 |

(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 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 other investments at amortised cost.

| | The Group 2020 $'000 | The Group 2019 $'000 |
|---|---|---|
| Segment assets for reportable segments | 70,923 | 34,891 |
| Unallocated: | | |
| Short-term bank deposits | 6,439 | 8,101 |
| Other investments at amortised cost | 753 | 754 |
| | 78,115 | 43,746 |

(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 2020 $'000 | The Group 2019 $'000 |
|---|---|---|
| Segment liabilities for reportable segments | 45,933 | 8,593 |
| Unallocated: | | |
| Current income tax liabilities | 593 | 1,014 |
| Deferred income tax liabilities | 216 | 320 |
| | 46,742 | 9,927 |

## 36 EVENTS OCCURRING AFTER BALANCE SHEET DATE

Other than the COVID-19 outbreak as disclosed in Note 1 to the financial statements, there are no subsequent significant developments which would materially affect the Group's and the Company's operating and financial performance or any adjusting events that provide evidence of conditions that existed at the end of the reporting period, as of the date of this report.

As the situation continues to evolve with a significant level of uncertainty, the Group will continue to monitor the financial impact on the Group's and the Company's financial and operation closely.

## 37 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted.

<u>Effective for annual periods beginning on or after 1 January 2020</u>

- Amendments to SFRS(I) 3: Business Combinations – definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of material
- Amendments to Reference to the Conceptual Framework in SFRS(I) standards
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform

<u>Effective for annual periods beginning on or after 1 June 2020</u>
- Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions

<u>Effective for annual periods beginning on or after 1 January 2021</u>
- SFRS(I) 17 Insurance Contracts

<u>Effective for annual periods beginning on or after 1 January 2022</u>
- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current

<u>Effective date: to be determined*</u>
- Amendments to SFRS(I) 10 and SFRS(I) 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

## 38 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 7 August 2020.

# 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) | : 173,957,200 |
| Number/Percentage of Treasury Shares | : 478,800 (0.28%) |
| Number/Percentage of Subsidiary Holdings | : NIL |
| Voting rights (excluding Treasury Shares) | : One vote per share |

**DISTRIBUTION OF SHAREHOLDINGS AS AT 3 AUGUST 2020**

| Size of shareholdings | No. of shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 4 | 0.68 | 107 | 0.00 |
| 100 - 1,000 | 86 | 14.73 | 49,888 | 0.03 |
| 1,001 - 10,000 | 288 | 49.32 | 1,587,774 | 0.91 |
| 10,001 - 1,000,000 | 197 | 33.73 | 13,969,531 | 8.03 |
| 10,001 - 1,000,000 | 9 | 1.54 | 158,349,900 | 91.03 |
| Total | 584 | 100.00 | 173,957,200 | 100.00 |

**TWENTY LARGEST SHAREHOLDERS AS AT 3 AUGUST 2020**

| No. | Name of shareholders | No. of shares | % |
|---|---|---|---|
| 1 | Kenichi Takahashi | 114,814,800 | 66.00 |
| 2 | DBS Nominees Pte Ltd | 8,542,900 | 4.91 |
| 3 | HSBC (Singapore) Nominees Pte Ltd | 8,225,900 | 4.73 |
| 4 | Chan Chau Mui | 8,100,000 | 4.66 |
| 5 | Sirius Venture Capital Pte Ltd | 7,165,800 | 4.12 |
| 6 | Nomura Singapore Limited | 3,360,600 | 1.93 |
| 7 | Shigemitsu Industry Co. Ltd. | 3,360,600 | 1.93 |
| 8 | Tan Kay Toh | 2,458,100 | 1.42 |
| 9 | Chin May Yee Emily | 2,321,200 | 1.33 |
| 10 | Tan Bin Cheng Guy | 854,000 | 0.49 |
| 11 | Yap Kwok Khuen or Goh Poh Lian | 826,800 | 0.48 |
| 12 | Raffles Nominees (Pte) Limited | 470,800 | 0.27 |
| 13 | Ng Puay Ling | 419,800 | 0.25 |
| 14 | Ho Juat Keng | 419,800 | 0.24 |
| 15 | Yeo Wei Huang | 405,000 | 0.23 |
| 16 | Christella Chuah Poh Choo | 380,000 | 0.22 |
| 17 | Phillip Securities Pte Ltd | 329,500 | 0.19 |
| 18 | Tan Kok Ching | 300,000 | 0.17 |
| 19 | DBS Vickers Securities (S) Pte Ltd | 245,000 | 0.14 |
| 20 | James Alvin Low Yiew Hock | 240,000 | 0.14 |
| | Total: | 163,252,900 | 93.85 |

