

RE&S



A FRESH JOURNEY

ANNUAL REPORT 2019

CORPORATE PROFILE

Established in 1988, RE&S is a multi-concept owner and operator of Food and Beverage (“F&B”) outlets in Singapore and Malaysia that provides customers with authentic Japanese cuisine and dining experiences. Since its incorporation, RE&S has grown from a single Fiesta restaurant into a network comprising its Corporate Headquarters in Tai Seng, Singapore which houses more than 1,500 employees across the corporate office and a central kitchen, a procurement office in Japan, and more than 70 F&B outlets.

Staying true to the RE&S brand promise of “Food for Life”, its diverse portfolio comprising over 20 distinct brands covers the full spectrum of varied market segments today; ranging from fine dining (Kuriya Dining) to family-style (Ichiban Boshi) and convenience (Kuriya Japanese Market). Supported by its ISO 22000-certified Central Kitchen,

RE&S is committed to maintaining a high standard of food consistency and quality for its customers alongside constant efforts in strategic innovation.

Since its establishment, RE&S has built a robust operating system and well-established business processes in terms of branding, operations, supply chain and human resources which form a strong foundation for growth over the past 30 years. Today, RE&S serves more than 7 million customers a year generating an annual revenue of over S\$140 million.

The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “SGX Catalist”) on 22 November 2017.

For more information, please visit www.res.com.sg.



*THE
LEADING
JAPANESE
RESTAURANT
GROUP IN
SINGAPORE*

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, DBS Bank Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this Annual Report. This Annual Report has not been examined or approved by the SGX-ST. The 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 persons for the Sponsor are Ms. Heng Mui Mui, Managing Director, and Ms. Andrea Chua, Vice President at 12 Marina Boulevard Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone +65 6878 8888.

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CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

On behalf of the Board of Directors ("Board") of RE&S Holdings Limited ("RE&S" or the "Company" together with its subsidiaries, the "Group"), I am pleased to present to you our annual report for the financial year ended 30 June 2019 ("FY2019").

OVER 30 YEARS,
WE HAVE BUILT A
**ROBUST OPERATING
SYSTEM** AND
**ESTABLISHED
SOUND BUSINESS
PRACTICES.**



It has been almost two years since our Group listed on the SGX Catalist in November 2017. While we actively create new concepts to revamp our existing portfolios, we are also formulating and implementing strategies that are leading to what we see as, "The Positive Disruption". Both internally and externally, we have been working on key strategies to consolidate our businesses and strengthen our core working team on the management level in view of the Group's long-term growth as a listed company.

RE&S MANAGEMENT SUCCESSION PLAN

FY2019 has been an exciting year full of changes for us; in July, we witnessed a positive change in the management team with a few appointments of key personnel in the Group.

Mr. Foo Kah Lee, previously the Deputy Chief Executive Officer and Chief Financial Officer of the Group, was appointed as Executive Director to the Board of RE&S and

officially took over the baton from Mr. Yek Hong Liat John as CEO of the Group. Mr. Foo is a people person who believes strongly in teamwork and is able to connect with stakeholders from all levels. We are confident that he can take the Group's business to the next level. In this gradual transition period, we are glad to have Mr. Yek remain on the Board as an Executive Director to provide overall guidance to his successor and the management team.

CHAIRMAN'S MESSAGE

We also welcomed another key member, Mr. Lim Shyang Zheng, currently the Group's Chief Operating Officer, to the Board of RE&S as an Executive Director. He joined the Group in 2010 and since then, has been one of our invaluable young and rising management personnel whom I believe, will continue to excel in his role in driving high operational performance for the Group.

Alongside the appointment of Mr. Foo as CEO, the Group promoted Ms. Yap Fang Ling, previously the Senior Finance Manager of the Company, to Financial Controller of the Group. Ms. Yap has been with us since 2014 and is familiar with the day-to-day finance procedures, policies and operations of the Group. Through her appointment, we demonstrated to our internal stakeholders that the Group takes effort in recognising talents who seek to improve and stay to bring value-added contributions in their roles.

DIGITALISATION IN F&B INDUSTRY

In recent years, we have witnessed the tremendous evolution of technology and the influence it has on our daily lives. Especially in the labour-intensive F&B industry, digitalised solutions have been proven to come in useful in some areas where physical labour can be replaced with automation.

As a leading food service operator of multiple Japanese brands, RE&S is also actively exploring to take offline operational processes such as ordering, payment and customer reward programmes onto digital platforms. While we are eager to weave digitalisation into our business operations, we still keep in mind the importance of providing excellent service to our customers through our personalised and value-added human touch.



CONSISTENT DEDICATION

Keeping our Company's brand promise "Food for Life" close to our hearts, we are pleased to share that one of our main leading brands Ichiban Boshi was awarded the Reader's Digest Trusted Brand Award 2019 (GOLD) in the Japanese Restaurant category for Singapore in FY2019. Every year, the Gold Trusted Brand Awards are given to brands that score significantly higher than their competitors assessed entirely through voting by consumers. It is an honour for RE&S to receive this award which signifies the trust that consumers have in our brand. This serves as a good validation to our consistent dedication in what we are doing.

On behalf of the Board, I would like to thank our dedicated team of management and staff for their constant hard work and contributions. I also wish to extend my gratitude to my fellow directors for their invaluable guidance and advice along the way. Last but not least, I would like to express my appreciation to all our valued customers, business partners and shareholders for supporting us in one way or another. We look forward to receiving your continuous support to our new management members in the fruitful years to come.

BEN YEO CHEE SEONG

Non-Executive Chairman and
Independent Director

CEO'S STATEMENT

Dear Valued Shareholders,

FY2019 has been a year of exciting changes for RE&S. To begin, I would like to express my gratitude to the Company and the Board for the opportunity to take on a larger leadership role through my appointment as CEO. Together with some changes in other key management roles, I believe the new team will be able to take on more exciting and rewarding challenges in the years ahead.

FINANCIAL HIGHLIGHTS & DIVIDENDS

For FY2019, we are pleased to announce that RE&S has maintained a stable revenue registering S\$141.0 million with an increase in net profit after tax by 11.5% compared with FY2018. This was despite a marginal top-line decline of 0.9% mainly attributable to the closure of outlets located at Great World City, which was impacted by major enhancement works in the mall.

Revenue from the Quick-Service Restaurants, Convenience & Others ("QSR") segment saw a steady growth of 4.5%, or approximately S\$1.8 million, from S\$39.9 million in FY2018 to S\$41.7 million in FY2019. This was mainly contributed by the Group's growing concepts, Kuriya Japanese Market and Ichiban Bento. This partially offset the revenue decline of 3.0%, or approximately S\$3.1 million in the Group's Full-Service Restaurants ("FSR") segment from S\$102.4 million in FY2018 to S\$99.3 million due to closure of outlets.

Operating expenses fell by 0.2% from S\$135.3 million in FY2018 to S\$135.0 million in FY2019. This was attributed to a decrease in expenses related to employee benefits due to closure of outlets, improvement of workflow processes and adjustments made to Management's remuneration structure. Other non-operating expenses increased by 17.5%, or approximately S\$0.5 million, from S\$2.6 million in FY2018 to S\$3.1 million in FY2019. This was mainly due to an increase in some plant and equipment written off as well as consultancy fee.

Accordingly, the Group reported an increase of 11.5%, in profit net of income tax to approximately S\$4.0 million in FY2019. This was after taking into account a decrease in income tax expense.



CEO'S STATEMENT

The Board is pleased to propose a final one-tier tax-exempt dividend of 0.45 Singapore cent per share. This represents a dividend payout of 40.0% of the Group's FY2019 net profit, in line with the Board's intention to recommend and distribute dividends of at least 35.0% of the Group's net profits attributable to shareholders in each of FY2018 and FY2019.

INDUSTRY OUTLOOK

Alongside everchanging needs and stiff environmental factors in the F&B industry, we see increasing challenges in maintaining operational costs amidst labour shortage and higher rental costs. Among all these disruptions, RE&S is determined to innovate and evolve in every way to respond timely with the implementation of effective solutions. We plan to conduct strategic business consolidation through reviewing our existing portfolio. We are looking at refreshing certain QSR concepts in existing outlets and increasing new outlets to grow the top-line; improve the bottom-line by further streamlining our operations and exercising careful cost-cutting measures through automation and digitalised solutions.

REFORMATTING BUSINESS MODELS

Our Company is committed to progress to the next phase of growth; we will be focusing on two key drivers to meet the everchanging needs of consumers and drive RE&S to greater heights. The two key drivers are namely, (i) Evolution and Expansion of Business Concepts and (ii) Development of Food Halls.



(i) Evolution and Expansion of Business Concepts

For our existing portfolio, we are progressively revitalising certain locations through incorporating new original concepts and introducing new-to-market brands from Japan. In recent years, new-to-market Asian brands have been trending in Singapore and we believe bringing in successful Japanese brands would be a value-added offering to the local customers.

(ii) Development of Food Halls

Through revitalisation, we are also looking at developing "Food Hall" concepts where customers can enjoy various types of food from different concepts on one table, under one roof. As part of our strategy to overcome the labour shortage, tapping on our extensive brand portfolios for higher synergy in efficacy and incorporating automation and technology will be the next few steps in reducing the reliance on physical staff for routine tasks.

ACKNOWLEDGEMENT

I am grateful to the Board for appointing me as the new CEO to continue the good work of Mr. Yek. I would like to also take this opportunity to thank our employees and fellow colleagues for their drive and committed efforts to take on the new challenges that would lead to our next stage of growth. Last but not least, I wish to thank our customers, partners and shareholders for your continued trust in RE&S.

FOO KAH LEE

(Newly Appointed CEO
w.e.f 1 July 2019)

CEO and Executive Director

WE ARE DETERMINED
TO INNOVATE
AND EVOLVE IN
EVERY WAY TO
RESPOND
TIMELY
WITH THE
IMPLEMENTATION
OF EFFECTIVE
SOLUTIONS.

BOARD OF DIRECTORS



Hiroshi Tatara
Executive Director &
President

Ben Yeo Chee Seong
Non-Executive Chairman &
Independent Director

Yek Hong Liat John
Executive Director



Lim Shyang Zheng
Executive Director &
COO

Foo Kah Lee
Executive Director &
CEO

Lee Lap Wah, George
Independent Director

Guok Chin Huat Samuel
Independent Director

BOARD OF DIRECTORS



Ben Yeo Chee Seong

Non-Executive Chairman and Independent Director

Mr. Yeo is the Group's Non-Executive Chairman and Independent Director and he was appointed to the Board on 30 October 2017 and last re-elected on 24 October 2018. He also serves as the Chairman of the Audit Committee and Administration Committee.

Mr. Yeo has more than 40 years of experience working in various fields such as audit, manufacturing, engineering, financial services and real estate development.

Mr. Yeo is a member of the Institute of Singapore Chartered Accountants, an associate of the Association of Certified Accountants and a registered accountant of the Singapore Society of Accountants. He was also admitted as an associate of the Institute of Chartered Accountants in England and Wales in 1980. Mr. Yeo graduated from the Institute of Cost and Management Accountants.

Present Directorships in other Listed Companies:

- BHG Retail Management Pte. Ltd.



Foo Kah Lee

Executive Director and CEO

Mr. Foo is the Group's Executive Director and CEO and he was appointed to the Board on 1 July 2019. Prior to the appointment, he held the position of Deputy CEO and Chief Financial Officer in the Group.

Currently, he is in-charge of strategic planning of the Group to drive new initiatives and partnerships to expand business portfolio while improving operational efficiency. He also actively steers the overall business development to consistently boost the Group's performance. As an affectionate leader, he demonstrates dedication to mentoring young budding employees in view of a long-term succession plan for the Group.

Before joining RE&S, Mr. Foo began his leadership roles in the food industry in 2002 where he undertook the position of Head of Corporate Planning at Food Empire Holdings Limited. Other subsequent key positions he held in other industries include CEO at PSL Holdings Limited.

Mr. Foo graduated from the University of Queensland with a Bachelor of Commerce.



Hiroshi Tatara

Executive Director and President

Mr. Tatara is the founder of RE&S and currently holds two positions in the Group, namely Executive Director and President. He was appointed to the Board on 26 May 2017 and last re-elected on 24 October 2018. Mr. Tatara has always been active in overseeing the Group's overall corporate strategy and planning. As the pillar in reinforcing the vision, mission and core values of the company and culture, Mr. Tatara continues to be instrumental to the Group's continued success and growth.

Mr. Tatara moved to Singapore from Osaka, Japan in 1976.



Lim Shyang Zheng

Executive Director and COO

Mr. Lim is the Group's Executive Director and Chief Operating Officer (COO) and he was appointed to the Board on 1 July 2019. He oversees the Group's day-to-day business operations and organisational functions which include supply chain and retail operations.

Mr. Lim has been with RE&S since July 2010 undertaking various key positions in the Group which include Deputy Director and Chief Supply Chain Officer. Prior to joining the Group, Mr. Lim was with the Ministry of Manpower (MOM) where he formulated and implemented manpower policies.

Mr. Lim graduated with a Bachelor of Civil Engineering (Hons) from the National University of Singapore.

BOARD OF DIRECTORS



Yek Hong Liat John

Executive Director

Mr. Yek is the Group's Executive Director and he was appointed to the Board on 26 May 2017 and last re-elected on 24 October 2018. He also served as the Group's CEO from May 2017 to June 2019. A co-founder of the Group, Mr. Yek continues to provide guidance through mentorship to Management. Concurrently, he oversees the internal processes, investor and industrial relations, and risk management functions of the Group.

Prior to joining the Group, Mr. Yek was a practicing advocate and solicitor.

Mr. Yek graduated with a Bachelor of Arts with Honours (Law) from the University of Kent at Canterbury. He was called to the Degree of the Utter Bar of the United Kingdom (Middle Temple) and was admitted as an advocate and solicitor of the Supreme Court of Singapore.



Lee Lap Wah, George

Independent Director

Mr. Lee is our Group's Independent Director and he was appointed to the Board on 30 October 2017 and last re-elected on 24 October 2018. He is the Chairman of the Nominating Committee.

Mr. Lee has more than 35 years of experience working in the financial services industry. He had held several senior positions in OCBC Bank Singapore, heading its Capital Markets, Group Investment and Global Corporate Banking from 1999 to 2016, and subsequently served as an advisor in OCBC Bank (Malaysia) Berhad from 2016 to 2017.

Mr. Lee is a member of the advisory panel of the CFA Society Singapore. He graduated from the University of Singapore (current National University of Singapore) with a Bachelor of Business Administration (Second Class Upper) and obtained his Chartered Financial Analyst certification from the Institute of Chartered Financial Analysts, U.S.

Present Directorships in other Listed Companies:

- Bumitama Agri Ltd.

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

- United Engineers Limited
- PacificMas Bhd

BOARD OF DIRECTORS

KEY MANAGEMENT



Guok Chin Huat Samuel

Independent Director

Mr. Guok is the Group's Independent Director and he was appointed to the Board on 30 October 2017 and last re-elected on 24 October 2018. He is the Chairman of the Remuneration Committee.

Since 1995, Mr. Guok has been the Managing Director of Starhealth Pte. Ltd. He has over 20 years of experience in investment banking, venture capital and private equity businesses, having worked with Nomura Singapore Limited, Campbelltown Investment Holdings Pte Ltd, Seed Ventures Limited, Time Watch Investments Limited and SingXpress Land Ltd. He retired as Chairman of Bukit Sembawang Estates Limited in July 2017.

He graduated with a Bachelor of Science in Business Administration from Boston University.

Present Directorships in other Listed Companies:

- Asia Travel.com Holdings Ltd.
- Global Palm Resources Holdings Limited
- Redwood Group Limited

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

- Datapulse Technology Limited
- Bukit Sembawang Estates Limited



Yap Fang Ling

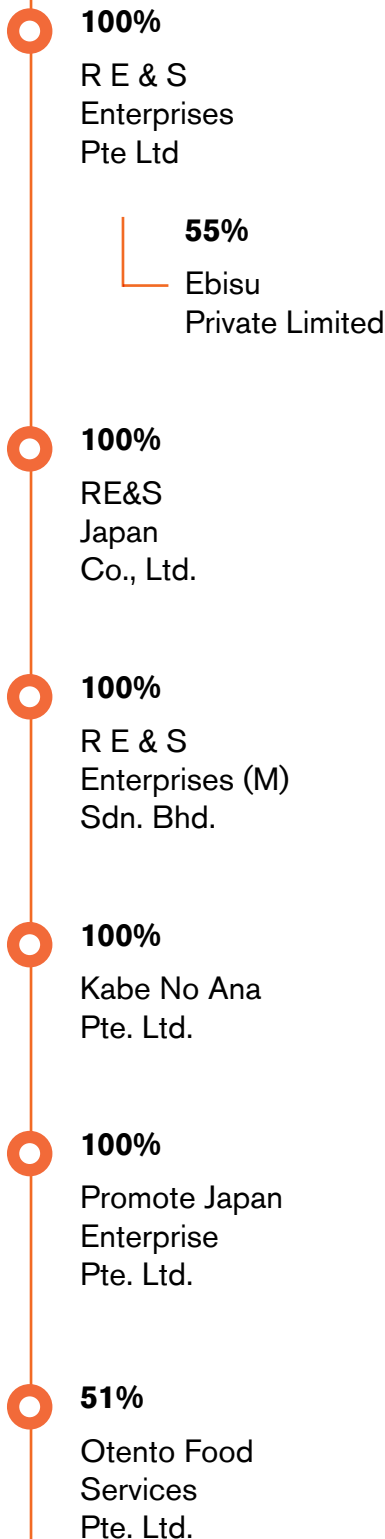
Group Financial Controller

Ms. Yap is the Group's Financial Controller and she is responsible for the Group's overall financial reporting, financial planning, treasury and risk management functions. She also concurrently heads the Information Technology and Business Statistics functions of the Group.

She has more than 20 years of experience in finance industry and has been with the Group since 2014. She first joined as an Accountant and rose through the ranks to her current appointment as the Group's Financial Controller in July 2019. Ms. Yap graduated from Oxford Brookes University with a Bachelor of Science in Applied Accounting. She is also a fellow member of the Association of Chartered Certified Accountants ("ACCA") and an associate member of the Institute of Singapore Chartered Accountants ("ISCA").

RE&S HOLDINGS LIMITED

GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ben Yeo Chee Seong

Non-Executive Chairman and Independent Director

Mr. Foo Kah Lee

Executive Director and CEO

Mr. Hiroshi Tatara

Executive Director and President

Mr. Lim Shyang Zheng

Executive Director and COO

Mr. Yek Hong Liat John

Executive Director

Mr. Lee Lap Wah, George

Independent Director

Mr. Guok Chin Huat Samuel

Independent Director

REGISTERED OFFICE

32 Tai Seng Street, #07-00 RE&S Building,
Singapore 533972

COMPANY SECRETARY

Ms. Josephine Toh
ACS, ACIS

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place, #32-01 Singapore Land Tower,
Singapore 048623

INDEPENDENT AUDITOR

RSM Chio Lim LLP

8 Wilkie Road, #03-08 Wilkie Edge,
Singapore 228095

Partner-in-charge:

Ms. Pang Hui Ting
(Appointed with effect from FY2017)

PRINCIPAL BANKERS

DBS Bank Ltd.
Overseas-Chinese Banking Corporation Limited
United Overseas Bank Limited

OUR NETWORK

As at 30 June 2019



76

F&B Outlets in Singapore

4

F&B Outlets in Malaysia

SOUTH WEST

- IMM
- Jem
- Jurong Point
- West Mall

NORTH WEST

- Alexandra Retail Centre
- Bukit Panjang Plaza
- Clementi Mall
- Great World City
- Hillion Mall
- Tiong Bahru Plaza
- Woodlands Industrial Exchange

CENTRAL

- Bugis Junction
- CityLink Mall
- Marina Bay Link Mall
- Novena Square
- Paragon
- Plaza Singapura
- Suntec City
- United Square
- VivoCity

NORTH EAST

- AMK Hub
- Causeway Point
- Compass One
- Toa Payoh HDB Hub
- Hougang Mall
- Nex
- Northpoint City
- Waterway Point

SOUTH EAST

- Century Square
- Changi City Point
- KINEX
- Parkway Parade
- Paya Lebar MRT Station
- Tampines 1

OUR CORE BRANDS **FULL SERVICE**



厨 KURIYA
DINING

Kuriya Dining is an award-winning Japanese restaurant serving authentic Japanese cuisine and exquisitely unique creations that encompass the Master Chef's clever use of various kinds of homemade sauces coupled with seasonal ingredients from Japan.

Outlet in Singapore:

- Great World City

いちばんの寿司
ichiban boshi

Ichiban Boshi is a contemporary dining concept which offers customers a wide selection of sushi, fresh sashimi and combination set meals. Every Ichiban Boshi restaurant is unique in design and ambience, and is distinguished from one another by specialty menus.

Outlets in Singapore:

- Causeway Point ● Century Square
- Great World City ● Jem
- Jurong Point ● Marina Bay Link Mall
- Nex ● Novena Square
- Parkway Parade ● Suntec City
- United Square ● VivoCity
- Waterway Point



ichiban sushi

Ichiban Sushi is a family-friendly conveyor belt sushi restaurant which serves a wide range of sushi, sashimi and value-for-money set meals at affordable prices.

Outlets in Singapore:

- Alexandra Retail Centre
- AMK Hub
- Bukit Panjang Plaza
- Changi City Point
- Clementi Mall
- Compass One
- Toa Payoh HDB Hub
- Hougang Mall
- IMM ● Plaza Singapura
- West Mall



KUISHIN BO
AUTHENTIC JAPANESE BUFFET

A crowd-favourite authentic Japanese buffet, Kuishin Bo offers a gastronomic feast of over 100 different items including its signature zuwaigani (snow crabs), tempura prawns, sushi, sashimi, and a wide selection of desserts.

Outlet in Singapore:

- Suntec City



手打ち蕎麦・甘味
SHIMBASHI SOBA

At Shimbashi Soba, soba (buckwheat) noodles are prepared fresh daily using only pesticide-free buckwheat grown in Tasmania. Shimbashi Soba emphasises on a soba-making process known as San-tate, which comprises Hiki-tate (freshly milled), Uchi-tate (freshly made) and Yude-tate (freshly cooked).

Outlet in Singapore:

- Paragon

OUR CORE BRANDS **QUICK SERVICE**



Kuriya Japanese Market is a fresh food and ingredients specialist offering seasonal seafood sourced from Japan and air-flown to Singapore thrice weekly. Customers can also pick up sashimi and sushi creations, along with Japanese food items such as frozen foods, sauces, and desserts in stores.

Outlets in Singapore:

- AMK Hub ● Bugis Junction
- Causeway Point ● Great World City
- Jem ● Jurong Point ● Nex
- Northpoint City ● KINEX
- Paragon ● Tampines 1
- Tiong Bahru Plaza
- Waterway Point ● West Mall



At Idaten Udon, customers create their own customised bowl of udon by mixing-and-matching different noodle flavours with sauces or soups, and completing the meal with a selection of tempura sides.

Outlets in Singapore:

- Changi City Point ● CityLink Mall
- IMM ● Jurong Point ● Nex
- Tampines 1

NEW & UPCOMING



A buzzing, fun quick service restaurant serving a delicious array of sushi and other Japanese food on Shinkansen (Japanese bullet train). With a wide selection of more than 80 sushi varieties, Sushi-GO will surely leave diners awed with taste and choices.



Pittarino, a Japanese phrase for "just right", perfectly encapsulates what it is all about – a fun, stylish casual dining restaurant serving flavoursome hand-stretched, freshly-baked Neapolitan pizza and smooth, chewy Nama pasta with a dash of Japanese flavours.



ichiban bento

Ichiban Bento is a go-to place for a hearty traditional Japanese bento at great value. Enjoy popular selections like salmon teriyaki, gyū stamina don (grilled beef) & all-time favourite Japanese curry while completing the meal with a comforting bowl of chawanmushi and miso soup.

Outlets in Singapore:

- Alexandra Retail Centre
- Causeway Point ● Jem
- Jurong Point ● Nex
- Northpoint City
- Paya Lebar MRT Station
- Tampines 1 ● Tiong Bahru Plaza
- Waterway Point
- Woodlands Industrial Exchange



Yakitori (Japanese skewers), a popular street food in Japan, is served at Wadori. Customers can enjoy yakitori as a snack or pick from a wide range to make a meal.

Outlets in Singapore:

- Causeway Point ● Jurong Point
- Tampines 1



Originating from Kobe, Gokoku Japanese Bakery bakes authentic Japanese buns using quality ingredients and grains imported from Japan.

Outlet in Singapore:

- Jurong Point



The meat specialist from Osaka serves up tender beef steak over rice. The signature savoury beef steak is juicy, tender and rich – leaving an unforgettable taste with the golden ratio of rice and tender beef steak.



The popular Osaka ramen chain RAMEN KIOI specialises in robustly delicious ramen characterised by its tasty pork bone broth and house-made tender roasted chashu.



At My Gohan, you can get a tasty Japanese home-style meal which includes a main, soup, rice and a variety of souzai (side dishes) – quickly for a well-balanced, healthy and satisfying daily option that warms your heart.

AWARDS & ACCOLADES

READER'S DIGEST TRUSTED BRAND

Reader's Digest

GOLD AWARD,
JAPANESE RESTAURANT CATEGORY,
2018 – 2019
ICHIBAN BOSHI

T.DINING'S BEST RESTAURANTS

Singapore Tatler

2019
KURIYA DINING

FOOD SAFETY EXCELLENCE AWARDS

Singapore Food Agency (formerly AVA)

GRADE 'A' CERTIFICATION,
2015 – 2019
RE&S SINGAPORE

EXCELLENT SERVICE AWARD

Restaurant Association of Singapore and other industry lead bodies

2005, 2006, 2014 – 2018
RE&S SINGAPORE

SINGAPORE'S TOP RESTAURANTS

Wine & Dine

2016 – 2018
KURIYA DINING

ENTERPRISE 50

The Business Times & KPMG

2017
RE&S SINGAPORE

ASIAONE PEOPLE'S CHOICE AWARDS

AsiaOne

TOP 3 BEST JAPANESE RESTAURANTS,
2015 – 2016
ICHIBAN BOSHI

TOP 3 / BEST JAPANESE RESTAURANTS,
2009 – 2015

KURIYA DINING

BEST JAPANESE RESTAURANT,
2014

KUISHIN BO

EPICUREAN STAR AWARD

Restaurant Association of Singapore

BEST JAPANESE RESTAURANT
CASUAL DINING,
2016
SUMIYA

BEST JAPANESE RESTAURANT
CASUAL DINING,

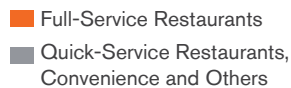
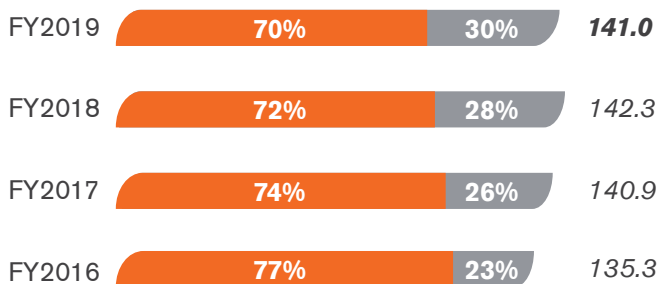
2015
SHIMBASHI SOBA

BEST JAPANESE RESTAURANT
FINE DINING,

2012
KURIYA DINING

FINANCIAL HIGHLIGHTS

REVENUE (\$'MILLION)



PROFIT, NET OF INCOME TAX (\$'MILLION)



INCOME STATEMENT (\$'000)

	FY2019	FY2018	FY2017	FY2016
Revenue	141,004	142,294	140,892	135,257
Net profit before tax	5,344	5,291	7,322	3,809
Net profit after tax	3,979	3,568	5,692	2,913
EBITDA	13,694	14,167	15,689	11,639

FINANCIAL POSITION (\$'000)

Total Assets	64,210	64,499	58,675	65,520
Total Liabilities	25,956	28,899	33,980	33,032
Total Shareholders' Equity	38,254	35,600	24,695	32,488
Cash and Cash Equivalents	18,183	13,525	4,160	6,936
Basic and diluted earnings per share (cents) ¹	1.14	1.01	1.61	0.82

Note 1

For comparatives purposes, the EPS for the respective financial periods have been computed based on the profit attributable to owners of the Company and share capital of 354,000,000 shares assuming that the Restructuring Exercise and the issuance of 54,000,000 new shares pursuant to the IPO had been completed as at 1 July 2017.

The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 June 2019 and 30 June 2018.

OPERATING & FINANCIAL REVIEW

REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE

REVENUE

The Group's revenue declined by 0.9% or approximately S\$1.3 million, from S\$142.3 million in FY2018 to S\$141.0 million in FY2019.

Revenue from Full-Service Restaurants segment declined by 3.0% or S\$3.1 million mainly attributable to (i) renovation of Kuriya Dining; and (ii) closure of outlets located at Great World City as impacted by the major enhancement works in the mall.

The decline was partially offset by an increase in revenue from Quick-Service Restaurants, Convenience and Others segment of 4.5%, growing from S\$39.9 million in FY2018 to S\$41.7 million in FY2019 mainly due to contribution by the Group's concepts of Kuriya Japanese Market and Ichiban Bento.

RAW MATERIALS AND CONSUMABLES USED

Raw materials and consumables used (taking into account the changes in closing inventories) remained constant at approximately S\$39.0 million, which represented 27.6% and 27.5% of total revenue for FY2019 and FY2018 respectively.

OTHER OPERATING INCOME

Other operating income increased significantly from S\$1.3 million in FY2018 to S\$2.8 million in FY2019. This was mainly due to the compensation received from landlord for the outlets at Great World City in relation to major enhancement works of the mall. The compensation received amounted to approximately S\$1.4 million.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expenses decreased by 1.1%, or approximately S\$0.5 million, from S\$49.6 million in FY2018 to S\$49.1 million in FY2019, which represents 34.8% and 34.9% of total revenue for FY2019 and FY2018 respectively.

OPERATING LEASE EXPENSES

Operating lease expenses increased by 2.2%, or approximately S\$0.5 million, from S\$24.4 million in FY2018 to S\$24.9 million in FY2019, mainly attributable to incremental rental rates.

UTILITIES EXPENSES

Utilities expenses increased by 6.6%, or approximately S\$0.3 million, from S\$4.1 million in FY2018 to S\$4.4 million in FY2019, mainly attributable to increase in tariffs.

DEPRECIATION EXPENSE

Depreciation expense decreased by 5.5%, or approximately S\$0.5 million, from S\$8.5 million in FY2018 to S\$8.1 million in FY2019, mainly due to closure of outlets at Great World City.

OTHER OPERATING EXPENSES

Other operating expenses increased by 1.7%, or approximately S\$0.2 million, from S\$9.5 million in FY2018 to S\$9.7 million in FY2019 was mainly due to an increase in commission which resulted from an increase in volume of sales from Ichiban Bento through third-party food delivery companies.

OPERATING & FINANCIAL REVIEW

REVIEW OF THE GROUP'S FINANCIAL POSITION

OTHER EXPENSES – NON-OPERATING

Other non-operating expenses increased by 17.5%, or approximately S\$0.5 million, from S\$2.6 million in FY2018 to S\$3.1 million in FY2019. This was mainly attributable to one-off IPO expenses of S\$1.1 million incurred in FY2018; offset by an increase in (i) plant and equipment written off of S\$1.2 million; and (ii) consultancy fee of S\$0.2 million in FY2019.

FINANCE COST

Finance cost remained constant at approximately S\$0.3 million for both FY2019 and FY2018.

PROFIT BEFORE TAX

Profit before tax remained constant at approximately S\$5.3 million for both FY2019 and FY2018.

INCOME TAX EXPENSE

Income tax expense decreased by 20.8% or approximately S\$0.4 million, mainly due to non-tax deductibility of IPO expenses in relation to FY2018.

PROFIT NET OF INCOME TAX

As a result of the foregoing, the Group's profit net of income tax increased by 11.5% or approximately S\$0.4 million, from S\$3.6 million in FY2018 to S\$4.0 million in FY2019.

NON-CURRENT ASSETS

The Group's non-current assets decreased by S\$7.2 million from S\$43.9 million as at 30 June 2018 to S\$36.7 million as at 30 June 2019 mainly due to a decrease in property, plant and equipment of S\$6.2 million and a decrease in the other assets, non-current of S\$1.0 million. The decrease in property, plant and equipment was mainly due to the write off of renovation and fixtures for closure of the Group's outlets at Great World City and depreciation, partially offset by an addition of assets of S\$3.5 million. Other assets, non-current decreased by S\$1.0 million mainly due to the replacement of rental deposits placed with the lessors to bankers' guarantee and the classification of non-current to current in FY2019 which is based on the lease term of the rental agreements.

CURRENT ASSETS

The Group's current assets increased by S\$6.9 million from S\$20.6 million as at 30 June 2018 to S\$27.5 million as at 30 June 2019. This was mainly due to (i) an increase in cash and cash equivalents of S\$4.7 million; (ii) increase in trade & other receivables, current of S\$1.1 million; (iii) increase in inventories of S\$0.2 million; and (iv) increase in the other assets, current of S\$0.9 million.

The increase in cash and cash equivalents was mainly due to (i) the compensation received from the landlord for the closure of our outlets at Great World City, (ii) refund of rental deposits amounting to S\$0.5 million being replaced with bankers' guarantee; and (iii) receipt of S\$0.7 million for government grants. The increase in trade and other receivables were mainly due to higher amounts due from credit card companies as there were more transactions towards the end of FY2019, increased sales volume and compensation due from our landlord as a result of disrupted operations from mall revamp. Increase in other asset, current was mainly attributable to the classification of non-current to current in FY2019 based on the lease term of the rental agreements.

NON-CURRENT LIABILITIES

The Group's non-current liabilities decreased by S\$2.2 million from S\$14.4 million as at 30 June 2018 to S\$12.2 million as at 30 June 2019 mainly due to (i) the repayment of bank borrowings; (ii) reversal of the reinstatement provision for the closed outlets in FY2019; and (iii) the adjustment of deferred tax.

CURRENT LIABILITIES

The Group's current liabilities decreased by S\$0.8 million from S\$14.5 million as at 30 June 2018 to S\$13.8 million as at 30 June 2019. This was mainly attributable to a decrease in financial liabilities of S\$1.1 million due to the repayment of short-term loans partially offset by an increase in trade and other payables, current of S\$0.4 million.



SUSTAINABILITY REPORT

ENVIRONMENTAL SUSTAINABILITY
IS NEVER AN ISOLATED INITIATIVE; IT IS A
CONSCIOUS COMBINED EFFORT THAT HAS TO BE
INTEGRATED INTO OUR PRODUCTS AND PROCESSES.

AS A LEADING JAPANESE FOOD SERVICE
PROVIDER, RE&S WILL CONTINUOUSLY EXPLORE
ENVIRONMENTALLY-FRIENDLY SOLUTIONS THAT
COULD MAKE AN IMPACT IN THE LONG RUN.

SUSTAINABILITY REPORT

BOARD STATEMENT

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors (“Board”), we are pleased to present RE&S Holdings Limited’s (“RE&S”, or the “Group”) second Sustainability Report for the financial year ended 30 June 2019 (“FY2019”). In this report, we highlight the progress of our journey towards sustainable development and how we have modelled our business practices against our Environmental, Social and Governance (“ESG”) goals.

RE&S MODEL OF EXCELLENCE

At RE&S Holdings Limited (the “Group”), we believe in a strong foundation upon which we can build a culture of business success, happy employees and satisfied customers. The RE&S Model for Excellence drives our business operations and forms this foundation which we strongly believe in.

Through our Model of Excellence, we have recognised the importance of integrating ESG sustainability initiatives with our business operations and how this integration has driven progress, innovation and opened new opportunities for our Group.

We are pleased to acknowledge some of our achievements from FY2018, the first year we have published our sustainability report.

ECONOMIC OUTLOOK

We have seen growth in revenue in FY2019 for our Quick-Service Restaurants, Convenience and Others (“QSR”) segments through our Kuriya Japanese Market and Ichiban Bento concepts.

Whilst we are faced with continuous challenges within the Food & Beverage (“F&B”) industry, our economic performance remained relatively stable compared to previous financial year as we continue driving rejuvenation projects for existing brands while refreshing certain QSR concepts in existing outlets and increasing our current network in the QSR segment.

OUR CUSTOMERS' HEALTH AND SAFETY

Food safety and hygiene is one of the key elements to good customer experience and we ensure that we adhere to the strictest standards to uphold the hygienic preparation of food products and that they are safe for consumption.

We believe in the need to ensure best practices in food safety and hygiene and we continue to be awarded Grade A by Singapore Food Agency (“SFA”) for the fifth consecutive year in FY2019. We aim to continue to raise the bar to deliver an enjoyable dining experience through quality, service and cleanliness.

OUR PEOPLE

Our employees matter to us and it is key that we not just meet but set the standard for employee welfare. Providing equal opportunity and development opportunities to all employees are key tenets to our Group’s culture and this shapes the way we do our business.

We have introduced a senior leadership succession plan with effect from 1 July 2019 to ensure our long-term growth and sustainability of our business through grooming talents from within.

ENVIRONMENTAL STEWARDSHIP

Guided by our Model of Excellence, we consistently demonstrate our commitment to environmentally sustainable business practices that also contribute to community improvement.

During the year, we have stepped up our efforts in introducing bio-degradable plastics and packaging at our retail outlets and digitalisation of our business processes with Enterprise Resource Planning to reduce paper usage.

OUR JOURNEY AHEAD

As our Group continues to grow and expand our business, we will continue to build stronger bonds and relationships with various stakeholders who have journeyed with us since the beginning. We remain committed to maintaining a high standard of food consistency and quality for our customers alongside constant efforts in strategic innovation.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is our second sustainability report on the progress of our ESG initiatives and goals. We recognise the importance of sustainability to achieve greater success & growth in our business and we will continuously report on our progress annually.

The report provides a comprehensive overview of RE&S's vision, principles, sustainability approach and progress update in ESG factors relevant to us. The content and data of this report covers RE&S operations in Singapore between 1 July 2018 and 30 June 2019.

Our ESG topics assessment process guides our report structure as the content is organised according to key topics material to our stakeholders. See our Key Topics Assessment for further information.

In preparation of this report, we have further enhanced our reporting approach and have prepared the report in accordance with the Global Reporting Initiative ("GRI") Standards: Core Option and its reporting principles, SGX Guide as well as in accordance with Listing Rule 711B of Singapore Exchange Securities Trading Limited ("SGX-ST").

GRI standards continues to be the sustainability reporting framework of choice as it is internationally recognised and widely adopted, enabling us to provide a broad and comparable disclosure of the ESG performance.

We have not sought external assurance for this report. As part of our environmental conservation efforts, this Sustainability Report will be available for download at <https://investor.res.com.sg>

We are constantly listening to our valued stakeholders and looking forward to your feedback to improve our sustainability approach, performance and reporting.

FOR COMMENTS AND FEEDBACK, PLEASE REACH US AT [HTTPS://INVESTOR.RES.COM.SG](https://investor.res.com.sg)

ORGANISATIONAL PROFILE

GROUP BACKGROUND

Our story began in 1988 when our founder, Mr Hiroshi Tatara, brought Japanese lifestyle to Singapore with our Fiesta restaurants. Since our incorporation, we developed new brands and concepts like Kuriya, Shimbashi Soba, Kuishin Bo and Ichiban Boshi and grown into a network comprising of Corporate Headquarters in Tai Seng, Singapore which houses more than 1,500 employees across the corporate office, and central kitchen, a procurement office in Japan and more than 70 F&B outlets.

We remain committed to the RE&S brand promise of "Food for Life" through providing authentic Japanese cuisine and memorable dining experiences across over 20 distinct brands ranging from fine dining (Kuriya Dining) to family-style (Ichiban Boshi) and convenience (Kuriya Japanese Market).

Over 30 years, RE&S has built a robust operating system and well-established business processes in terms of branding, operations, supply chain and HR which form a strong foundation for growth and our Group was successfully listed on the Catalist Board of the SGX-ST on 22 November 2017.