# STATISTICS OF SHAREHOLDINGS

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 3 August 2020, approximately 23.89% 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 | 66.00% | 8,100,000 | 4.66% |
| Wong Hin Sun, Eugene [(2)] | – | – | 9,487,000 | 5.45% |

**Notes:**

(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

This Notice has been made available on the SGXNet, the Company's website and published in Business Times on 25 August 2020. A printed copy of this Notice will not be despatched to members.

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of Japan Foods Holding Ltd. (the "**Company**") will be convened and held by way of electronic means on Wednesday, 9 September 2020 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 2020 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax-exempt one-tier dividend of 0.25 Singapore cents per ordinary share for the financial year ended 31 March 2020. **(Resolution 2)**
3. To approve the payment of S$115,000 as fees to the directors of the Company ("**Directors**") for the financial year ended 31 March 2020. (2019: S$115,000) **(Resolution 3)**
4. To re-elect Mr Takahashi Kenichi, who is retiring under Regulation 101 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 re-elect Mr Tan Lye Huat ("**Mr Tan**"), who is retiring under Regulation 101 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 5)**
6. That contingent upon the passing of Ordinary Resolution 5 above, shareholders to approve Mr Tan's continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii)(A)[1] of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), and such Resolution shall remain in force until the earlier of the following: (i) Mr Tan's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. *[See explanatory Note (b)]* **(Resolution 6)**
7. That contingent upon the passing of Ordinary Resolutions 5 and 6 above, shareholders (excluding the Directors and the Chief Executive Officer ("**CEO**") of the Company, and the respective associates of such Directors and CEO) to approve Mr Tan's continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii)(B)[1] of the Catalist Rules, and such Resolution shall remain in force until the earlier of the following: (i) Mr Tan's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. *[See explanatory note (b)]* **(Resolution 7)**
8. To approve Mdm Lee Sok Koon Constance's ("**Mdm Lee**") continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii)(A)[1] of the Catalist Rules, and such Resolution shall remain in force until the earlier of the following: (i) Mdm Lee's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. *[See explanatory Note (b)]* **(Resolution 8)**
9. That contingent upon the passing of Ordinary Resolution 8 above, shareholders (excluding the Directors and the CEO of the Company, and the respective associates of such Directors and CEO) to approve Mdm Lee's continued appointment as an Independent Director in accordance with Rule 406(3)(d)(iii)(B)[1] of the Catalist Rules, and such Resolution shall remain in force until the earlier of the following: (i) Mdm Lee's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of this Resolution. *[See explanatory note (b)]* **(Resolution 9)**
10. 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 10)**
11. To transact any other business which may properly be transacted at an AGM.

1 **Note:** *Rule 406(3)(d)(iii) of the Catalist Rules will come into effect on 1 January 2022. The Company has decided to early adopt the practice of two-tier voting process in respect of directors who have served for an aggregate period of more than 9 years.*

**AS SPECIAL BUSINESS**

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

12. **Authority to allot and issue shares in the capital of the Company and/or Instruments (as defined hereinafter)** **(Resolution 11)**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore ("**Companies Act**") and Rule 806 of the 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

(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 share 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 (c)]*

13. **Authority to grant awards and issue shares under the Japan Foods Performance Share Plan** **(Resolution 12)**

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 (d)]*

14. **Renewal of the Share Buyback Mandate** **(Resolution 13)**

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**").

(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 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 13:

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares 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;

"**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 (e)]*

By Order of the Board

Esther Au
Company Secretary
Singapore

25 August 2020

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(a) Ordinary Resolutions 4 and 5 are to re-elect Mr Takahashi Kenichi and Mr Tan who will be retiring by rotation under Regulation 101 of the Constitution of the Company.