Our Group always had high standards of food consistency and quality for our customers and we firmly believe in continuous innovation and these are expounded through our Group's Vision, Principles and Model for Excellence.

more than
1,500
employees

more than
70 F&B
outlets



SUSTAINABILITY REPORT



VISION

A leading international food service company that develops innovative dining concepts as well as being a specialist in food ingredients



RE&S MODEL FOR EXCELLENCE

- Outstanding Customer Service
- Employees Matter
- Industry Leadership
- Total Quality Management
- Quality by Design
- Responsible Sourcing
- Environmental and Community Sustainability



PRINCIPLES

The RE&S Model for Excellence drives our business operations and is the foundation upon which we build a culture of business success, happy employees and satisfied customers

Supply Chain

RESPONSIBLE SOURCING

We place emphasis on sourcing quality ingredients and have in place stringent qualification criteria for our suppliers within our procurement processes. Our suppliers are strictly evaluated to ensure that they fulfil all the relevant guidelines such as certification requirements and food safety and hygiene standards.

Quality and freshness of our ingredients is key to ensuring high standards of food safety and hygiene standards. Through our careful selection and evaluation processes, we import some of the ingredients directly from the country of origin, for example, salmon are imported from Norway while other ingredients from Japan are sourced by our procurement office in Osaka. Other key ingredients including seafood, meat and vegetables will be procured on a regular basis from our approved suppliers.

To maintain the costs and quality of ingredients, we have a centralised procurement team to manage our list of approved suppliers and to ensure that our approved suppliers are consistently being evaluated for their performance such as product quality and safety, compliance with environmental and social guidelines, timeliness of delivery as well as after sales service handling. We ensure compliance with ISO 22000 requirements through conducting random monthly audits on our suppliers.

At RE&S, we believe supplier diversity is vital in our procurement function and in maintaining the success of our business. Through our diversification strategy, we approach the farmers or manufacturers directly for products with sufficient volume.

PRODUCTION

We automate our processes at the Central Kitchen to have standardised and safe production programme to improve efficiency and quality control. Our production process optimises the use of resources and allows for consistent monitoring of usage, waste and costs. Through this process, we are able to identify opportunities to streamline our process and reduce costs and wastage.

PRODUCT PACKAGING

Our goal is to gradually implement responsible sourcing standards for our product packaging and adopt continuous innovation to introduce environmentally friendly packaging and product labelling. We have increased our efforts through introducing bio-degradable packaging/plastics at our retail outlets so as to minimise our impact on waste generation.

SUSTAINABILITY REPORT

Giving Back To Society

RE&S is committed in giving back to the society and being a good corporate citizen. Our Group constantly encourages our employees to participate in various charitable initiatives to make a difference to the community.

Our Group had organised a Sushi Making Workshop at our Corporate Headquarters in collaboration with Asian Women's Welfare Association (AWWA). This workshop was held on 25 October 2018 and children from AWWA Special Student Care Centre were invited to have hands-on experience in creating their own sushi and participating in games organised for them. The children enjoyed a meal prepared by our chef from the Central Kitchen and were presented awards for their creativity and participation.



Our Group showed continuous support for the NTUC Fairprice Walk For Rice held on 20 November 2018. The aim of this programme was to encourage communities to participate in simple activities, such as walking, to raise rice for needy families. Through our participation, our Group clocked a total of 6,764.75km since 15 September 2018 and successfully helped raise rice to be distributed to 2,706 needy families.



We were once again invited to sponsor food stalls for Kwong Wai Shiu Hospital's Community Care Day which was held on 30 March 2019 and we shared our very own Fiesta Hokkaido Milk Cheesecake with 800 elderly citizens at this joyous event.



As part of our efforts to give back, our Group had collaborated with the Food Bank Singapore to organise a donation drive that took place on 21 May 2019 at our Corporate Headquarters. Within the stipulated donation period of four (4) working days, our Group managed to amass 13 cartons of dried goods such as milo powder, biscuits, instant noodles and white rice for the needy families. Volunteers from RE&S were involved in packing goods that were picked up by the Food Bank Singapore.

Membership of Associations

RE&S has been engaging with organisations through active memberships. The list of organisations that our Group participates as a member are as follow:

S/N	Organisation
1	The Japanese Association
2	Singapore National Employers Federation
3	Japanese Chamber of Commerce and Industry, Singapore
4	Restaurant Association of Singapore
5	Franchising and Licensing Association (Singapore)

Moving forward, our Group will continue to partner and form collaborations with industry bodies to grow our experience and exposure to prepare for further growth.

SUSTAINABILITY REPORT

GOVERNANCE AND SUSTAINABILITY APPROACH

Sustainability Approach

RE&S strongly believes that sustainability is essential for our Group to achieve greater growth and success. As we continue to embark on this sustainability journey, we pledge to conduct our business in an ethical manner and be responsible towards sustainable development. We will make the efforts to minimise environmental and social impact from our business operations.

Management and Governance Structure

RE&S is committed to maintain good corporate governance and ensure best corporate practices to protect shareholders' interest as well as maximising long-term growth and success of our Group. It is also crucial for our employees to maintain high standards of integrity and trust in all business dealings.

Our Group's corporate governance structure consists of the Board, chaired by the Non-Executive Chairman and Independent Director. The Board oversees and monitors the policies and procedures relating to ESG factors together with the management and the assistance of external professional service provider. The Board will evaluate the effectiveness of the existing sustainability practices, review ESG performance and set goals on an annual basis.

Senior management continues to oversee, coordinate and revise sustainability strategies which would then be reported to the Board on any updates. Department Heads will conduct meetings on a periodic basis to discuss any updates from time to time and the Board will be updated of any material developments.

Our Group has adopted the guidelines and principles of the Code of Corporate Governance 2012 as well as the disclosure guideline developed by SGX-ST in January 2015 (the "Guide") and we have procedures in place to adopt the Revised Code of Corporate Governance 2018. We have active stakeholder engagements to understand their expectations of our Group and areas of improvement.







Policies and procedures on conflict of interest are established and communicated to all employees. Our Group also has a whistle-blowing process in place which provides a channel for employees and external parties to raise any concerns regarding actual or suspected wrongdoings without fear of reprisals.



SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

In FY2019, we continue to actively engage our stakeholder groups for concerns, feedback and suggestions. Where possible and relevant to our business, we will incorporate this information received into our business strategies for our Group's sustainable development.

Stakeholder Group	Engagement Activities	Stakeholder Expectations	Frequency
 Customers	Provide exceptional customer service and place paramount importance to ensure products served are of high quality.	Exceptional customer service and handling of products according to food quality standards.	Daily
 Suppliers	Maintain business dealings with suppliers who are ethical, meet high standards of food safety, workplace and environment regulations.	Compliance with terms and conditions of purchasing policies and procedures, whilst maintaining ethical standards.	Periodic
 Employees	Provide a conducive environment for work and implement training for employees.	Employees' rights and welfare, personal development, good working environment.	Daily
 Investors	Publish unaudited quarterly results on a timely basis to report economic performance.	Profitability, transparency, timely reporting, and fair purchasing practices.	Quarterly
 Business Partners	Maintain business dealings and amicable relations with business partners such as landlords and media partners.	Compliance with terms and conditions of the respective agreements.	Periodic
 Government and Regulators	Maintain good working relationship with regulators and disclose pertinent information on a timely basis.	Environmentally-friendly business approach, compliance with regulations, timely reporting and resolution of issues.	Periodic

SUSTAINABILITY REPORT

KEY TOPICS ASSESSMENT

For our second sustainability report, we continue to gather insightful feedback from internal and external stakeholders to identify various sustainability topics as the key focus for this report. Our Group has re-evaluated the relevance of the key topics which were identified in our first year sustainability report and validated that the existing topics continue to remain relevant to our business and our stakeholders. With fresh stakeholder feedback, two additional topics relating to Effluents and Waste and Product Packaging have also been included.



Below are the sustainability topics focused in this report:



Key topics will be reviewed annually after taking into consideration business goals and feedback gathered from our stakeholders.

SUSTAINABILITY REPORT

SUSTAINABILITY TOPICS

Economic Performance

RE&S strives to achieve financial growth to maximise long-term economic value for our shareholders. As we grow towards being the leading international food service company, we invest in developing innovative dining concepts and leveraging on technology to provide quality food products for our customers.

Our economic performance is managed as part of our business strategy. For in-depth discussion, please refer to our Financial Highlights in the Annual Report.



TARGETS FOR FY2020

In FY2020, our Group is exploring to take offline operational processes such as kiosk ordering and customer relationship management (“CRM”) onto digital platforms. By venturing into digital platforms, we will be able to understand customer behaviours more effectively and decrease the reliance on labour in a labour intensive industry to remain cost effective.

Our Group will continue to innovate and grow the business through exploring and leveraging on our Japanese network as well as introducing new concepts. We are also committed to understand the current market demand and customer preference to improve all established concepts through introduction of new menu items.

Anti-corruption

We endeavour to create a workplace that promotes professional values and integrity when conducting business. Our Group does not tolerate any dishonest practices and we ensure that all business activities are consistent with high standards of business ethics and in compliance with relevant laws and regulations.

Our Group has a whistle-blowing policy which allows employees to raise any concerns regarding activity suspected to be illegal, unethical or incorrect, without fear of reprisals. The Chairman of the Audit Committee (“AC”), Head of Human Resource and/or CEO will be informed of any cases and further investigations and follow-up actions will be taken, where necessary, by the AC Chairman. This whistle-blowing policy has been communicated to all employees and details can be found on our corporate website (www.res.com.sg).

We have in place a Code of Conduct which is outlined in the employee handbook for all employees to adhere to. In the event of any deviations from the established Code of Conduct, the employees are encouraged to seek advice and raise concerns through the HR feedback loop.

Our Group is pleased to announce that there were no whistle-blowing cases received in FY2019. In addition, there were no incidents involving non-compliance with laws and regulations relating to corruption or fraud.

TARGETS FOR FY2020

In FY2020, our Group targets to maintain its zero incident record on non-compliance with laws and regulations relating to corruption or fraud. To raise awareness on corruption, we will conduct trainings for our employees to inform them of the relevant channels available for their feedback and concerns.

SUSTAINABILITY REPORT

Customer Health and Safety



As a F&B group operator engaging in restaurant businesses and central kitchen food processing, food safety is of paramount importance. Customer health and safety is our main priority.

Suppliers

Through our responsible sourcing process, our Group is committed to sourcing for ingredients from suppliers who pass our stringent qualification criteria, such as food processing licenses issued by SFA and Hazard Analysis and Critical Control Point ("HACCP") certifications. Within our operations at the outlets and Central Kitchen, we adhere to all health and safety regulations relevant to the F&B industry.

Operations

(Central Kitchen and outlets)

Our operations are supported by our ISO 22000-certified Central Kitchen which controls food safety and quality, and also improves labour productivity and workflow at restaurants. We have the license to operate as a F&B company given by SFA. With this license, our Group may operate the following:

1. Central Kitchen for preparation of cooked meals, desserts, rice, salad dressing, sauces, soups, sushi & sashimi
2. Manufacturing of cakes and pastry
3. Manufacturing of Japanese noodles (udon, ramen and chasoba)
4. Meat (beef & chicken) & seafood portioning

To ensure the freshness of our ingredients, we place orders in accordance to a production plan and perishable ingredients are scheduled to be delivered at specific timings. All finished food products from the Central Kitchen must undergo a physical and sensory evaluation before it is approved to be delivered to the restaurant outlets. The sensory evaluation is conducted by our Japanese Product Development chefs.

In RE&S, we ensure that our employees are adequately trained in applicable food handling procedures and all new employees must undergo briefings for Good Manufacturing Practices ("GMP") and Good Hygiene Practices ("GHP") prior to commencement. In accordance with the RE&S Model of Excellence, Total Quality Management, we remain steadfast to exacting the standards of HACCP, GMP and 5S (Sort, Straighten, Shine, Standardise and Sustain) through continuous training and development of our employees.

Quality Assurance

To ensure that our Group maintains high standards of food safety and quality, we have a quality assurance and audit team to conduct regular checks on the food preparation and sanitisation process. Food and service audits will be performed at all outlets to ensure food quality and handling procedures are in line with health, hygiene and safety standards. Any violations will be corrected within 48 hours.

In addition, we have an in-house laboratory to conduct tests on food samples from the Central Kitchen to ensure that they are safe for consumption and are of high quality. Microbiological analysis will also be carried out on all food products processed and produced by our Central Kitchen. Incoming food supplies from our approved suppliers will also be tested to ensure that the items fulfil our standard operating procedures.

Regular food hygiene and safety audits carried out at outlets and the Central Kitchen provides management team the results of our food safety and hygiene practices and allows in-depth investigation and implement corrective measures.

Developments during the year

Our Group also invested in food processing technologies at our ISO 22000-certified Central Kitchen, a rice vacuum chiller which can reduce temperature rapidly in a vacuum environment which improves efficiency, food quality and safety. This increases our productivity rate while not compromising the quality of food produced. Our Central Kitchen has also been awarded Grade 'A' by SFA for the fifth consecutive year.

To the best of our knowledge, there were no significant fines and warnings relating to non-compliance with health, hygiene and safety standards in FY2019.

TARGETS FOR FY2020

In FY2020, our Group aims to maintain zero major non-compliance with health, hygiene and safety standards resulting in penalties, fines or warnings. With the investment in new technologies, we aim to improve the texture of food and minimise microbial counts. We will be scheduling at least 1 supplier assessment per month to ensure that the supplier meets our food safety and quality requirements.

SUSTAINABILITY REPORT

Employment

RE&S believes in investing in people as our employees are valuable assets to our Group. We create equal opportunities to each employee and provide relevant training to each employee, regardless of his or her gender or age so that they can perform their job to the fullest capacity.

Remuneration Practices

RE&S adopts good workplace practices which include fair employment practices, open communication and encourage feedback to improve working experience and therefore, create happy employees. Our Group also ensure that all relevant Ministry of Manpower ("MOM") guidelines are strictly complied with and the hiring policies demonstrate fairness and transparency for employees. Our Group provides employee benefits such as workplace injury and compensation, parental leave and staff training. Full time employees will enjoy additional benefits such as life and medical insurance, monthly dining vouchers and gift sets for their newborns.

Performance Appraisal

Our remuneration and rewards are based on the employee's performance. We have in place a structured annual performance appraisal system and employees appraised, where applicable, shall receive annual increment in September and performance bonus in December. The performance evaluation will be based on the established procedures and be conducted on a fair basis. This performance evaluation gives the employees a clearer understanding of achievements accomplished in FY2019. Areas of improvement and development will also be communicated between the management and the employees.



In FY2019, a total of 885 employees, representing 56.6% of total employees have received annual performance review from the management.

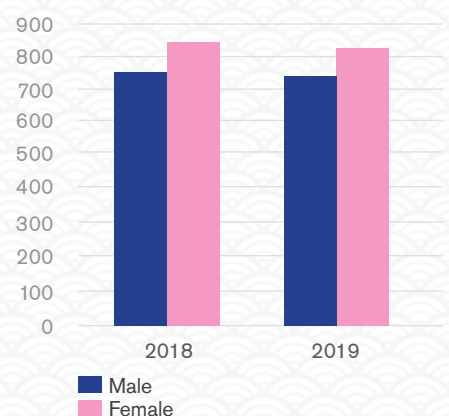
Total number of employees who received annual performance review by gender	FY 2018	FY 2019
Male	487	498
Female	387	387

Employee Diversity

As at 30 June 2019, RE&S has a total of 1,564 employees. The chart below shows the changes in number of employees by gender in FY2018 and FY2019.

Employees by Gender	FY 2018	FY 2019
Male	757	739
Female	845	825

Employees by Gender



SUSTAINABILITY REPORT

WITH OUR MULTI-GENERATIONAL AND EQUAL OPPORTUNITY WORKFORCE, WE HAVE CREATED A DEGREE OF DYNAMISM IN THE ORGANISATION WHICH HELPS TO CATER OUR SERVICES TO CUSTOMERS OF ALL AGE GROUPS.

Based on the total number of employees, 63% are on full time employment while the remaining 37% of the employees are employed part-time. Out of the total 1,564 employees, 44% of the employees belong to the below 30 years old category, which highlights our Group's efforts in recruiting young talent for succession planning. With our multi-generational and equal opportunity workforce, we have created a degree of dynamism in the organisation which helps to cater our services to customers of all age groups.

Total number of employees by age group	FY 2018	FY 2019
Below 30 years old	740	682
31 to 40 years old	347	355
41 to 55 years old	312	307
Above 55 years old	203	220

In FY2019, there were a total of 439 new hires and turnover of 393 employees. Our Group is committed to continuously creating a better work environment and deepening our employee engagement practices by conducting regular interactions to understand and seek feedback from our employees.

New Hires - Gender	Under 30 years old	30 - 50 years old	Over 50 years old	Grand Total	%
Males	116	86	37	239	54%
Female	82	81	37	200	46%
Total	198	167	74	439	100%

Employee Turnover - Gender	Under 30 years old	30 - 50 years old	Over 50 years old	Grand Total	%
Males	100	79	29	208	53%
Female	40	89	56	185	47%
Total	140	168	85	393	100%

The retention rate of employees who took parental leave was 20% lower for females compared to previous financial year.

Retention rates of employees that took parental leave by gender	FY 2018 (%)	FY 2019 (%)
Male	89%	89%
Female	80%	60%

more than
1,500
employees

new hires
in FY2019
439

TARGETS FOR FY2020

For FY2020, our Group aims to continuously maintain diversity in our employment practices and it is important that we maintain our employee satisfaction rate of at least 70% through our annual employee satisfaction survey.

SUSTAINABILITY REPORT



Training and Education

As RE&S is a Singapore Workforce Skills Qualifications (“WSQ”) Approved Training Organisation, our Group encourages lifelong learning and has been investing heavily on learning and development of our employees. WSQ is a national credential system that trains, develops, assesses and certifies skills and competencies for the workforce, and one of the Singapore national movements which aims to enhance capabilities, productivity and growth of both individuals and employers.

In FY2019, the total hours of training attended by our employees amounted to 766.7 hours, which comprises 177.0 hours of external training and 589.7 hours of internal trainings. The training covers the mandatory technical and soft skillsets sets as well as on-job training. The training programmes attended by the employees in FY2019 included Train The Trainer and Effective Workplace Communication and Delegation.

The average hours of training by employee category are shown in the charts below.

Average hours of training provided (by category)	FY 2018	FY 2019
Management level and above	14.3	4.6
Executives	7.9	8.0
Non-executives	9.3	1.6



Succession Plan

We have announced a senior leadership succession plan with effect from 1 July 2019 under which several senior level appointments were made and this is in line with our Group’s talent management strategy towards long-term growth and business sustainability. Through development and grooming talents from within, we will be able to have a ready pool of leaders to support our business growth.

TARGETS FOR FY2020

We will continue to enhance our talent management process to groom our talents from within and we will enrol more of our employees into various training programmes such as increasing personal productivity, working with Emotional Quotient, better email and time management.

SUSTAINABILITY REPORT

Environmental Compliance

RE&S is committed to playing our part to create a greener environment and ensure compliance with applicable environmental health and safety requirements.

For example, the Building and Construction Authority of Singapore (“BCA”) Green Mark Scheme was launched in January 2005 as an initiative to shape a more environmentally friendly and sustainably-built environment and our Headquarter Building has been certified as a Green Mark Building and this demonstrates our achievements towards environmental sustainability.

We have in place a quality management system which allows us to monitor compliance with relevant environmental standards such as the Environmental Public Health Act, Chapter 95 of Singapore (“EPHA”) and Sale of Food Act, Chapter 283 of Singapore (“Sale of Food Act”) through maintaining strict hygiene controls at the Central Kitchen and all outlets by providing training to our staff and setting up an internal audit team to ensure compliance. Our newly created products will have to undergo a stress test by external laboratories to ensure compliance with food safety standards. Besides the outlets in Singapore, our outlets in Malaysia are also subject to applicable laws and regulations, which includes obtaining licenses, permits and approvals such as:

- Certificate of Registration for Food Premises issued by Food Safety and Quality Division, Ministry of Health Malaysia
- Premise License, Signboard License and Public House License issued by the Kuala Lumpur City Hall
- Food Establishment License issued by the Petaling Jaya City Council
- Public House License issued by Pejabat Daerah/Tanah Petaling Jaya (District and Land Office of Petaling Jaya)

We monitor compliance with regulations and guidelines developed by National Environment Agency (“NEA”) on an ongoing basis and ensure that our employees at the outlets and Central Kitchen are aware of these regulations.

In FY2019, there were no reports on non-compliance of EPHA and Sale of Food Act for our Group.

TARGETS FOR FY2020

In FY2020, our Group aims to maintain our zero major non-compliance with environmental regulations which may result in penalties, fines or warnings.

SUSTAINABILITY REPORT



DURING THE YEAR, OUR GROUP HAS STEPPED UP OUR EFFORTS IN REDUCING THE USAGE OF PLASTIC PACKAGING AND MONITORING USAGE OF THE RENEWABLE AND NON-RENEWABLE MATERIALS.

Packaging

RE&S is committed to upholding quality and environmental sustainability at each phase of our processes. Embedded within the RE&S Model of Excellence, Quality by Design - A name backed by safe products of high standards demonstrates how quality is a fundamental value of our products and we constantly explore new packaging materials which are environmentally friendly, have longer shelf life and better quality.

During the year, our Group has stepped up our efforts in reducing the usage of plastic packaging and monitoring usage of the renewable and non-renewable materials. Since September 2018, one of our brands, Gokoku Japanese Bakery, had initiated a Bring Your Own Bag ("BYOB") scheme in which a \$0.10 off total bill discount will be given to customers who bring their own bags. Further to that, Gokoku Japanese Bakery had collaborated with Project bEComE in their Bread Without Bags campaign – a campaign where customers are encouraged to purchase bread without any single-use packaging. Project bEComE is a partner with Zero Waste Singapore and aiming to expand the Bring Your Own (BYO) Singapore movement to include bakeries through Bread Without Bags campaign.

In FY2019, our Group's overall plastic usage was about 180MT. There are about 70 types of plastic packaging that our Group uses, such as takeaway bags, shopping bags, takeaway packages, takeaway tableware, takeaway bento boxes, lapping film and sushi rice delivery packages. As our Group is stepping up efforts in protecting the environment, 8 out of the 70 types of plastic packaging used, are bio-degradable. With the use of bio-degradable packaging, it makes the disposal process easier for our Group.

In our commitment to environmentally sustainable business practices, we have moved towards digitalisation to reduce paper usage at our Corporate Headquarters and outlets. Our point-of-sales system and payment terminals are integrated which allows for electronic receipt capturing. These electronic receipts replace paper receipts for our recording purpose. As of today, we have successfully rolled out this initiative to 2 outlets and plan to implement it at all outlets by FY2020.

TARGETS FOR FY2020

As we move towards more food deliveries, we anticipate an increase in the need for packaging materials in the next financial year. However, our Group will try to minimise usage by introducing the use of paper bags or biodegradable packaging. We are also planning to replace disposable chopsticks with reusable ones at our outlets in phases. In FY2020, we will stop issuing plastic straws unless requested by customers.

SUSTAINABILITY REPORT

Effluents and Waste

At RE&S, we believe in introducing practices to minimise the generation of waste as a result of our business activities. We have implemented initiatives at our outlets and the Central Kitchen such as improving our processes to reduce waste and water production and introducing bio-degradable packaging materials at our outlets.

We are committed to reducing waste generated from our business activities and through our initiatives. We intend to create a culture of awareness amongst our employees.

Type of waste	Examples
Packaging	Plastic containers/bags, paper, cans
Chemical residue	Washing of machinery and utensils after use Cleaning of facilities
Raw materials	Washing and rinsing of raw materials before production i.e. salmon, rice, chicken/pork bones
Food waste	Food waste after processing i.e. salmon scales, chicken/pork bones

Waste Reduction

Our Group also has in place a stringent procurement process to ensure food orders' placement are in accordance with production plan and inventory level controls to minimise any unnecessary wastage. As part of our efforts to recycle items from our daily operations, we consolidate empty carton boxes for sale to recycling companies.

The Group has introduced the use of reusable chopsticks at 3 outlets, namely Ichiban Boshi Jurong Point ("IBBJPT"), Men-Ichi Jurong Point ("MICJPT") and Shabu Ton Tei Jurong Point ("TTNJPT"). The table below shows the approximate savings with the usage of reusable chopsticks on a monthly and yearly basis.

Savings from usage of reusable chopsticks	Savings per month (\$)	Savings per year (\$)
IBBJPT	234	2,808
MICJPT	108	1,296
TTNJPT	54	648

Further to this, our Group had shown continuous support towards reducing wastage by attending a seminar held by Enterprise Singapore on the topic "Food Waste 101: How to Impact Bottom Line with Food Waste Management" to understand more about food wastage. Our Group also participated in a food waste programme which tightens food waste tracking. Our Group had also indicated our interest in the food waste programme developed by GoodForFood, a young start-up company which has produced a food tracking solution that works seamlessly with kitchen operations. A pilot test was started in July 2019 for one of our brands, KuishinBo. The data collected from the programme would be used to control production and the proportioning would be adjusted to reduce wastage.

Waste Treatment and Disposal

It is important to ensure our waste disposal methods are in compliance with local regulations and that we make efforts to minimise the impact that waste generated from our operations has on our environment. As such we have engaged licensed waste management companies, such as 800 Super Waste Management Pte Ltd, Biocare Grease Control Pte Ltd and NCH Singapore Pte Ltd, to manage and dispose our food and general waste in an environmentally safe manner.

We have engaged service providers to track and manage our waste generated by ensuring our pipes and drainage system are operating properly and smoothly as well as provide anti-bacterial sanitisation to the production kitchen at our Corporate Headquarters. For example, we have commercial grease traps in place which allows us to pump out, desilt and dispose of organic waste, grease and food waste legally and safely at PUB Treatment plants.

TARGETS FOR FY2020

In FY2020, our Group aims to engage our service providers in measuring our waste generated so as to track and maintain allowance limit for Biochemical Oxygen Demand ("BOD") and Chemical Oxygen Demand ("COD") set by PUB which is 400mg/litre for BOD and 600mg/litre for COD. Our Group also aims to embark on more waste reduction programmes across our outlets.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standard	Disclosure Number	Disclosure Title	Page References and Reasons for Omission, if any
General Disclosures	102-1	Name of the organisation	23
	102-2	Activities, brands, products, and services	24
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	102-10	Significant changes to the organisation and its supply chain	25
	102-11	Precautionary principle or approach	27
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Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	25
Governance	102-18	Governance structure	Annual Report 2019 – Board of Directors
Stakeholder engagement	102-40	List of stakeholder groups	28
	102-41	Collective bargaining agreements	Not applicable
	102-42	Identifying and selecting stakeholders	28
	102-43	Approach to stakeholder engagement	28
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Reporting practice	102-45	Entities included in the consolidated financial statements	Annual Report 2019 – Investments in Subsidiaries
	102-46	Defining report content and topic boundaries	24
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	102-48	Restatements of information	Not applicable
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GRI CONTENT INDEX

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CORPORATE GOVERNANCE REPORT

RE&S Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are committed to achieving a high standard of corporate governance by setting in place a framework of practices and policies that complies with the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”) and promotes transparency, accountability and integrity. The Group believes that this is essential to the sustainability of the Group’s business and critical in protecting and enhancing shareholders’ interests in the long term.

This report sets out the Group’s main corporate governance practices for the financial year ended 30 June 2019 (“FY2019”) with reference to the Code and incorporating answers to the questions set out in the disclosure guidelines developed by SGX-ST in January 2015, which forms part of the continuing obligations of Listing Manual – Section B: Rules of Catalist of the SGX-ST (“Catalist Rules”). In areas where the Group has not complied with the Code, explanations have been provided. The report should be read in its entirety instead of separately under each principle of the Code and the guidelines therein.

With the issuance of the revised Code of Corporate Governance (“2018 Code”) by the Monetary Authority of Singapore on 6 August 2018 which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in its next Annual Report.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.

The Board is accountable to the shareholders and its primary responsibility is the preservation and enhancement of long term value and returns for the shareholders. Its functions are distinct from Management responsibilities as it oversees the business affairs of the Group and supervises Management.

In addition to its statutory duties, the Board also:

1. Provides entrepreneurial leadership and sets the strategic plans and performance objectives of the Group;
2. Reviews the adequacy and effectiveness of the Group’s risk management and internal controls framework including financial, operational, compliance and information technology control and establishes risk appetite to safeguard shareholders’ interests and the Group’s assets;
3. Reviews the performance of the Group’s Key Management Personnel;
4. Approves the annual budgets, significant capital expenditure, acquisitions and divestment proposals;
5. Approves the nomination and appointment/ re-appointment of Directors, Board Committee members and Key Management Personnel;
6. Approves the release of the Group’s quarterly and full year’s financial results and interested party transactions;
7. Reviews sustainability issues such as environmental, social and governance factors, as part of its strategic formulation;
8. Identifies key stakeholder groups and recognise that their perceptions affect the Company’s reputation;

CORPORATE GOVERNANCE REPORT

9. Sets the Group's ethical values and standards to ensure that obligations to shareholders and other stakeholders are understood and met; and
10. Assumes responsibility for and ensuring the Group's compliance with good corporate governance practices.

All Directors objectively discharge their duties and responsibilities in good faith at all times as fiduciaries in the interest of the Group and are obliged to exercise reasonable due diligence and independent judgement when making decisions.

To assist in the execution of its responsibilities, the Board has established and delegated certain functions to its various Board Committees, namely, the Audit Committee (the "AC"), the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Administration Committee.

Each of the Board Committees has its own defined scope of duties and written terms of reference (the "TOR") setting out the manner in which it is to function and operate. The effectiveness of each Board Committee is constantly monitored and reviewed on a regular basis to ensure their continued relevance. The TOR in relation to the responsibilities and functions of the Directors in each Board Committee is provided in this Report.

Board Meetings and Meetings of Board Committees

The Board and AC conduct at least four scheduled meetings each year and holds additional or ad hoc meetings at such other times as is necessary to address significant matters that may arise. Each of the NC and RC conducts at least one scheduled meeting each year. Board papers incorporating sufficient information from Management are forwarded to Board members in advance of a Board meeting to enable each member to be adequately prepared.

The Company's Constitution allows a Board meeting to be conducted by telephone conference, video conference, audio visual or through other communication equipment via which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

In lieu of physical meetings, Board decisions are also made via written resolutions circulated to the members for their approvals.

The number of Board and Board Committees meetings held during FY2019 as well as the attendance of each Director at each of these meetings is set out below:

Directors	Board Meeting		AC Meeting		NC Meeting		RC Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Ben Yeo Chee Seong	4	4	4	4	1	1	3	3
Mr. Hiroshi Tataru	4	4	4	4 ⁽¹⁾	1	–	3	–
Mr. Yek Hong Liat John	4	4	4	4 ⁽¹⁾	1	–	3	1 ⁽¹⁾
Mr. Lee Lap Wah, George	4	4	4	4	1	1	3	3
Mr. Guok Chin Huat Samuel	4	4	4	4	1	1	3	3

⁽¹⁾ By Invitation

Note: There was no Administration Committee Meeting held during FY2019.

The Company's Annual General Meeting held on 24 October 2018 was attended by all the Directors.

CORPORATE GOVERNANCE REPORT

Board Approval

The Board has adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved for the Board's decisions include those involving acquisitions or disposal of assets, corporate or financial restructuring, budget, capital expenditure, share issuance, Board and Key Management Personnel succession plans, Compensation for Key Management Personnel, interim dividends and substantial transactions which have a material impact on the Group. Management understands that these matters require the Board's approval and the Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group. Below the Board level, there is appropriate delegation of authority and approval sub-limits at Management level, to facilitate operational efficiency.

Training of Directors

Upon appointment as a Director of the Company, a formal letter of appointment is provided to each new Director setting out his roles, responsibilities and obligations as a member of the Board. The new Directors will also meet with the Management of the Company to be briefed on the Group's business, operations, structure as well as its history, core values, strategic directions, industry specific knowledge and the Group's governance practices relating to, inter alia, disclosure of interests in the Company's securities, prohibition on dealings in the Company's securities and restrictions on the disclosure of price sensitive information.

During FY2019, Management has kept the Board up-to-date on all pertinent developments in the business of the Group during Board and/or Board Committee meetings to facilitate the discharge of duties by the Directors.

From time to time, the Group's internal and external auditors, legal advisors and the Company Secretary may update or conduct briefings for the Directors on changes to the listing rules or to the laws and guidance pertaining to corporate governance practices, risk management, insider trading and financial reporting standards so that the Directors may discharge their fiduciary duties effectively. In addition, articles, press releases, reports released by SGX and ACRA which are relevant to the Group are circulated to the Board. The Group welcomes Directors to seek explanations or clarifications from and/or request for informal discussions with the Management on any aspect of the Group's operations or business. The Group is responsible for encouraging and funding the training of its Directors to enhance their skills and knowledge and will provide the budget and ongoing opportunities for the Directors to receive further training.

To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during their term of appointment. During FY2019, the Executive Director Mr Yek Hong Liat John had attended courses under the Listed Entity Director programme such as Stakeholder Engagement, Board Performance, Audit Committee, Nominating Committee and Remuneration Committee Essentials.

There were two new Directors appointed on 1 July 2019, namely Mr. Foo Kah Lee and Mr. Lim Shyang Zheng. Mr. Foo Kah Lee has had experience as director of a listed company and Mr. Lim Shyang Zheng has attended Listed Company Director Essentials Course conducted by the Singapore Institute of Directors.

CORPORATE GOVERNANCE REPORT

Board Composition and Balance

Principle 2: There shall be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision-making.

The Board currently comprises seven (7) Directors of whom four (4) are Executive Directors and three (3) are Independent Directors. They are as follows:

Mr. Ben Yeo Chee Seong (Non-Executive Chairman and Independent Director)
Mr. Hiroshi Tatara (Executive Director and President)
Mr. Lee Lap Wah, George (Independent Director)
Mr. Guok Chin Huat Samuel (Independent Director)
Mr. Yek Hong Liat John (Executive Director)[#]
Mr. Foo Kah Lee (Executive Director and Chief Executive Officer)^{*}
Mr. Lim Shyang Zheng (Executive Director and Chief Operating Officer)^{*}

[#] Relinquished his role as CEO on 30 June 2019

^{*} Appointed on 1 July 2019

There is no alternate Director on the Board.

Independence of Directors

The Board has three (3) independent Directors including a Non-Executive Independent Chairman.

The criteria for independence are defined in the Code and the independence of each of the Directors is reviewed by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its Officers or its 10% shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interest of the Company and the Group. The NC had reviewed the independence of each Independent Director and is of the view that these Directors are independent.

The NC and the Board is also of the view that no individual or small group of individuals dominates the Board's decision making process.

There is no Independent Director who has served beyond 9 years since the date of his first appointment.

The Board considers that the current size and composition of the Board, which will be reviewed by the NC from time to time, has the appropriate balance of Independent and Executive Directors, taking into account the nature and scope of the Group's business and operations, that will be conducive to effective decision-making.

The Board and its Board Committees comprise respected individuals from diverse backgrounds with core competencies in accounting or finance, business and management, real estate, industry knowledge, strategic planning expertise and customer based experience. There is a balance of skills, experience and background that will provide competent and effective stewardship of shareholders interest and governance of the Group's business.

The Independent Directors exercise no management function in the Group.

CORPORATE GOVERNANCE REPORT

The role of the Independent Directors is to review Management's performance, monitor the reporting of the Group's performance by the Management and constructively challenge and help to develop strategic goals. On a need-to basis, Independent Directors may meet privately without the presence of Management to review any matter as an appropriate check and balance on the Group's operations and performance.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No individual should represent a considerable concentration of power.

The Company has a separate Chairman and Chief Executive Officer of the Group (the "CEO").

Mr. Ben Yeo Chee Seong is the Independent Chairman. He is responsible for the high standards of corporate governance, ensuring a rigorous compliance with the Code as he leads the Board in providing the strategic direction for the Group's operations through constructive and participative relations with Management and the active contribution of Independent Directors. As the Chairman, he sets the Board's meeting agendas in consultation with the Company Secretary, ensuring that the Directors receive accurate, timely and clear information in preparation for each meeting, facilitates a balance of viewpoints and perspectives in Board discussions between the Executive and Independent Directors and ensures effective communication with shareholders.

Mr. Yek Hong Liat John, the former CEO and Executive Director of the Company led Management of the Group in its business operations, development, performance and growth, ensuring that objectives are achieved through the effective working relationship and communications between the Board and Management of the Company. The cessation of Mr. Yek Hong Liat John's service as CEO was effective on 30 June 2019 and he was succeeded by Mr. Foo Kah Lee on 1 July 2019.

There is a clear balance of authority and decision making in the alignment of responsibilities between the Board and Management to ensure that no individual holds a concentration of power.

The AC, NC, RC and the Administration Committee are all chaired by Independent Directors.

Given the independence of the Chairman and the independence of three (3) Directors on the Board who will exercise their objective judgement on corporate affairs of the Group, the Board is of the view that there are adequate checks and balances in place to ensure that the process of decision-making by the Board is based on collective decision of Directors, without any concentration of power residing in any individual. In view thereof, there is no need for the Company to have a Lead Independent Director.

The Independent Directors meet periodically without the presence of Management where necessary and provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and reappointment of directors to the board.

The Board through the delegation of its authority to the NC has ensured that there is a formal and transparent process in the appointment and re-appointment of Directors who possess the relevant background, experience and knowledge in business, finance and management skills.

CORPORATE GOVERNANCE REPORT

The NC currently comprises three (3) Independent Directors as follows:

Mr. Lee Lap Wah, George (Chairman)
Mr. Ben Yeo Chee Seong
Mr. Guok Chin Huat Samuel

The responsibilities of the NC in accordance with its TOR are as follows:

- (a) Recommend to the Board the appointment of new Directors (including alternate Directors, if applicable) and Key Management Personnel, including re-nominations of existing Directors for re-election in accordance with the Constitution of the Company, taking into account the Director's contribution and performance;
- (b) Review and approve any new employment of persons related to the Directors/CEO and/or substantial shareholders of the Company and proposed terms of their employment;
- (c) Determine on an annual basis whether or not a Director is independent bearing in mind the circumstances set forth in the Code of Corporate Governance as well as the relationship or circumstances which would deem a Director not independent;
- (d) Review and decide whether or not a Director is able to and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;
- (e) Review the training and professional development programmes for the Board;
- (f) Review succession plans for Directors, in particular, the Chairman of the Board, the Chief Executive Officer and Key Management Personnel;
- (g) Review the Directors' mix of skills, experience, gender, core competencies and knowledge of the Group which the Board requires to function competently and efficiently;
- (h) Determine and recommend to the Board the maximum number of listed company board representations which any Director may hold;
- (i) Develop a process for evaluation of the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers; and
- (j) Address how the Board has enhanced long-term shareholders' value and assessing the contribution of each Director to the effectiveness of the Board.

Selection, Appointment and Re-appointment of Directors

The NC is responsible for identifying and selecting potential new Directors based on their core competencies and relevant experience critical to the Group's business and may engage professional consultants and independent experts to undertake research on or assess candidates for new positions on the Board. The search criteria include integrity, diversity and the ability to commit time and referrals or recommendations from personal contacts and business associates may also be sought. The NC meets with the short-listed Board candidates to assess their suitability and availability. The NC then makes recommendations to the Board for its consideration and approval.

CORPORATE GOVERNANCE REPORT

In accordance with Regulation 97 of the Company's Constitution, all Directors shall retire from office at the Company's Annual General Meeting (the "AGM") at least once every three (3) years by rotation. The retiring Directors are eligible to offer themselves for re-election.

In accordance with Regulation 103 of the Company's Constitution, new Directors are appointed by way of a Board resolution following which they are subject to re-election at the AGM. A retiring Director shall be eligible for re-election at the AGM at which he retires.