Mr Takahashi Kenichi, will upon re-election as a Director, remain as Executive Chairman and CEO of the Company and will be considered executive and non-independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Tan, will upon re-election as a Director, remain as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and a member of the Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Detailed information of these directors (including information as set out in Appendix 7F of the Catalist Rule) can be found under the "Board of Directors"' in the Company's Annual Report 2020 and "Additional Information on Directors' Re-election and Continued Appointment", as enclosed.

(b) Ordinary Resolutions 6, 7, 8 and 9 are to subject the continued appointment of Mr Tan and Mdm Lee each of whom has served as an Independent Director for an aggregate period of more than 9 years to a two-tier voting process in accordance with Rule 406(3)(d)(iii) of the Catalist Rules which has yet to come into effect. Rule 406(3)(d)(iii) of the Catalist Rules will take effect on 1 January 2022. The Company has decided to early adopt the practice of two-tier voting process in respect of the Independent Directors who have served for an aggregate period of more than 9 years.

For the purpose of Ordinary Resolutions 7 and 9, in accordance with Rule 406(3)(d)(iii) of the Catalist Rules, the Directors and the CEO of the Company, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given.

The Board of the Company and the Nominating Committee have evaluated the participation of Mr Tan and Mdm Lee at board and committee meetings and determined that each of them continues to possess independent thinking and the ability to exercise objective judgement on corporate matters independently.

(c) Ordinary Resolution 11 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.

(d) Ordinary Resolution 12 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 in the capital of the Company 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).

(e) Ordinary Resolution 13 is to renew the Share Buyback Mandate (which was first approved by shareholders at an extraordinary general meeting 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 the financial year ended 31 March 2020, 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.

**Important Notes:**

**Pre-Registration**

The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 25 August 2020 which has been uploaded together with this Notice of AGM on SGXNet on the same day. The announcement and this Notice of AGM may also be accessed at the Company's website at the URL https://www.jfh.com.sg//html/ir_announcements.php

A member will be able to participate at the AGM by watching the AGM proceeding via a "live" audio-visual webcast via mobile phones, tablets or computers or listening to the proceeding through a "live" audio-only stream via telephone. In order to do so, a member must pre-register by 10.00 a.m. on 4 September 2020 (the "**Pre-Registration Deadline**"), at the URL https://globalmeeting.bigbangdesign.co/japan-foods/ for the Company to authenticate his/her/its status as members. Authenticated members will receive email instructions on how to access the "live" audio-visual webcast or "live" audio-only stream of the proceeding of the AGM by 10.00 a.m. on 7 September 2020 (the "**Confirmation Email**").

Members who do not receive the Confirmation Email by 10.00 a.m. on 7 September 2020, but have registered by the Pre-Registration Deadline, should email the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com

Investors who hold their shares through relevant intermediaries as defined in Section 181 of the Companies Act, (other than the Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**")) and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceeding through "live" audio-visual webcast or "live" audio-only stream; (b) submitting questions in advance of the AGM; and/or (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM, should approach their respective relevant intermediaries through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

**Submission of Questions**

A member who pre-registers to watch the "live" audio-visual webcast or listen to the "live" audio-only stream may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 10.00 a.m. on 4 September 2020:

(a) via the pre-registration website at the URL https://globalmeeting.bigbangdesign.co/japan-foods/ ; or

(b) via email to the Company's Share Registrar, B.A.C.S Private Limited at main@zicoholdings.com

When sending in the questions via email, please provide full name, identification/registration number and the manner in which the shares are held in the Company (e.g. via The Central Depository (Pte) Limited ("**CDP**"), CPF or SRS), for verification purposes, failing which the submission will be treated as invalid.