The NC had recommended to the Board that Mr. Hiroshi Tataru and Mr. Guok Chin Huat Samuel shall retire in accordance with Regulation 97 of the Company's Constitution and be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation. Mr. Tataru and Mr. Guok had consented to and offered themselves for the re-election.

The NC had also recommended to the Board that Mr. Foo Kah Lee and Mr. Lim Shyang Zheng, being newly appointed Directors, be nominated for re-election at the forthcoming AGM in accordance with Regulation 103 of the Company's Constitution. The Board had accepted the NC's recommendation. Mr. Foo and Mr. Lim had consented to and offered themselves for the re-election.

Each member of the NC shall abstain for voting on any resolutions in respect of his re-nomination as a Director.

Please refer to pages 62 to 65 of the Annual Report for the detailed information on the Directors who are being nominated for re-election pursuant to Rule 720(5) of Catalist Rules.

Directors' time commitments and Multiple Directorships

Despite some of the Directors having other Board representations, the NC is satisfied that the Directors with multiple listed company board representation are able to devote sufficient time to the affairs of the Company and contribute significant expertise through their governance and guidance on the operational and financial performance of the Group. Currently, the maximum number of listed company board representations for the Directors is set at 6.

The key information regarding the Directors up to the date of this report is disclosed in the "Board of Directors" section on pages 6 to 11 of the Annual Report.

Succession Planning

As part of the Company's succession planning for its Board and Key Management Personnel, Mr. Yek has stepped down as Chief Executive Officer on 30 June 2019. Mr. Yek is succeeded by Mr. Foo Kah Lee, who relinquished his roles as the Chief Financial Officer and Deputy Chief Executive Officer to assume the position of Chief Executive Officer on 1 July 2019. Ms. Yap Fang Ling, formerly the Senior Finance Manager of the Group, was promoted to the position of the Group's Financial Controller with effect from 1 July 2019.

Mr. Eddie Tang Yew Kong, Chief Operating Officer served his notice of resignation on 11 January 2019 and Mr. Lim Shyang Zheng, relinquished his roles as Chief Supply Chain Officer and Deputy Director, to accept the appointment as the succeeding Chief Operating Officer of the Group effective on 14 January 2019.

Mr. Yek will continue to serve as Executive Director to ensure smooth transition of his executive responsibilities to Mr. Foo.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There shall be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

The NC is responsible for recommending and implementing a process to assess the performance and effectiveness of the Board as a whole and its Board Committees as well as evaluating the performance of each Director in his contribution to the effectiveness of the Board. This is carried out on an annual basis.

Assessment and evaluation forms designed as a questionnaire have been developed and adopted for the process to determine the strengths and capabilities of the Board, the Board Committees and each of the Directors based on size and composition of the Board, attendance, participation in constructive discussions and communication, quality of decision making, timeliness of board papers, conduct, internal controls and other specific criteria relevant to the determination of efficacies. The forms including a section on self-assessment were completed by the Directors and were then collated by the Company Secretary and presented to the NC as a summary report.

The performance criteria will not be changed from year to year unless circumstances deem it necessary for any of the criteria to be changed and the onus should be on the Board to justify the decision. The NC will review the need for industry peer comparison criteria in the Board evaluation when appropriate.

Following the evaluation exercise for FY2019 completed by 5 Directors (excluding the Directors newly appointed on 1 July 2019), the NC is satisfied that the Board, its Board Committees and each of the Directors are performing effectively and have met their respective performance objectives. All NC members have abstained from the voting and review of any matter in connection with the assessment of his performance. No external facilitator was engaged for the evaluation exercise.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Board members are provided with adequate and timely information prior to all Board and Board Committee meetings through detailed Board papers that will be circulated to brief the Directors or provide progress reports on the Group's business, strategies, risk analysis, financial impact, regulatory or corporate governance issues and other matters requiring the Directors' attention and mandate.

At each quarterly Board meeting, the Executive Directors and Management will provide the quarterly reports on the Group's performance and financial results and consult the Board on any significant development or transactions relating to the Group's operations.

The Board has separate and independent access to Management and whenever necessary, Management will be invited to attend the Board meeting to participate in the discussions on the Group's operations.

The Directors also have separate and independent access to the Company Secretary who attends and records the minutes of all Board and Board Committee meetings. The Company Secretary assists the Chairman of the Board and of each Board Committee in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution and regulatory laws. The Company Secretary's role is to advise the Board on all governance matters and the appointment and removal of the Company Secretary is subject to the approval of the Board.

CORPORATE GOVERNANCE REPORT

The Board and the Directors, individually or as a group, may seek or obtain legal and other independent professional advice on any aspect of the Group's operations in order to perform their duties and the cost of obtaining such advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC currently comprises three (3) Independent Directors as follows:

Mr. Guok Chin Huat Samuel (Chairman)
Mr. Ben Yeo Chee Seong
Mr. Lee Lap Wah, George

The duties of the RC in accordance with its TOR are set out as follows:

- a) Review and approve the Company's policy for determining executive remuneration including the remuneration of the CEO and Key Management Personnel;
- b) Review the on-going appropriateness and relevance of the executive remuneration policy and other benefit programmes;
- c) Consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each Key Management Personnel and employees who are related to Directors/CEO and substantial shareholders (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts);
- d) Consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to Key Management Personnel;
- e) Review and approve the design of all option plans, stock plans and/or other equity based plans;
- f) For each equity based plan, determine each year whether awards will be made under that plan;
- g) Review and approve each award as well as the total proposed awards under each plan in accordance with the rules governing each plan, including awards to Directors and each Key Management Personnel;
- h) Review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles for each equity based plan; and
- i) Approve the remuneration framework (including Directors' fees) for Independent Directors of the Company.

No Director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

The RC has full authority to engage any external professional advisors, as and when the need arises, on matters relating to remuneration and the cost of such engagement shall be borne by the Company. There were no external professional advisors engaged for FY2019.

The Company had entered into service agreements (the “Service Agreements”) dated 31 October 2017 with Mr. Hiroshi Tatara, Executive Director and President and Mr. Yek Hong Liat John, Executive Director and former CEO, respectively, taking effect from the date of admission of the Company to the Catalist of Singapore Exchange Securities Trading Limited on 22 November 2017 for an initial period of three (3) years. The Service Agreements are automatically renewed on a yearly basis thereafter. Each of the Service Agreements may be terminated by not less than 6 months’ notice in writing by either party and does not contain onerous removal clauses.

Each of Mr. Foo Kah Lee, Mr. Lim Shyang Zheng and Ms. Yap Fang Ling has an existing employment contract with the Company which may be terminated by not less than 6 months’ notice in writing and do not contain onerous removal clauses.

The RC reviews the Company’s obligations, if any, arising in the event of termination of the Executive Directors and/or Key Management Personnel’s contract of services to ensure that the termination clauses contained in the contracts of service for Key Management Personnel are fair and reasonable and not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration policy of the Company is designed to align the interest of Executive Directors and Key Management Personnel with those of shareholders and the long term success of the Group. The policy seeks to attract, motivate and retain key employees with competitive remuneration packages base on the scope of the employee’s responsibilities, prevailing market conditions and comparable industry benchmarks.

In determining remuneration packages, the RC takes into consideration the Code’s principles and guidelines on the level and mix of remuneration and ensures that a proportion of the remuneration is linked to the individual’s and the Group’s performance. The Company has formulated a remuneration policy that sets a base salary as a fixed component of the remuneration and a variable bonus linked to the performance of the Company and the employees.

Annual review of the remuneration including the variable bonus of Key Management Personnel and Executive Directors are conducted by the RC to ensure that the remuneration is commensurate with the performance of each employee, taking into account the respective key performance indicators and the Group’s financial results and risk policies.

Each Independent Director was issued a letter of appointment. The RC recommended a fixed fee for the efforts and responsibilities of and the time spent by each Independent Director serving on the Board and Board Committees. The Directors’ fees are subject to the approval of the shareholders at an AGM. The Directors’ fees are reviewed by the RC and recommended to the Board which is of the view that the Independent Directors are not over compensated to the extent that their independence may be compromised.

The Executive Directors do not receive Director’s fees.

CORPORATE GOVERNANCE REPORT

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company. The Company will avail itself of legal processes for recovery against the employees. As Executive Directors owe a fiduciary duty to the Company, the Company may avail itself of legal remedies in the event of such breach of fiduciary duties.

The Company has on 26 October 2017 adopted the RE&S Employee Share Option Scheme (the “ESOS”) as set out in the Company’s offer document. Eligible participants (the “Participants”) under the ESOS will have the opportunity to participate in the equity of the Company, thereby aligning the interests of the Participants with the interests of the Company and the shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives. The ESOS also affords the Group greater flexibility in structuring compensation packages of eligible Participants so that the Group is able to offer compensation packages that are competitive in order to motivate and retain its employees. The Independent Directors and Key Management Personnel of the company are eligible to participate in the ESOS which is designed to reward and retain the participants and to foster a long term commitment and dedication to the business of the Group. The Executive Directors, Mr. Hiroshi Tatara and Mr. Yek Hong Liat John, being controlling shareholders of the company are not eligible to participate in the ESOS.

The ESOS is administered by the Administration Committee comprising members of the NC and RC, namely Mr. Ben Yeo Chee Seong, Mr. Lee Lap Wah, George and Mr. Guok Chin Huat Samuel. In compliance with the requirements of the Catalist Rules, a Participant who is a member of Administration Committee shall not be involved in the deliberation or decision in respect of ESOS to be granted to that member of the Administration Committee.

The responsibilities of the Administration Committee in accordance with its TOR are as follows:

- (a) To determine and award the number of shares in respect of which options are to be granted to directors and employees of the Group as defined under the ESOS (collectively “the Participants”);
- (b) To determine the eligibility of the Participants to participate in the ESOS;
- (c) To grant share options to the participants at any time during the period when the ESOS is in force;
- (d) To determine the exercise price for each share in respect of which a share option is exercisable in accordance with Rule 7 of the ESOS;
- (e) To make and vary, from time to time, such regulations (not being inconsistent with the ESOS) for the implementation and administration of the ESOS as it deems fit and any decision or determination of the Administration Committee made pursuant to any provision of the ESOS (other than a matter to be certified by the Auditors) shall be final, binding and conclusive; and
- (f) To modify and/or alter any or all the provisions of the ESOS at any time and from time to time by resolution of the Administration Committee subject to Rule 15 of the ESOS.

The ESOS shall continue in force at the discretion of the Administration Committee, subject to a maximum period of 10 years commencing on the date on which the ESOS was adopted by the Company in a general meeting, provided always that the ESOS may continue beyond the above stipulated period with the approval of its Shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

As at the date of this report, no options have been granted under the ESOS since its commencement.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown showing the level and mix of each Director's and Key Management Personnel's remuneration for FY2019 is set out below:

Name of Director	Salary (%)	Performance Bonus (%)	Director's Fees (%)	Total (%)
S\$250,000 – S\$500,000				
Mr. Hiroshi Tatara	100.00	*	–	100.00
Mr. Yek Hong Liat John **	100.00	*	–	100.00
Below \$250,000				
Mr. Ben Yeo Chee Seong	–	–	100.00	100.00
Mr. Lee Lap Wah, George	–	–	100.00	100.00
Mr. Guok Chin Huat Samuel	–	–	100.00	100.00

* Each Executive Director is entitled to a performance bonus in each financial year which is calculated based on the Group's consolidated Profit before Tax. For FY2019, both Executive Directors have voluntarily waived their performance bonus entitlement.

** Mr. Yek Hong Liat John served as CEO until 30 June 2019.

The Company is of the view that in a small and medium size enterprise environment, disclosure of the Directors' remuneration in bands of S\$250,000 should be sufficient to provide an insight into the link between compensation and performance of the Directors and further details are deemed to be not in the interest of the Company due the sensitivities and confidentiality of remuneration.

Name of Key Management Personnel	Salary (%)	Performance Bonus (%)	Total (%)
S\$250,000 – S\$500,000			
Mr. Foo Kah Lee, Chief Financial Officer and Deputy Chief Executive Officer *	93.00	7.00	100.00
Mr. Eddie Tang Yew Kong, Chief Operating officer **	92.00	8.00	100.00
Below \$250,000			
Mr. Lim Shyang Zheng, Chief Operating Officer, Chief Supply Chain Officer and Deputy Director***	93.00	7.00	100.00

CORPORATE GOVERNANCE REPORT

- * Mr. Foo Kah Lee was appointed Deputy Chief Executive Officer on 14 January 2019. He was subsequently appointed as Executive Director and CEO on 1 July 2019.
- ** Mr. Eddie Tang Yew Kong's cessation of service as Chief Operating Officer was effective on 10 April 2019.
- *** Mr. Lim Shyang Zheng was appointed Chief Operating Officer and stepped down as Chief Supply Chain Officer and Deputy Director on 14 January 2019. He was subsequently appointed as an Executive Director on 1 July 2019.

Notwithstanding Guideline 9.3 of the Code, there were only three Key Management Personnel (who are not Directors or the CEO) during FY2019. The aggregate total remuneration paid to the above Key Management Personnel amounted to S\$791,818 for FY2019.

There is no termination, retirement or post-employment benefits granted to Directors and Key Management Personnel.

Although the Code recommends full disclosure by the Company of the exact remuneration of its Directors, CEO and top five (5) Key Management Personnel on a named basis, the Company is of the view that it is not in its best interest to disclose confidential details of remuneration due to the competitiveness of the industry for key talent.

The Company does not have employees who are immediate family members of a Director or the CEO whose remuneration exceeds S\$50,000 during FY2019.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In compliance with the Catalist Rules on the Company's disclosure obligations, the Company ensures that its shareholders are informed of all major developments, financials and price sensitive information relating to the Group on a timely basis through SGXNET and the press.

Accountability to the shareholders is demonstrated through the presentation of the Group's quarterly and annual financial statements, results announcements, press release and all other announcements on the Group's business and operations.

The Board embraces open-ness and transparency in the conduct the Company's affairs. Management maintains regular contact and communication with and makes available to the Directors the management accounts and other financial statements as and when required so that the Board may monitor the Group's position and present a balanced and understandable assessment of the Company's performance and prospects to its shareholders.

Risk Management and Internal Control

Principle 11: The Board is responsible for the governance of risk. The board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's asset, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

CORPORATE GOVERNANCE REPORT

As the Company does not have a Risk Management Committee, the Board oversees the governance of risks in the Group and ensures that Management maintains a sound system of risk management and internal controls to safeguard the Company's assets and the interests of shareholders. The Board however recognises that no cost effective system can totally preclude against errors and irregularities such as human errors, poor judgement in decision making, losses or fraud. The Group's system of internal controls and risk management therefore do not provide an absolute assurance that there will be no adverse events or circumstances faced by the Company in its operations or results.

The Group has in place an enterprise risk management ("ERM") framework. This ERM framework has 4 principal risk categories, namely strategic, financial, operational and compliance risks. The Group's risk management framework is aligned with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework.

The ERM framework enables the Company to identify risks and adopt effective and expedient measures to control, alleviate or mitigate the risks. The ownership of the risks lies with the respective heads of departments who will implement appropriate risk management solutions and policies and continually monitor the risk profiles and refine the outcomes.

In FY2019, the Company's internal auditor has conducted a review of the Group's key strategic, operational, financial, compliance and information technology risks and risks responses relevant to the achievement of the Group's objectives.

The Group's external auditor has also carried out in the course of their statutory audit a review of the Group's material internal controls. The AC has noted the recommendations of both the internal and external auditor with regards to the Company's risk management and will monitor the effectiveness of the actions taken by Management based on the recommendations of the auditors.

The Board has received written assurance from the CEO and the CFO/FC that the financial records of the Group have been properly maintained, that the financial statements give a true and fair view of the Group's operations and finances and that the Group's risk management and internal controls systems are adequate and effective.

Based on the internal controls established and maintained by the Group and reviewed by Management on an on-going basis, the review conducted by the internal auditor, the statutory audit carried out by the external auditor, information and reports provided to the Board and the AC and the written assurance from the CEO and CFO/FC, the Board with the concurrence of the AC is of the opinion that for FY2019, the Group's internal controls addressing financial, operational, compliance risks, and the Group's information technology control and risk management systems were adequate and effective for FY2019.

Audit Committee

Principle 12: The Board should establish an audit committee with written terms of reference which clearly sets out its authority and duties.

The AC currently comprises three (3) Independent Directors as follows:

Mr. Ben Yeo Chee Seong (Chairman)
Mr. Lee Lap Wah, George
Mr. Guok Chin Huat Samuel

All the AC members have recent and relevant accounting experience or related financial management expertise. Mr. Ben Yeo Chee Seong, Chairman of the AC is a registered accountant and member of the Institute of Singapore Chartered Accountants. Both Mr. Lee Lap Wah, George and Mr. Guok Chin Huat Samuel have extensive experience in the banking and financial services industry. None of the members of the AC is a former partner or Director of the Company's current auditing firm.

CORPORATE GOVERNANCE **REPORT**

The role of the AC is to assist the Board in discharging its corporate governance responsibility of safeguarding the Group's assets, maintaining adequate accounting records and developing and ensuring effective systems of internal controls in the Company.

The AC met four (4) times in FY2019 and performed its functions guided by AC's TOR as follows:

- (a) Assisted the Board in the discharge of its responsibilities on financial and reporting matters;
- (b) Reviewed, with the Company's internal and external auditors, the audit plans, scope of work, the evaluation of the system of internal accounting controls, their management letter and Management's response, and results of the audits compiled by the internal and external auditors, and shall review at regular intervals with the management on the implementation by the Group of the internal control recommendations made by the internal and external auditors;
- (c) Reviewed the periodic financial statements and results announcements, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards, the Catalist Rules and any other statutory/regulatory requirements, as well as concerns and issues arising from the audit, including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- (d) Reviewed significant financial reporting issues and judgments with the Chief Financial Officer and the external auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;
- (e) Reviewed and reported to the Board, at least annually, the effectiveness and adequacy of the Company's internal control and procedures, addressing financial, operational, information technology and compliance risks and discuss issues and concerns, if any, arising from the internal audits;
- (f) Reviewed the independence and objectivity of the internal and external auditors as well as consider the appointment or re-appointment of internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;
- (g) Reviewed and discussed with the external auditor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (h) Reviewed the Group's financial risk areas, with a view to providing an independent oversight of the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, to be immediately announced via SGXNET;
- (i) Reviewed the cooperation given by the Management to the Company's internal and external auditors;
- (j) Made recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditor, and approved the remuneration and terms of engagement of the external auditor;
- (k) Reviewed and approved transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

CORPORATE GOVERNANCE REPORT

- (l) Reviewed any potential conflicts of interest and Interested Party Transactions;
- (m) Reviewed the cash management processes of the Group;
- (n) Reviewed any whistle-blowing complaints at its quarterly meetings; and
- (o) Met once with the Company's external and internal auditors without the presence of Management and reviewed the overall scope of the external audit, the internal audit and the assistance given by the Management to the auditors.

The AC has considered the report from the external auditors, including their findings and discussions with Management on significant risks and audit focus areas which have been set out as Key Audit Matters in the audit report for FY2019 and in pages 72 to 74 of this Annual Report.

The AC will generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC will also undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC has full access to co-operation by Management, unrestricted access to information relating to the Group and the full discretion to invite any Director or Management to attend its meetings.

The AC has considered the independence of the external auditor and undertaken a review of all the non-audit services performed by the external auditor. The AC is satisfied that the non-audit fees incurred does not, in the opinion of the AC, affect the independence and objectivity of the external auditor who have carried out these non-audit services efficiently and with the relevant knowledge and skills required. The aggregate amount of fees paid to the external auditor and a breakdown of the fees paid in total for audit and non-audit services are set out in page 101 of this Annual Report.

The AC is also authorised by the Board to investigate or commission investigations into the Group's accounting, auditing, internal controls, financial practices or any related matter thereto with full access to records, resources and personnel in order to discharge its functions effectively.

The Company has complied with Rules 712 and 715 of the Catalist Rules in the appointment of its external auditor and has recommended to the Board the re-appointment of RSM Chio Lim LLP as its external auditor at the forthcoming AGM.

The Group has in place a whistle blowing policy through which employees, external parties who have business relations with the Company such as customers, suppliers or any other person, may, without fear of reprisals and in good faith raise concerns or report on irregularities with regards to financial reporting or suspected acts of misconduct or any other improprieties, through a confidential channel and well defined process to the Chairman of the AC, the Head of Human Resource and/or the Chief Executive Officer. The policy has been communicated to all employees and details of the policy may also be found at the Company's website at www.res.com.sg. New employees are briefed on the policy. The Group is committed to a high standard of ethics and adopts a zero tolerance approach towards fraud or other improprieties. The AC ensures that there are unobstructed channels for investigations to be overseen by the AC, where necessary and will review appropriate follow-up action as warranted.

No whistle blowing reports were made in FY2019.

CORPORATE GOVERNANCE REPORT

The external auditor provides regular updates and briefings to the AC and changes to accounting standards and other financial issues to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. AC members are encouraged to attend seminars on updates to Financial Reporting Standards ("FRS"), when required. In the review of the financial statements for FY2019, the AC is of the view that the financial statements are fairly presented in conformity with the relevant FRS of Singapore in all material respects.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has outsourced its internal audit function to Nexia TS Risk Advisory Pte Ltd ("Nexia TS"), to assist the Company in reviewing the design and effectiveness of key internal controls which address financial, operational, compliance and information technology risks and the Company's risk management policy and system as a whole. Nexia TS reports directly to the AC on audit matters and to the CEO on administrative matters.

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Company's business and assets while Management is responsible for implementing the internal control procedures in a timely and appropriate manner. The internal auditor has unfettered access to the documents, records, properties and personnel of the Group including the AC and procedures are in place for the internal auditor to report their findings and recommendations to the AC for its review. Management will update the AC on the implementation and status of action plans recommended by the internal auditor.

The AC will review and approve the annual internal audit plan and the appointment and remuneration of the internal auditor to ensure the adequacy and effectiveness of the internal audit function of the Company. For FY2019, a comprehensive internal audit was performed and completed by Nexia TS. The AC has conducted a meeting with Nexia TS without the presence of Management to review the company's internal controls and risk management.

The AC is satisfied that Nexia TS is independent, effective, adequately resourced and staffed by suitably qualified and experienced professionals who has appropriate standing in the company. Nexia TS is a member of the Institute of Internal Auditors ("IIA"). The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing set by IIA.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholders Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.

The Company upholds the best practices of transparency and accountability to its shareholders. The Board ensures that all shareholders are treated fairly and equitably and the rights of all investors including non-controlling shareholders are safeguarded and protected.

The Company does not practice selective disclosure and ensures that all shareholders are informed on a timely basis via SGXNET of all major developments that impact the Group or could materially affect its share price.

CORPORATE GOVERNANCE REPORT

Shareholders are encouraged to attend and participate in the Company's general meeting and actively engage the Board and Management on the Group's activities, financial performance, strategies and goals. All shareholders are entitled to vote and the Company will conduct voting by poll for all resolutions tabled at the general meeting.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy form sent in advance. The Company's Constitution allows corporations which provide nominee or custodial services to appoint more than two (2) proxies to vote at general meetings.

Communication with Shareholders

Principle 15: Companies should actively engage shareholders and put in place investor relations policy to promote regular, effective and fair communication with shareholders.

In accordance with the Catalist Rules, the Board is committed to keeping the Company's shareholders informed of all major developments that affect the Group. All price sensitive information are released publicly via SGXNET.

Communication with shareholders is made through:

- Annual reports and/or circulars issued to all shareholders within the mandatory period;
- Quarterly announcements containing a summary of the financial information and affairs of the Group via the press and SGXNET;
- Public announcements via SGXNET;
- Press releases on major developments;
- Notices of shareholders' meetings advertised in a newspaper in Singapore; and
- Company's corporate website at www.res.com.sg

The Group's investor relations is led by the CEO and when necessary and appropriate, Management of the Company will meet investors and analysts who seek to have a better understanding of the Group's business and operations. This effort enables the Company to receive feedback and insights from the investment community that are relevant to the Company's strategic plans and development. The Company will review the need for analyst briefings, investor road shows or Investors' Day Briefing when necessary.

Dividend policy

The Board does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit, growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as determined by the Board.

As set out in the Company's Prospectus dated 15 November 2017, the Board intended to recommend and distribute dividends of at least 35% of the Group's net profits attributable to shareholders in each of FY2018 and FY2019. The Board has therefore proposed, for shareholders' approval, a final one tier tax-exempt dividend of 0.45 Singapore cent that will represent a dividend payout of 40% of the Group's FY2019 net profit.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholders' Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Company's strategy and goals. If the shareholders are unable to attend the general meetings, the Company's Constitution allows the shareholder to appoint proxies to attend and vote on behalf of the shareholder.

Prior to commencement of AGM, Management will deliver a presentation to update shareholder on RE&S' progress over the year.

The Directors including Chairman of the Board and Board Committees, the CEO, Management and the external auditor, will be present at the forthcoming AGM to answer queries on the affairs of the Group or on the content of the auditor's report from shareholders. Minutes of general meetings are available to shareholders on request.

Each item of special business included in the notice of the general meetings will be accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions will be proposed for substantially separate issues at a general meeting.

All resolutions at general meetings are put to vote by poll. The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the general meetings.

CODE OF CONDUCT AND ETHICS

All employees of the Group are required to observe and maintain high standard of integrity, as well as to comply with laws, regulations and the Group's Policies. The Group's employee handbook and internal policies set out the standards of ethical conduct which cover all aspects of the business operation of the Group such as work ethics, personal conflicts of interest, and confidentiality of information, related party transactions, gifts and dealings in the Company's securities.

DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted an internal compliance code on dealings in the Company's securities. All Directors and officers of the Group are prohibited from dealing in the Company's securities during the period commencing two (2) weeks before the announcement of the Group's quarterly financial results and the period commencing one (1) month before the announcement of its full-year results. They are expected to observe insider trading laws at all times even during the permitted trading periods or when they are in possession of unpublished price sensitive information and are also not to deal in the Company's securities on short term considerations. Directors and the CEO are required to notify their dealings in the Company's securities within two business days.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons (the "IPTs") and has established procedures for review and approval of interested person transactions entered into by the Group. All IPTs are subject to review by the AC to ensure that they were conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The AC has reviewed the IPTs entered into during FY2019 as follows :

Name of interested person	Aggregate value of all interested person transactions during the financial year under view (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalyst Rules)	Aggregate value of all interested person transactions conducted during shareholders' mandate pursuant to Rule 920 of the Catalyst Rules (excluding transactions less than S\$100,000)
1, Hiroshi Tatara*	S\$685,000	-
2. Yek Hong Liat John*	S\$685,000	-

* The Company is required to furnish to Ministry of Manpower ("MOM") a security bond of S\$5,000 for each foreign worker hired by the Company. Prior to the listing of the Company, the Group made certain arrangements with insurers to issue letters of guarantees in lieu of the security bonds. Each of our Executive Director and President, Mr. Hiroshi Tatara, and the Executive Director and former CEO, Mr. Yek Hong Liat John (the "Executive Directors") had provided indemnities to the insurers with an aggregate value of S\$685,000 for the guarantees issued to MOM. The guarantees will expire when the contract of employment of the foreign worker ends or is terminated.

Subsequent to the listing of the Company, the Group has entered into new arrangements with the insurers on the security bonds for foreign workers and no new indemnities will be required from the Executive Directors.

The AC has reviewed and was of the view that the IPTs are not prejudicial to the interests of the Company or of its minority shareholders.

The IPT above does not exceed the threshold limits under Chapter 9 of the Listing Manual of SGX-ST and no announcement or shareholders' approval is required. The Group does not have a general mandate for interested person transactions.

MATERIAL CONTRACTS

Save for the IPTs disclosed in this Annual Report, there are no material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder during the year under review.

CORPORATE GOVERNANCE REPORT

USE OF INITIAL PUBLIC OFFERING (IPO) PROCEEDS

Pursuant to the Company's IPO, the Company received net proceeds of approximately S\$11.9m and as at 19 August 2019 the net proceeds had been utilised as follows:

Use of proceeds from the Invitation	Allocated S\$'000	Utilised S\$'000	Balance S\$'000
Business expansion, through establishment of new F&B Outlets and/or suitable acquisitions, joint ventures or strategic alliances	7,000	4,563	2,437
Refurbishment and improvement of our existing F&B Outlets	2,000	2,000	–
For our general corporate and working capital requirements*	1,357	1,357	–
For payment of underwriting and placement commissions as well as offering expenses	1,523	1,523	–
Gross proceeds from the Invitation	11,880	9,443	2,437

* The amount deployed for general working capital is for rental expenses.

SPONSORSHIP

The continuing sponsor of the Company during FY2019 is DBS Bank Ltd. (the "Sponsor"). There were no non-sponsor fees paid to the Sponsor in FY2019.

CORPORATE GOVERNANCE REPORT

Information of Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Catalyst Rule 720(5):

Details	Name of Director		
	Mr Hiroshi Tataru	Mr Guok Chin Huat Samuel	Mr Foo Kah Lee
Date of Appointment	26 May 2017	30 October 2017	1 July 2019
Date of last re-appointment (if applicable)	24 October 2018	24 October 2018	N.A.
Age	74	63	38
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 the Company accepts the recommendation of the NC who has reviewed and considered Mr. Tataru's qualifications, work experience, skills and contribution as an Executive Director of the Company.	The Board of the Company concurs with the NC that Mr Guok is objective in expressing his views, participating in deliberation and decision making of the Board and exercising his judgement as the Independent Director on the corporate affairs of the Group, independent of the Management and therefore accepts the recommendation of the NC on the re-appointment of Mr Guok as an Independent Director of the Company.	The Board of the Company accepts the recommendation of the NC, who has reviewed qualifications, work experience, skills and contribution as Executive Director and Chief Operating Officer of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive, President of the Group	Non-Executive	Executive, Chief Operating Officer of the Group

CORPORATE GOVERNANCE REPORT

Details		Name of Director		
	Mr Hiroshi Tatara	Mr Guok Chin Huat Samuel	Mr Foo Kah Lee	Mr Lim Shyang Zheng
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	President and Executive Director	Independent Director, Chairman of Remuneration Committee and member of Audit Committee, Nominating Committee and Administration Committee	Chief Executive Officer and Executive Director	Chief Operating Officer and Executive Director
Professional Qualifications	<ul style="list-style-type: none"> Osaka Ikuno Technical High School 	<ul style="list-style-type: none"> Bachelor of Science in Business Administration, Boston University 	<ul style="list-style-type: none"> Bachelor of Commerce, University of Queensland 	<ul style="list-style-type: none"> Bachelor of Civil Engineering (Hons), National University of Singapore
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> RE&S Holdings Limited (2017 - Present), President R E & S Enterprises Pte. Ltd. (1988 - 2017), President 	<ul style="list-style-type: none"> SingXpress Land Ltd (2008 - 2009), Chief Executive Officer StarHealth Pte. Ltd. (1995 - Present), Director 	<ul style="list-style-type: none"> RE&S Holdings Limited (2019 - Present), Chief Executive Officer Started as Chief Financial Officer with RE&S Group in 2016 ISDN Resources Pte Ltd (2014 - 2016), General Manager PSL Holdings Limited (2011 - 2014), Chief Executive Officer R E & S Enterprises Pte. Ltd. (2008 - 2011), Deputy Director 	<ul style="list-style-type: none"> RE&S Holdings Limited (2019 - Present), Chief Operating Officer Started as Assistant Director with RE&S Group in 2010 and rose through the ranks and was appointed as Chief Operating Officer and Executive Director with effect from 1 July 2019 Ministry of Manpower (2006 - 2010), Senior Analyst

CORPORATE GOVERNANCE REPORT

Details	Name of Director			
	Mr Hiroshi Tatara	Mr Guok Chin Huat Samuel	Mr Foo Kah Lee	Mr Lim Shyang Zheng
Shareholding interest in the listed issuer and its subsidiaries	219,000,030 shares	Nil	9,000,000 shares	7,834,000 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or any of its principal subsidiaries	Nil	Nil	Nil	Nil
Conflict of interest (including any competing businesses)	Nil	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	Yes
Other Principal Commitments* Including Directorships*				
* "Principal Commitments" has the same meaning as defined in the Code.				
# These fields are not applicable for announcements of appointments pursuant to Catalyst Rule 704(8)				

CORPORATE GOVERNANCE
REPORT

Details	Name of Director		
	Mr Hiroshi Tatara	Mr Guok Chin Huat Samuel	Mr Foo Kah Lee
Past (for the last 5 years)	<p>Directorships:</p> <ul style="list-style-type: none"> • Gold Plaza Tokyo Pte. Ltd. (struck off) • HKA Pte. Ltd. (dissolved) • Ichiban Lifestyle Holdings Pte. Ltd. • R E & S Sinflood Pte. Ltd. (dissolved) 	<p>Directorships:</p> <ul style="list-style-type: none"> • Bukit Sembawang Estates Limited • Paterson One Pte. Ltd. • Paterson Collection Pte. Ltd. • Sembawang Estates (Private) Limited • Singapore United Estates (Private) Limited • Datapulse Technology Limited 	<p>Directorships:</p> <ul style="list-style-type: none"> • Boulton Capital Asia Pte. Limited (dissolved) • ISDN Bantaeng Pte. Ltd. • Jin Zhao Yu Pte. Ltd. • Myanmar Imperial Marble & Granite Pte. Ltd. • PSL Holdings Ltd.
Present	<p>Principal Commitments:</p> <ul style="list-style-type: none"> • RE&S Holdings Limited, President <p>Directorships:</p> <ul style="list-style-type: none"> • RE&S Holdings Limited • R E & S Enterprises Pte Ltd • R E & S Enterprises (M) Sdn. Bhd. • Kabe No Ana Pte. Ltd. • Promote Japan Enterprise Pte. Ltd. 	<p>Directorships:</p> <ul style="list-style-type: none"> • AsiaTravel.com Holdings Ltd • Campbelltown Asia Pte. Ltd. • Campbelltown Investment Holdings Pte. Ltd. • Global Palm Resources Holdings Limited • Redwood Group Limited • Starhealth Pte. Ltd. • Tellus Asset Management Pte. Ltd. 	<p>Principal Commitments:</p> <ul style="list-style-type: none"> • RE&S Holdings Limited, Chief Executive Officer <p>Directorships:</p> <ul style="list-style-type: none"> • RE&S Holdings Limited • R E & S Enterprises Pte Ltd • R E & S Enterprises (M) Sdn. Bhd. • Kabe No Ana Pte. Ltd. • Promote Japan Enterprise Pte. Ltd. • Otento Foods Services Pte. Ltd. • Ebisu Private Limited
			<p>Principal Commitments:</p> <ul style="list-style-type: none"> • RE&S Holdings Limited, Chief Operations Officer <p>Directorships:</p> <ul style="list-style-type: none"> • RE&S Holdings Limited • R E & S Enterprises Pte Ltd • Kabe No Ana Pte. Ltd. • Promote Japan Enterprise Pte. Ltd. • Otento Foods Services Pte. Ltd. • Ebisu Private Limited

CORPORATE GOVERNANCE REPORT

<p>Information required</p> <p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</p>	<p>(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?</p>
<p>(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?</p>	<p>(c) Whether there is any unsatisfied judgment against him?</p>
<p>(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?</p>	<p>(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?</p>
<p>(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?</p>	<p>(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?</p>
<p>(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?</p>	<p>(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?</p>

CORPORATE GOVERNANCE REPORT

(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—

- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
- (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
- (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
- (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, 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?

Mr. Tatara, Mr. Guok, Mr. Foo and Mr. Lim have individually given a negative disclosure on each of the above items (a) to (k).

Disclosure applicable to the appointment of Director only.

Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

Not applicable for each of Mr. Tatara, Mr. Guok, Mr. Foo and Mr. Lim as this is a re-election of Director.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 30 June 2019.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the company in office at the date of this statement are:

Hiroshi Tatara
 Yek Hong Liat John
 Ben Yeo Chee Seong
 Lee Lap Wah, George
 Guok Chin Huat Samuel
 Foo Kah Lee (Appointed on 1 July 2019)
 Lim Shyang Zheng (Appointed on 1 July 2019)
 (Lin Xiangzheng)

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

Name of directors and company in which interest are held	Shareholding in which the director has direct beneficial interest	
	At beginning of the reporting year	At end of the reporting year
Ordinary shares of the company:	Number of shares of no par value	
Hiroshi Tatara	219,000,030	219,000,030
Yek Hong Liat John	75,000,000	75,000,000
Ben Yeo Chee Seong	2,999,985	2,999,985

STATEMENT BY **DIRECTORS**

3. Directors' interests in shares and debentures (cont'd)

By virtue of section 7 of the Act, Hiroshi Tatara and Yek Hong Liat John are deemed to have an interest in all the related body corporates of the company.

The directors' interests as at 21 July 2019 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

5. Employee Share Option Scheme

At a shareholder meeting held on 26 October 2017, the shareholders of the company approved the "RE&S Employee Share Option Scheme" (the "ESOS").

The ESOS provides eligible participants with an opportunity to participate in the equity of the company as well as to motivate them to perform better through increased loyalty and dedication to the group. The ESOS, which forms an integral and important component of the group's remuneration and compensation plan, is designed to primarily reward and retain executive directors and employees whose services are essential to the group's well being and prosperity.

Executive and independent directors and full-time employees of the group are eligible to participate in the ESOS. Directors who are controlling shareholders of the company and their associates are not eligible to participate in the ESOS.

The total number of shares over which options may be granted shall not exceed 15% of the issued share capital of the company on the day preceding the date of the relevant grant.

The Administration Committee is charged with the administration of the ESOS in accordance with the rules of the ESOS. The Administration Committee consists of members of the Nominating Committee and Remuneration Committee of the company, with powers to make and vary the regulations (not being inconsistent with the ESOS) for the implementation and administration of the ESOS as they think fit. A member of the Administration Committee who is also a participant of the ESOS must not be involved in its deliberation in respect of options granted or to be granted to him.

The exercise price for each share in respect of which an option is exercisable shall be determined by the Administration Committee at its absolute discretion at: (a) a price equal to the average of the last dealt prices for a share on the Catalist for the period of five consecutive trading days immediately prior to the relevant date of the grant ("market price") but not less than its par value ("market price options"); or (b) a price which is set at a discount to the market price, provided that the maximum discount shall not exceed 20% of the market price but not less than its par value. Options granted at a discount are exercisable after 2 years from the date of grant. Other options are exercisable after one year from date of grant.

STATEMENT BY DIRECTORS

5. Employee Share Option Scheme (cont'd)

Options must be exercised before the expiry of 10 years from the date of grant in the case of employees and before the expiry of 5 years in the case of independent directors or such earlier date as may be determined by the Administration Committee.

During the reporting year, no option to take up unissued shares of the company was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Report of Audit Committee

The members of the Audit Committee ("AC") at the date of this report are as follows:

Ben Yeo Chee Seong (Chairman)
Lee Lap Wah, George
Guok Chin Huat Samuel

All members of AC are independent directors.

The AC performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the report on Corporate Governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor for the ensuing year at the forthcoming annual general meeting of the company.

STATEMENT BY **DIRECTORS**

7. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, the Audit Committee and the board are of the opinion that the company's internal controls, addressing financial, operational, compliance risks and information technology, are adequate and effective as at the end of the reporting year 30 June 2019.

8. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 19 August 2019, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Hiroshi Tatara
Director

Foo Kah Lee
Director

20 September 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of RE&S Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of RE&S Holdings Limited, (the “company”) and its subsidiaries (the “group”), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (“the Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) 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 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting 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 company in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

To the Members of RE&S Holdings Limited

Key audit matters (cont'd)

(1) Assessment of impairment of property, plant and equipment of non-performing outlets

Refer to Note 2 for the relevant accounting policy and Note 14 for the disclosure of property, plant and equipment.

Key Audit Matter

The carrying amount of property, plant and equipment was \$33.7 million which represents 52.5% of total assets as at the end of the reporting year.

The group operates restaurants in Singapore and Malaysia and has certain restaurant outlets that incurred losses during the reporting year. Management performed impairment tests on the property, plant and equipment of these outlets and determined their recoverable amounts based on value in use calculations and net realisable value. This area was significant to our audit because the impairment assessment involved significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts.