# NOTICE OF ANNUAL GENERAL MEETING

The Company will address all substantial and relevant questions received from members relating to the agenda of the AGM prior to the AGM by publishing the responses to those questions via SGXNet and on the Company's website at URL https://www.jfh.com.sg//html/ir_announcements.php

**Submission of Proxy Form**

**Due to the COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The instrument appointing the Chairman of the AGM as proxy ("**Proxy Form**") may be accessed at the Company's website at the URL https://www.jfh.com.sg//html/ir_announcements.php, and is made available with this Notice of AGM on SGXNet on the same day. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy to attend, speak, vote on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions by 10.00 a.m. on 28 August 2020, being seven (7) working days before the date of the AGM.

Investors who hold their shares through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 (other than CPF/SRS investors) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries through which they hold such shares as soon as possible in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to vote on their behalf.

The Chairman of the AGM, as proxy, need not be a member of the Company.

The Proxy Form must be submitted in the following manner:

(a) if submitted electronically, be submitted via email to the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com ; or

(b) if in hard copy submitted by post, be deposited with the Company's Share Registrar, B.A.C.S Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544.

In either case, the Proxy Form shall be received by the Company not less than seventy-two (72) hours before the time appointed for the AGM, that is no later than **10.00 a.m. on 6 September 2020.**

A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.**

The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing and may be submitted via email. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised and may be submitted via email. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company), if the Proxy Form is submitted by post, must be deposited with the Proxy Form (or if submitted via email, be emailed with the Proxy Form), failing which the Proxy Form may be treated as invalid.

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form (including any related attachment). In addition, in the case of Shares entered in the Depository Register, the Company may reject a Proxy Form if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Company.

**Annual Report and Other Documents**

The Annual Report for the financial year ended 31 March 2020 (the "**Annual Report 2020**") and the Appendix dated 25 August 2020 in relation to the proposed renewal of the Share Buyback Mandate (the "**Appendix**") have been uploaded on SGXNet on 25 August 2020 and may be accessed via SGXNet and also at the Company's website at the URL https://www.jfh.com.sg//html/ir_announcements.php by clicking on the hyperlink "Annual Report 2020".

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company 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 the appointment of the Chairman of the AGM as proxy 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.

**BOOKS CLOSURE DATE AND PAYMENT DATE OF 2020 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 0.25 Singapore cents per ordinary share ("**2020 Dividend**") for the financial year ended 31 March 2020, the Share Transfer Books and Register of Members of the Company will be closed on 17 September 2020 for the purpose of determining Shareholders' entitlements to the 2020 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 16 September 2020 will be registered to determine Shareholders' entitlements to the 2020 Dividends. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with the Shares as at 5.00 p.m. on 16 September 2020 will be entitled to the 2020 Dividend.

Payment of the 2020 Dividend, if approved by Shareholders at the AGM of the Company, will be made on 1 October 2020.

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**JAPAN FOODS HOLDING LTD.**
(UEN 200722314M)
(Incorporated in the Republic of Singapore)

# PROXY FORM

**IMPORTANT**

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 25 August 2020 which has been uploaded together with the Notice of AGM on SGXNet on the same day. The announcement and the Notice of AGM may also be accessed at the Company's website at the URL https://www.jfh.com.sg//html/ir_announcements.php
2. A member will **not** be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
   CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy to attend, speak and vote on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions by **10.00 a.m.** on **28 August 2020**, being seven (7) working days before the date of the AGM.
3. Investors who hold their shares through relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 (other than CPF/SRS investors) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries to in turn submit the Proxy Form to vote on their behalf.
4. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 25 August 2020.
5. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of Chairman of the AGM as a member's proxy to vote on his/her/its behalf at the AGM.

This form of proxy has been made available on SGXNet at the URL https://www.sgx.com/securities/company-announcements, the Company's website at the URL https://www.jfh.com.sg//html/ir_announcements.php and the online registration website at URL https://globalmeeting.bigbangdesign.co/japan-foods/. A printed copy of this proxy form will not be despatched to members.

I/We_______________________________________________________(Name)

of _________________________________________________________(Address)

being a *member/members of **JAPAN FOODS HOLDING LTD.** (the "**Company**") hereby appoint the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy to vote for me/us on my/our behalf at the AGM of the Company to be held by electronic means on Wednesday, 9 September 2020 at 10.00 a.m. and at any adjournment thereof.

Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes for or against a resolution proposed at the AGM, please indicate with a tick [√] in the space provided under "For" or "Against". If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution proposed at the AGM, please indicate with a tick [√] in the space provided under "Abstain". Alternatively, please indicate the number of shares as appropriate. If no specific direction as to voting is given, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

| No. | Ordinary Resolutions | For | Against | Abstain |
|---|---|---|---|---|
| | **Ordinary Business** | | | |
| 1. | Directors' Statement and the Audited Financial Statements for the financial year ended 31 March 2020, together with the Independent Auditors' Report . | | | |
| 2. | Approval of payment of final dividend of 0.25 Singapore cents per ordinary share. | | | |
| 3. | Approval of payment of Directors' fees of S$115,000 (2019: S$115,000) | | | |
| 4. | Re-election of Mr Takahashi Kenichi as a Director. | | | |
| 5. | Re-election of Mr Tan Lye Huat as a Director. | | | |
| 6. | Approval of Mr Tan Lye Huat's continued appointment as an Independent Director by all shareholders. | | | |
| 7. | Approval of Mr Tan Lye Huat's continued appointment as an Independent Director by shareholders (excluding the directors and the chief executive officer of the Company, and their respective associates). | | | |
| 8. | Approval of Mdm Lee Sok Koon Constance's continued appointment as an Independent Director by all shareholders. | | | |
| 9. | Approval of Mdm Lee Sok Koon Constance's continued appointment as an Independent Director by shareholders (excluding the directors and the chief executive officer of the Company, and their respective associates). | | | |
| 10. | Re-appointment of Nexia TS Public Accounting Corporation as auditor of the Company. | | | |
| | **Special Business** | | | |
| 11. | Authority to allot and issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore. | | | |
| 12. | Authority to grant awards and to issue shares under the Japan Foods Performance Share Plan. | | | |
| 13. | Renewal of the Share Buyback Mandate. | | | |

Dated this __________day of_____________, 2020

| Total Number of Shares in: | No. of Shares |
|---|---|
| CDP Register | |
| Register of Members | |

_________________________________
Signature of Shareholder(s)/Common Seal of Corporate Shareholder

**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, Cap. 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. Due to the COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The instrument appointing the Chairman of the AGM as proxy (the "**Proxy Form**") may be accessed at the Company's website at URL https://www.jfh.com.sg//html/ir_announcements.php, the SGX website at URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy to attend, speak, vote on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions by **10.00 a.m. on 28 August 2020**, being seven (7) working days before the date of the AGM.

   Investors who hold their shares through relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 (other than CPF/SRS investors) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries through which they hold such shares as soon as possible in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to vote on their behalf.

4. The Chairman of the AGM, as proxy, need not be a member of the Company.

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**Affix Postage Stamp**

**Japan Foods Holding Ltd.**
c/o B.A.C.S. Private Limited
8 Robinson Road #03-00 ASO Building
Singapore 048544

*First fold along this line*

5. The Proxy Form must be submitted in the following manner:
   (a) if submitted electronically, be submitted via email to the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com or
   (b) if in hard copy submitted by post, be deposited with the Company's Share Registrar, B.A.C.S Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544.

   In either case, the Proxy Form shall be received by the Company not less than seventy-two (72) hours before the time appointed for the AGM, that is no later than 10.00 a.m. on 6 September 2020.

   A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   **In view of the COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.**

6. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing and may be submitted via email. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised and may be submitted via email. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company), if the Proxy Form is submitted by post, must be deposited with the Proxy Form (or if submitted via email, be emailed with the Proxy Form), failing which the Proxy Form may be treated as invalid.

7. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form (including any related attachment). In addition, in the case of Shares entered in the Depository Register, the Company may reject a Proxy Form if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Company.

**<u>Personal Data Privacy</u>**

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 25 August 2020.

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# REFINING OUR APPROACH

**Japan Foods Holding Ltd.**
Annual Report 2020


IN CORPORATED IN THE REPUBLIC OF SINGAPORE
ON 3 DECEMBER 2007 (UEN: 200722314M)

420 North Bridge Road
#02-01 North Bridge Centre Singapore 188727
Tel: (65) 6333 9781 | Fax: (65) 6333 9782