How we addressed the matter in our audit

Our audit procedures focused on evaluating the key assumptions and estimates used by the management in their impairment assessment. These procedures included:

- Reviewed management's identification of impairment indicators relating to the outlets that incurred losses by assessing management's review of the financial performance on the individual outlet basis;
- Tested the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results;
- Reviewed management's sensitivity analysis of the recoverable amounts to changes in certain key assumptions based on the overall industry outlook; and
- Reviewed management's disclosures in the consolidated financial statements.

For those property, plant and equipment that are subjected to impairment assessment, we found that the assumptions and estimates used are within a reasonable range of our expectations. We also found that the disclosures in the consolidated financial statements are appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of RE&S Holdings Limited

Key audit matters (cont'd)

(2) Completeness of revenue

Refer to Note 2 for the relevant accounting policy and Notes 5 and 21 for the disclosure of revenue and cash respectively.

Key Audit Matter

The group's revenue from sale of food and beverages amounts to \$140.9 million, which amounts to 99.9% of the group's total revenue for the reporting year.

Revenue from sale of food and beverages is recognised based on actual amounts billed to customers. It is transacted via a large volume of low-value cash and credit card transactions. As cash is susceptible to theft and pilferage, we have focused on the completeness of cash sales.

How we addressed the matter in our audit

Our audit procedures focused on the design and tested the operating effectiveness of internal controls surrounding cash sales to assess if sales are appropriately recorded. These procedures included:

- Reviewed management's assessment of monthly outlet operating margins for completeness of revenue recorded, testing of monitoring controls over cash receipts cycle and the recognition of revenue based on cash receipts;
- Performed sales cut-off procedures using data analytics tools to match sales generated from point-of-sales system to general ledger to evaluate the completeness of revenue recorded for all outlets for the reporting year; and
- Assessed the adequacy of the disclosures related to total revenue and cash on hand.

We also found that the disclosures in the consolidated financial statements are appropriate.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of RE&S Holdings Limited

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 the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair 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:

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

INDEPENDENT AUDITOR'S REPORT

To the Members of RE&S Holdings Limited

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Hui Ting.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

20 September 2019

Engagement partner - effective from year ended 30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	5	141,004	142,294
Other operating income	6	2,751	1,253
Raw materials and consumables used		(38,702)	(39,238)
Changes in inventories of finished goods		(220)	106
Employee benefits expense	7	(49,060)	(49,594)
Depreciation expense	14	(8,062)	(8,527)
Operating lease expenses	30	(24,933)	(24,399)
Utilities expenses		(4,350)	(4,080)
Finance costs	8	(288)	(349)
Other operating expenses	9	(9,697)	(9,538)
Other expenses	10	(3,099)	(2,637)
Profit before income tax		5,344	5,291
Income tax expense	11	(1,365)	(1,723)
Profit, net of income tax		3,979	3,568
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of income tax		(7)	(21)
Other comprehensive loss for the year, net of income tax		(7)	(21)
Total comprehensive income for the year		3,972	3,547
Profit attributable to owners of the parent, net of income tax		4,041	3,568
Loss attributable to non-controlling interest, net of income tax		(62)	–
Profit, net of income tax		3,979	3,568
Total comprehensive income attributable to owners of the parent		4,034	3,547
Total comprehensive loss attributable to non-controlling interest		(62)	–
Total comprehensive income		3,972	3,547
		Cents	Cents
Basic and diluted earnings per share	13	1.1	1.1

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30.06.2019	Group 30.06.2018	01.07.2017
		\$	\$	\$
ASSETS				
Non-current assets				
Property, plant and equipment	14	33,711	39,937	42,500
Deferred tax assets	11	–	–	37
Other assets, non-current	17	3,027	3,980	6,070
Total non-current assets		36,738	43,917	48,607
Current assets				
Inventories	18	2,896	2,676	2,782
Trade and other receivables, current	19	2,627	1,503	1,055
Other assets, current	20	3,766	2,878	2,071
Cash and cash equivalents	21	18,183	13,525	4,160
Total current assets		27,472	20,582	10,068
Total assets		64,210	64,499	58,675
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	22	32,307	32,307	20,949
Merger reserve	23	(18,149)	(18,149)	(18,149)
Retained earnings		24,115	21,490	21,922
Foreign currency translation reserve		(55)	(48)	(27)
Equity, attributable to owners of the parent		38,218	35,600	24,695
Non-controlling interest		36	–	–
Total equity		38,254	35,600	24,695
Non-current liabilities				
Deferred tax liabilities	11	1,206	1,608	1,749
Provisions, non-current	25	1,632	1,799	1,760
Other financial liabilities, non-current	26	9,353	10,971	11,993
Total non-current liabilities		12,191	14,378	15,502
Current liabilities				
Income tax payable		1,689	1,734	1,431
Trade and other payables	27	11,363	10,951	11,759
Other financial liabilities, current	26	626	1,735	5,173
Other liabilities	28	87	101	115
Total current liabilities		13,765	14,521	18,478
Total liabilities		25,956	28,899	33,980
Total equity and liabilities		64,210	64,499	58,675

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Company	
		30.06.2019	30.06.2018
		\$	\$
ASSETS			
Non-current assets			
Investment in subsidiaries	15	21,738	21,636
Other receivables, non-current	16	10,671	10,671
Total non-current assets		32,409	32,307
Current assets			
Trade and other receivables, current	19	–	5,363
Other assets, current	20	7	8
Cash and cash equivalents	21	2,758	221
Total current assets		2,765	5,592
Total assets		35,174	37,899
EQUITY AND LIABILITIES			
Equity			
Share capital	22	32,307	32,307
Retained earnings		2,297	3,575
Total equity		34,604	35,882
Current liabilities			
Income tax payable		12	5
Trade and other payables	27	558	2,012
Total current liabilities		570	2,017
Total liabilities		570	2,017
Total equity and liabilities		35,174	37,899

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2019

Group:	Total equity	Attributable to owners of the company sub-total	Share capital	Merger reserve	Retained earnings	Foreign currency translation reserve	Non-controlling interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current year:							
Opening balance at 1 July 2018	35,600	35,600	32,307	(18,149)	21,490	(48)	–
Movement in equity:							
Total comprehensive income (loss) for the year	3,972	4,034	–	–	4,041	(7)	(62)
Capital contribution from a non-controlling interest	98	–	–	–	–	–	98
Dividend paid (Note 12)	(1,416)	(1,416)	–	–	(1,416)	–	–
Closing balance at 30 June 2019	38,254	38,218	32,307	(18,149)	24,115	(55)	36
Previous year:							
Opening balance at 1 July 2017	24,695	24,695	20,949	(18,149)	21,922	(27)	–
Movement in equity:							
Total comprehensive income (loss) for the year	3,547	3,547	–	–	3,568	(21)	–
Issuance of new shares pursuant to Initial Public Offering (“IPO”)	11,880	11,880	11,880	–	–	–	–
Capitalisation of IPO expenses	(522)	(522)	(522)	–	–	–	–
Dividend paid (Note 12) ^(*)	(4,000)	(4,000)	–	–	(4,000)	–	–
Closing balance at 30 June 2018	35,600	35,600	32,307	(18,149)	21,490	(48)	–

(*) Dividends paid to shareholders of subsidiaries before Initial Public Offering (“IPO”) and Restructuring Exercise.

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 30 June 2019

Company:	Total equity	Share capital	Retained earnings
	\$'000	\$'000	\$'000
Current year:			
Opening balance at 1 July 2018	35,882	32,307	3,575
Changes in equity:			
Dividends paid (Note 12)	(1,416)	–	(1,416)
Total comprehensive income for the year	138	–	138
Closing balance at 30 June 2019	34,604	32,307	2,297
Previous year:			
Subscriber shares at 26 May 2017 (date of incorporation)	* –	* –	–
Changes in equity:			
Issuance of shares pursuant to the acquisition of subsidiary as part of the restructuring exercise	20,949	20,949	–
Issuance of new shares pursuant to Initial Public Offering (“IPO”)	11,880	11,880	–
Capitalisation of IPO expenses	(522)	(522)	–
Total comprehensive income for the year	3,575	–	3,575
Closing balance at 30 June 2018	35,882	32,307	3,575

* Less than \$1,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	5,344	5,291
Adjustment for:		
Interest income	(111)	(30)
IPO expenses	–	1,066
Interest expense	288	349
Depreciation of property, plant and equipment	8,062	8,527
Gain on disposal of plant and equipment	(70)	(22)
Plant and equipment written off	1,638	398
Reinstatement cost written off	(161)	–
Net effect of exchange rate changes in consolidating foreign operations	4	(46)
Operating cash flows before changes in working capital	14,994	15,533
Inventories	(220)	106
Trade and other receivables, current	(1,124)	(448)
Other assets, current	(888)	(807)
Reinstatement cost utilised	(26)	(94)
Trade and other payables	412	(808)
Other liabilities	(14)	(14)
Net cash flows from operations	13,134	13,468
Income taxes paid	(1,812)	(1,524)
Net cash flows from operating activities	11,322	11,944
Cash flows from investing activities		
Purchase of plant and equipment (Note 21B)	(3,478)	(6,902)
Disposal of plant and equipment	83	720
Other assets, non-current	953	2,090
Interest received	111	30
Net cash used in investing activities	(2,331)	(4,062)
Cash flows from financing activities		
Cash restricted over 3 months	(504)	(1,498)
Capital contribution from a non-controlling interest	98	–
Dividend paid to equity owners	(1,416)	(4,000)
Decrease in other financial liabilities	(2,727)	(4,460)
Gross proceeds from issuance of new shares pursuant to IPO	–	11,880
IPO expense paid	–	(1,588)
Interest paid	(288)	(349)
Net cash flows used in financing activities	(4,837)	(15)
Net increase in cash and cash equivalents	4,154	7,867
Cash and cash equivalents, statement of cash flows, beginning balance	11,865	3,998
Cash and cash equivalents, statement of cash flows, ending balance (Note 21A)	16,019	11,865

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

1. General

RE&S Enterprises Holdings Pte. Ltd. (the “company”) was incorporated on 26 May 2017 under the Companies Act as a private limited company domiciled in Singapore. On 31 July 2017, the company was renamed “RE&S Holdings Pte. Ltd.”. On 8 November 2017, the company was converted to a public limited company and changed its name to RE&S Holdings Limited. On 22 November 2017, the company was listed on the Catalist Board (the “Catalist”) of Singapore Exchange Securities Trading Limited.

The financial statements are presented in Singapore Dollar and they cover the company (referred to as “parent”) and its subsidiaries. All financial information have been rounded to the nearest thousand (“000”), except when otherwise stated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those of investment holding and providing management services to the subsidiaries in the group.

The principal activities of the subsidiaries are disclosed in the Note 15 to the financial statements.

The registered office is: 32 Tai Seng Street, #07-00 RE&S Building, Singapore 533972. The company is situated in Singapore.

Restructuring Exercise

The group undertook the following transactions as part of a corporate restructuring implemented in preparation for its listing on the Catalist (the “Restructuring Exercise”):

- (i) The company was incorporated on 26 May 2017 in Singapore under the Companies Act as a private company limited by shares with an issued and paid-up share capital of \$100 comprising 100 Shares, with 75 Shares and 25 Shares being held by Mr. Hiroshi Tatara and Mr. Yek Hong Liat John (“Controlling Shareholders”) respectively;
- (ii) The company acquired from R E & S Enterprises Pte Ltd the entire issued and paid-up share capital in each of RE&S Japan Co., Ltd., R E & S Enterprises (M) Sdn. Bhd., Promote Japan Enterprise Pte. Ltd. and Kabe No Ana Pte. Ltd. for a consideration of \$240,050, \$446,868, \$1 and \$1 respectively on 26 October 2017. The consideration for the acquisition of the entire shareholding interest in each of RE&S Japan Co., Ltd, R E & S Enterprises (M) Sdn. Bhd., Promote Japan Enterprise Pte. Ltd. and Kabe No Ana Pte. Ltd. was based on the cost of investment of each of these entities as of 30 June 2017. The aggregate consideration of \$686,920 was settled on a cash basis;
- (iii) On 26 October 2017, the company acquired from Mr. Hiroshi Tatara, Mr. Yek Hong Liat John, Mr. Ben Yeo Chee Seong and Mr. Teo Eng Kim an aggregate of 2,800,000 ordinary shares in R E & S Enterprises Pte Ltd for a total consideration of \$20,949,018, which was based on the net asset value of R E & S Enterprises Pte Ltd as of 30 June 2017. The consideration was satisfied by the issuance of 14,599,927, 4,999,975, 199,999 and 199,999 shares to Mr. Hiroshi Tatara, Mr. Yek Hong Liat John, Mr. Ben Yeo Chee Seong and Mr. Teo Eng Kim, respectively;

Following the completion of the Restructuring Exercise, the company became the holding company of the group.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

1. General (cont'd)

Restructuring Exercise (cont'd)

- (iv) On 8 November 2017, 20,000,000 shares in the capital of the company were sub-divided into 300,000,000 shares (the "Sub-Division").

Prior to the Restructuring and until 26 October 2017, R E & S Enterprises Pte Ltd and its subsidiaries were controlled by the same Controlling Shareholders.

The Restructuring is, therefore, considered to be a business combination involving entities or businesses under common control and is accounted for by applying the pooling of interests method. Accordingly, the assets and liabilities of these entities transferred have been included in the consolidated financial statements at their carrying amounts. Although the Restructuring occurred subsequent to the end of the reporting year ended 30 June 2017, the consolidated financial statements present the financial position and financial performance as if the businesses had always been combined since the beginning of the earliest period presented.

Statement of compliance with financial reporting standards

These financial statements for the year ended 30 June 2019 are the first time for the group and the company have prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. Accordingly, the group and the company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the year ended 30 June 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the group's and the company's opening statement of financial position were prepared as at 1 July 2017 and 26 May 2017 respectively, the group and the company's date of transition to SFRS(I).

These financial statements are in compliance with the provisions of the Companies Act, Chapter 50 and with SFRS(I)s issued by the Singapore Accounting Standards Council.

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2C below, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

1. General (cont'd)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standards on financial instruments.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income and statement of cash flows are not presented.

For the reporting year ended 30 June 2017, the consolidated financial statements of the group have been prepared using the pooling of interest method as the Restructuring described in Note 1 on Restructuring is a legal restructuring of businesses or entities under common control. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the end of the reporting periods. The company has been treated as the holding company of its subsidiaries for the reporting years presented rather than from the date of completion of the Restructuring Exercise.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Sales of goods – Revenue from the sale of goods is recognised upon the satisfaction of each performance obligations which is usually the delivery of goods to customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental income – Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Other income – Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore Dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority.

The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold property	–	Over lease term or 3.33%.
Plant and equipment	–	5% to 20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an 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 repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 25 on provisions.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

An investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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 value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combinations

There were no business combinations during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss ("FVTPL"): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss ("FVTPL") in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Assessment of impairment of plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is \$17,613,000.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is \$33,711,000.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Hiroshi Tatara, a director and significant shareholder.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

3. Related party relationships and transactions (cont'd)

3A. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3B. Key management compensation:

	Group	
	2019	2018
	\$'000	\$'000
Salaries and other short-term employee benefits	1,915	2,186

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	Group	
	2019	2018
	\$'000	\$'000
Remuneration of directors of the company	873	1,284
Fees to directors of the company	210	126
Fees to directors of the subsidiaries	40	43

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

3. Related party relationships and transactions (cont'd)

3C. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from related parties are as follows:

Company	Subsidiaries	
	2019	2018
	\$'000	\$'000
<u>Other receivables</u>		
Balance at beginning of year	14,171	–
Amounts paid out and settlement of liabilities on behalf of subsidiaries	–	12,796
Amounts paid in and settlement of liabilities on behalf of the company	(3,500)	(2,125)
Dividend income	–	3,500
Balance at end of the year	<u>10,671</u>	<u>14,171</u>
Presented in the statement of financial position as:		
Other receivables, non-current (Note 16)	10,671	10,671
Other receivables, current (Note 19)	–	3,500
Balance at end of the year	<u>10,671</u>	<u>14,171</u>

4. Financial information by operating segments

4A. Primary analysis by business segment

For management purposes, the group is organised into the following two major operating segments that offer different products:

- 1) The full-service restaurants segment (“Restaurants”) which caters to customers seeking the full dining experience where they may sit down to have their meals and are provided with table service; and
- 2) The quick-service restaurants, convenience and others segment (“Quick services”) which caters to customers seeking a quicker meal experience and/or in which they may order their meals for take-away. This segment also includes the preparation of Japanese food products, such as bento and onigiri (Japanese rice balls), for third party businesses in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

4. Financial information by operating segments (cont'd)

4A. Primary analysis by business segment (cont'd)

This is determined by the nature or risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It also represents the basis on which management reports the primary segment information.

Inter-segment sales are measured on the basis that the entity actually uses to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before income taxes and other unallocated items (called "ORBT").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

The information on each business segment is as follows:

	2019	2018
	\$'000	\$'000
Revenue by segment:		
Restaurants	99,259	102,360
Quick services	41,745	39,934
Total	<u>141,004</u>	<u>142,294</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Restaurants	Quick services	Unallocated	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Revenue by segment					
Total revenue by segment	99,259	41,745	–	–	141,004
Inter-segment sales	–	6,103	–	(6,103)	–
Total revenue	99,259	47,848	–	(6,103)	141,004
Recurring EBITDA					
	16,112	5,171	(7,589)	–	13,694
Depreciation	(3,963)	(1,760)	(2,339)	–	(8,062)
Finance costs	–	–	(288)	–	(288)
ORBT					5,344
Income tax expense	–	–	(1,365)	–	(1,365)
Profit, net of income tax					3,979
2018					
Revenue by segment					
Total revenue by segment	102,360	39,934	–	–	142,294
Inter-segment sales	–	6,097	–	(6,097)	–
Total revenue	102,360	46,031	–	(6,097)	142,294
Recurring EBITDA					
	18,915	4,587	(9,335)	–	14,167
Depreciation	(4,510)	(1,676)	(2,341)	–	(8,527)
Finance costs	–	–	(349)	–	(349)
ORBT					5,291
Income tax expense	–	–	(1,723)	–	(1,723)
Profit, net of income tax					3,568

The unallocated expenses mainly included the group's headquarters expenses such as employee benefits expenses, operating lease expenses and utilities expenses.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	Restaurants	Quick services	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Total assets for reportable segments:				
2019	26,536	12,080	25,594	64,210
2018	25,753	10,506	28,240	64,499

The unallocated assets mainly included the group's headquarters property, plant and equipment.

4D. Liabilities and reconciliations

	Restaurants	Quick services	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Total liabilities for reportable segments:				
2019	7,257	4,105	14,594	25,956
2018	6,950	4,010	17,939	28,899

The unallocated liabilities mainly included the other financial liabilities, income tax payables and deferred tax liabilities.

4E. Other material items and reconciliations

	Restaurants	Quick services	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Expenditures for non-current assets:				
2019	1,952	829	717	3,498
2018	4,279	1,836	920	7,035

4F. Geographical information

The group operates primarily in Singapore with revenue generated in Singapore. Accordingly, analysis of revenue and assets of the group by geographical distribution has not been presented.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

4. Financial information by operating segments (cont'd)

4G. Information on major customers

There is no single customer with revenue transactions more than 10% of the group's total revenue. The revenue is spread over a broad base of customers.

5. Revenue

	Group	
	2019	2018
	\$'000	\$'000
Sale of food and beverages	140,871	142,160
Rental income	133	134
	<u>141,004</u>	<u>142,294</u>

Revenue from sale of food and beverage is recognised at point in time.

Rental income is accounted for on a straight-line basis over the lease terms.

6. Other operating income

	Group	
	2019	2018
	\$'000	\$'000
Interest income	111	30
Compensation from landlord	1,740	–
Gain on disposal of plant and equipment, net	70	22
Other income	125	281
Foreign exchange translation gain, net	–	203
Government grants	705	717
	<u>2,751</u>	<u>1,253</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

7. Employee benefits expense

	Group	
	2019	2018
	\$'000	\$'000
Short term employee benefits	39,930	41,424
Contributions to defined contribution plan	5,507	5,280
Other benefits	3,623	2,890
Total employee benefits expense	49,060	49,594

8. Finance costs

	Group	
	2019	2018
	\$'000	\$'000
Interest expense on bank loans	288	349

9. Other operating expenses

	Group	
	2019	2018
	\$'000	\$'000
The major components include the following:		
Credit card commission	2,223	2,016
Delivery and transportation	2,243	2,156
Repair and maintenance	1,288	1,254

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

10. Other expenses

	Group	
	2019	2018
	\$'000	\$'000

The major components include the following:

Audit services:

Independent auditors of the company	115	121
Other independent auditors	17	28

Non-audit services:

Independent auditors of the company	19	20
IPO expenses	–	1,066
Plant and equipment written off	1,638	398
Consultancy expenses	227	54
Legal and professional fees	271	418

11. Income tax

11A. Components of tax expense recognised in profit or loss include:

	Group	
	2019	2018
	\$'000	\$'000

Current tax expense:

Current tax expense	1,612	1,797
Under (over) adjustments to current tax in respect of prior periods	134	(50)
Withholding tax	21	80
Subtotal	1,767	1,827

Deferred tax income:

Deferred tax income	(400)	(86)
Over provision to deferred tax in respect of prior periods	(2)	(18)
Subtotal	(402)	(104)
Total income tax expense	1,365	1,723

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

11. Income tax (cont'd)

11A. Components of tax expense recognised in profit or loss include (cont'd):

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019	2018
	\$'000	\$'000
Profit before income tax	5,344	5,291
Income tax expense at the above rate	908	899
Expenses not deductible for tax purposes	340	856
Tax exemptions and rebate	(31)	(45)
Under (over) provision to tax in respect of prior years	132	(68)
Effect of different tax rates in different countries	15	29
Withholding tax	21	80
Others	(20)	(28)
Total income tax expense	1,365	1,723

There are no income tax consequences of dividends to owners of the company.

The major not deductible (taxable) item are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Depreciation expense of non-qualifying assets	3,229	3,504
Compensation from landlord	(1,400)	-

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

11. Income tax (cont'd)

11B. Deferred tax income recognised in profit or loss includes:

	Group	
	2019	2018
	\$'000	\$'000
Excess of net book value of plant and equipment over tax value	(307)	(199)
Excess of tax values over net book value of plant and equipment	–	65
Provision	–	(208)
Tax loss carryforwards	(37)	249
Others	(58)	(11)
Total deferred tax income recognised in profit or loss	(402)	(104)

11C. Deferred tax balance in the statement of financial position:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>From deferred tax assets (liabilities) recognised in profit or loss:</u>			
Excess of net book value of plant and equipment over tax values	(1,377)	(1,684)	(1,883)
Excess of tax values over net book value of plant and equipment	21	21	86
Provision	341	341	133
Tax loss carryforwards	57	20	269
Others	17	(41)	(52)
Unrecognised deferred tax assets	(265)	(265)	(265)
Net balance liabilities	(1,206)	(1,608)	(1,712)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

11. Income tax (cont'd)

11C. Deferred tax balance in the statement of financial position (cont'd)

Presented in the statement of financial position as follows:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Deferred tax liabilities	(1,206)	(1,608)	(1,749)
Deferred tax assets	–	–	37
Net balance	<u>(1,206)</u>	<u>(1,608)</u>	<u>(1,712)</u>

It is impracticable to estimate the amount expected to be settled or used within one year.

The above deferred tax assets have not been recognised in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carry forward and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

12. Dividends on equity shares

	Group			
	Rate per share – dollars			
	2019	2018	2019	2018
			\$'000	\$'000
Interim tax exempt (one-tier) dividend	0.004	1.429	1,416	4,000

In respect of the current year, the directors propose that final one-tier tax exempt ordinary dividend of 0.45 cents per share with a total of \$1,593,000 to be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2019 is payable in respect of all ordinary shares in issue at the end of the reporting date and including the new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

13. Earnings per share

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to the owners of the company by the weighted average number of shares outstanding during the financial year.

The following illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2019	2018
	\$'000	\$'000
<u>Numerator</u>		
Profit attributable to owners of the company, net of income tax	4,041	3,568
	'000	'000
<u>Denominator</u>		
Weighted average number of equity shares:		
At beginning of the year	354,000	–
Pre-invitation share capital	–	300,000 ^(a)
Effect of shares issued on 22 November 2017	–	32,850
At end of the year	354,000	332,850
	Cents	Cents
Basic and diluted earnings per share	1.1	1.1

- (a) The pre-invitation number of ordinary shares reflects the weighted average number of shares as at 30 June 2018 adjusted for (i) the shares issued pursuant to the Restructuring Exercise as described in Note 1, and Share Split as described in Notes 1 and 22, on the basis that the shares transfer and split had been completed as at 1 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

14. Property, plant and equipment

Group	Leasehold property \$'000	Plant and equipment \$'000	Total \$'000
<u>Cost:</u>			
At 1 July 2017	19,505	65,061	84,566
Additions	–	7,035	7,035
Disposals	–	(5,005)	(5,005)
Foreign exchange adjustments	–	139	139
At 30 June 2018	19,505	67,230	86,735
Additions	–	3,498	3,498
Disposals	–	(7,884)	(7,884)
Foreign exchange adjustments	–	(42)	(42)
At 30 June 2019	19,505	62,802	82,307
<u>Accumulated depreciation:</u>			
At 1 July 2017	1,993	40,073	42,066
Depreciation for the year	707	7,820	8,527
Disposals	–	(3,909)	(3,909)
Foreign exchange adjustments	–	114	114
At 30 June 2018	2,700	44,098	46,798
Depreciation for the year	707	7,355	8,062
Disposals	–	(6,233)	(6,233)
Foreign exchange adjustments	–	(31)	(31)
At 30 June 2019	3,407	45,189	48,596
<u>Carrying value:</u>			
At 1 July 2017	17,512	24,988	42,500
At 30 June 2018	16,805	23,132	39,937
At 30 June 2019	16,098	17,613	33,711

The leasehold property is mortgaged as security for the bank facilities (see Note 26).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

14. Property, plant and equipment (cont'd)

Borrowing costs included in the cost of the qualifying assets are as follows:

	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Accumulated interest capitalised included in the total cost	144	144	144

15. Investments in subsidiaries

	Company	
	30.06.2019	30.06.2018
	\$'000	\$'000
Movements during the year. At cost:		
Balance at beginning of the year	21,636	–
Acquisitions ^(N1) ^(N2)	–	21,636
Addition	102	–
Cost at the end of the year	21,738	21,636
Total cost comprising:		
Unquoted equity shares at cost	21,738	21,636
Net book value of subsidiaries	24,160	20,196
Analysis of above amount denominated in non-functional currency:		
Malaysian ringgit	447	447
Japanese yen	240	240

(N1) On 26 October 2017, the company entered into a sale and purchase agreement to acquire from R E & S Enterprises Pte Ltd the entire issued and paid-up capital in each of RE&S Japan Co., Ltd., R E & S Enterprises (M) Sdn. Bhd., Promote Japan Enterprise Pte. Ltd. and Kabe No Ana Pte. Ltd. for a consideration of \$240,050, \$446,868, \$1 and \$1 respectively. See Note 1 on Restructuring Exercise for details.

(N2) On 26 October 2017, the company has also entered into a sale and purchase agreement with Mr. Hiroshi Tatara, Mr. Yek Hong Liat John, Mr. Ben Yeo Chee Seong and Mr. Teo Eng Kim to acquire an aggregate of 2,800,000 ordinary shares in R E & S Enterprises Pte Ltd for a total consideration of \$20,949,018. See Note 1 on Restructuring Exercise for details.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

15. Investments in subsidiaries (cont'd)

The subsidiaries held by the company are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Costs in books of company		Effective percentage of equity held by company	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	\$'000	\$'000	%	%
R E & S Enterprises Pte Ltd ^(a) Singapore Restaurateur	20,949	20,949	100	100
Kabe No Ana Pte. Ltd. ^(a) Singapore Restaurateur	– ^(d)	– ^(d)	100	100
Promote Japan Enterprise Pte. Ltd. ^(a) Singapore Event organiser	– ^(d)	– ^(d)	100	100
R E & S Enterprises (M) Sdn. Bhd. ^(b) Malaysia Restaurateur	447	447	100	100
RE&S Japan Co., Ltd. ^(c) Japan Providing raw food supply	240	240	100	100
Otento Food Services Pte. Ltd. ^(e) Singapore Restaurateur	102	–	51	–

(a) Audited by RSM Chio Lim LLP in Singapore.

(b) Audited by RSM Malaysia, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by RSM Japan, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(d) Cost of investment is less than \$1,000.

(e) The unaudited management financial statements at 30 June 2019 of subsidiary have been used for consolidation as the subsidiary is not material.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

16. Other receivables, non-current

	Company	
	30.06.2019	30.06.2018
	\$'000	\$'000
Loans receivable from subsidiary (Note 3)	10,671	10,671

The loans receivable has no terms or interest and is not expected to be settled in the foreseeable future, as repayment is dependent on cash flows of the subsidiary. The fair value is not determinable as the timing of the future cash flows arising from the loan cannot be estimated reliably. The amount is stated at cost.

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. All other receivable is regarded as of low credit risk if they are guaranteed with the ability to settle the amount. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

17. Other assets, non-current

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Deposits to secure services	3,027	3,980	6,070

18. Inventories

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Raw materials and consumables	2,896	2,676	2,782

There are no inventories pledged as security for liability.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

19. Trade and other receivables, current

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
Outside parties	2,287	1,480	1,051
Net trade receivables – subtotal	2,287	1,480	1,051
<u>Other receivables:</u>			
Outside parties	340	23	4
Net other receivables – subtotal	340	23	4
Total trade and other receivables	2,627	1,503	1,055

	Company	
	30.06.2019	30.06.2018
	\$'000	\$'000
<u>Trade receivables:</u>		
Subsidiaries (Note 3)	–	1,863
Net trade receivables – subtotal	–	1,863
<u>Other receivables:</u>		
Subsidiaries (Note 3)	–	3,500
Net other receivables – subtotal	–	3,500
Total trade and other receivables	–	5,363

All the customers can be graded as low risk individually in the group. These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. There are no collateral held as security and other credit enhancements for the trade receivables.

The receivables have common risk characteristics as compared to previous years. There were no significant bad debts noted in the previous years. The group assesses the credit risk of its customers individually. No loss allowance is necessary.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

19. Trade and other receivables, current (cont'd)

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 days (30.06.2018 and 01.07.2017: 30 days). But some customers take a longer period to settle the amounts.

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of the reporting year but not impaired:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
31 to 60 days	325	86	82
61 to 90 days	8	14	19
Over 90 days	10	2	4
Total	343	102	105

- (b) As at the end of reporting year there were no amounts that were impaired.

There is no significant concentration of credit risk with respect to trade receivables as the exposure is spread over a large number of counter-parties and customers.

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. All other receivable is regarded as of low credit risk if they are guaranteed with the ability to settle the amount. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS

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20. Other assets, current

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Deposits to secure services	2,477	2,260	1,527
Deposits for renovation of outlets	586	101	180
Prepayments	703	517	364
	<u>3,766</u>	<u>2,878</u>	<u>2,071</u>

	Company	
	30.06.2019	30.06.2018
	\$'000	\$'000
Prepayments	<u>7</u>	<u>8</u>

21. Cash and cash equivalents

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Not restricted in use	16,019	11,865	3,998
Restricted in use #	2,164	1,660	162
	<u>18,183</u>	<u>13,525</u>	<u>4,160</u>
Interest earning balances	<u>12,354</u>	<u>6,164</u>	<u>162</u>

	Company	
	30.06.2019	30.06.2018
	\$'000	\$'000
Not restricted in use	2,758	221
Interest earning balances	<u>–</u>	<u>–</u>

The rate of interest for the cash on interest balances ranged between 0.50% and 2.00% (30.06.2018: 0.50% and 1.06%; 01.07.2017: 0.22% and 0.50%) per annum.

#: This is for amounts held by bankers to cover the bank facilities granted.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

21. Cash and cash equivalents (cont'd)**21A. Cash and cash equivalents in the statement of cash flows:**

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Amount as shown above	18,183	13,525	4,160
Cash restricted in use over 3 months	(2,164)	(1,660)	(162)
Cash and cash equivalents for statement of cash flows purposes at end of the year	<u>16,019</u>	<u>11,865</u>	<u>3,998</u>

21B. Reconciliation of purchase of property, plant and equipment arising from investing activities

	Group	
	2019	2018
	\$'000	\$'000
Purchase of property, plant and equipment (Note 14)	(3,498)	(7,035)
Additions in provision for restoration (Note 25)	20	133
	<u>(3,478)</u>	<u>(6,902)</u>

21C. Reconciliation of liabilities arising from financing activities

	At beginning of the year	Cash flows	At end of the year
Group:	\$'000	\$'000	\$'000
2019			
Long-term borrowings	10,971	(1,618)	9,353
Short-term borrowings	1,735	(1,109)	626
Total liabilities from financing activities	<u>12,706</u>	<u>(2,727)</u>	<u>9,979</u>
2018			
Long-term borrowings	11,993	(1,022)	10,971
Short-term borrowings	5,173	(3,438)	1,735
Total liabilities from financing activities	<u>17,166</u>	<u>(4,460)</u>	<u>12,706</u>

NOTES TO THE FINANCIAL STATEMENTS

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22. Share capital

	Group		Company	
	Number of shares issued	Share capital	Number of shares issued	Share capital
	'000	\$'000	'000	\$'000
Balance at 1 July 2017 ^(a)	300,000	20,949	300,000	20,949
Issuance of new shares pursuant to IPO	54,000	11,880	54,000	11,880
Capitalisation of IPO expenses	–	(522)	–	(522)
Balance at 30 June 2018 and 30 June 2019	354,000	32,307	354,000	32,307

(a) Share capital refers to shares issued to the Controlling Shareholder pursuant to the Restructuring Exercise as described in Note 1 as adjusted for the Share Split, which is deemed to have taken place since the beginning of the earliest period presented.

The company was incorporated on 26 May 2017 with an initial share capital of \$100 comprising 100 shares held by Mr. Hiroshi Tatara and Mr. Yek Hong Liat John ("Controlling Shareholders").

On 26 October 2017, the company issued 19,999,900 shares to the Controlling Shareholders for a consideration of \$20,949,018 pursuant to the Restructuring Exercise as described in Note 1.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

On 8 November 2017, pursuant to the Sub-Division, 20,000,000 shares in the capital of the Company were sub-divided into 300,000,000 shares.

Pursuant to the IPO on 22 November 2017, the company issued and allotted 54,000,000 ordinary shares for a consideration of \$11,880,000. IPO expenses incurred amounted to \$1,588,000, of which \$522,000 has been capitalised against share capital while the remaining amount of \$1,066,000 has been included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

Included in the total IPO expenses an amount of \$180,000 was paid to auditors of the company relating to the IPO exercise of the company in reporting year ended 30 June 2018.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

22. Share capital (cont'd)

Capital management (cont'd):

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Net debt:			
All current and non-current borrowings	9,979	12,706	17,166
Less cash and cash equivalents	(18,183)	(13,525)	(4,160)
(Net cash) net debt	<u>(8,204)</u>	<u>(819)</u>	<u>13,006</u>
Adjusted capital:			
Total equity	<u>38,254</u>	<u>35,600</u>	<u>24,695</u>
Debt-to-adjusted capital ratio	<u>N.M.</u>	<u>N.M.</u>	<u>52.67%</u>

N.M.: The debt-to-adjusted capital ratio may not provide a meaningful indicator of the risk from borrowings as the group is in net cash position.

23. Merger reserve

This represents the difference between the consideration paid and the share capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method, as described in Note 1 on Restructuring Exercise to the financial statements.

24. Share-based payment

Share options:

During the reporting year 30 June 2019, no option to take up unissued shares of the company or any body corporate in the group was granted. There were no employee share options granted since the commencement of the share option scheme which is more fully disclosed in the report of the directors.

NOTES TO THE FINANCIAL STATEMENTS

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25. Provisions, non-current

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Provision for restoration	1,632	1,799	1,760
Movements in above provision:			
Balance at beginning of year	1,799	1,760	1,827
Additions (Note 21B)	20	133	122
Utilisation	(26)	(94)	(189)
Written off	(161)	–	–
At end of the year	1,632	1,799	1,760

The provision is based on the present value of costs to be incurred to remove leasehold improvements from leasehold properties. The estimate is based on quotation from external contractors. The unwinding of discount is not significant.

26. Other financial liabilities

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>Non-current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Bank loan A (secured)	–	–	336
Bank loan B (secured)	1,943	2,084	2,218
Bank loan C (secured)	7,410	7,882	8,366
Bank loan D (secured)	–	1,005	1,073
Non-current	9,353	10,971	11,993
<u>Current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Bank loan A (secured)	–	1,039	1,984
Bank loan B (secured)	140	140	138
Bank loan C (secured)	486	490	485
Bank loan D (secured)	–	66	66
Bank loan E (secured)	–	–	1,500
Bank loan F (unsecured)	–	–	1,000
Current	626	1,735	5,173
Total	9,979	12,706	17,166

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

26. Other financial liabilities (cont'd)

The non-current portion is repayable as follows:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Due within 2 to 5 years	2,677	2,945	3,703
After 5 years	6,676	8,026	8,290
Total non-current portion	9,353	10,971	11,993

The range of floating rate interest rates were as follows:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	%	%	%
Bank loan A (secured)	3.37	2.60 - 2.90	2.56 - 2.72
Bank loan B (secured)	2.19 - 2.63	1.99 - 2.28	1.91 - 2.04
Bank loan C (secured)	2.19 - 2.63	1.99 - 2.28	1.91 - 2.04
Bank loan D (secured)	2.60 - 4.94	2.10 - 2.60	2.10 - 2.63
Bank loan E (secured)	-	2.69 - 3.00	2.69 - 3.00
Bank loan F (unsecured)	-	2.19 - 2.50	2.19 - 2.50

The bank loan agreements for certain of the bank loans provide among other matters for the following:

- Bank loan A The long term loan is secured by legal mortgage over the group's property, and the loan is repayable over 60 monthly instalments commencing August 2013. The loan has been fully repaid during the reporting year ended 30 June 2019.
- Bank loan B The long term loan is secured by legal mortgage over the group's property and guaranteed by the company. The loan is repayable over 240 monthly instalments commencing April 2012.
- Bank loan C The long term loan is secured by legal mortgage over the group's property. The loan is repayable over 240 monthly instalments commencing February 2013.
- Bank loan D The long term loan is secured by legal mortgage over the group's property. The loan is repayable over 180 monthly instalments commencing May 2017. The loan has been fully repaid during the reporting year ended 30 June 2019.
- Bank loan E The short term loan is secured by legal mortgage over the group's property. The loan has been fully repaid during the reporting year ended 30 June 2018.
- Bank loan F The short term loan is unsecured and is repayable on demand. The loan has been fully repaid during the reporting year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

27. Trade and other payables

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>Trade payables:</u>			
Outside parties	4,843	4,452	5,078
Related party	140	–	–
Accrued liabilities	5,637	5,546	5,783
Trade payables – subtotal	10,620	9,998	10,861
<u>Other payables:</u>			
Outside parties	743	687	405
For purchase of non-current assets	–	266	493
Other payables – subtotal	743	953	898
Total trade and other payables	11,363	10,951	11,759

	Company	
	30.06.2019	30.06.2018
	\$'000	\$'000
<u>Trade payables:</u>		
Outside parties	68	37
Accrued liabilities	188	195
Subsidiaries (Note 3)	299	1,780
Trade payables – subtotal	555	2,012
<u>Other payables:</u>		
Outside parties	3	–
Other payables – subtotal	3	–
Total trade and other payables	558	2,012

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

28. Other liabilities

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Deferred capital grants from government	87	101	115

29. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Commitments to purchase plant and equipment	251	237

30. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payments commitments under non-cancellable operating leases are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Not later than one year	20,928	21,547
Later than one year and not later than five years	19,296	25,407
Rental expense for the year	24,933	24,399

Included in the rental expenses for the year is an amount of approximately \$623,000 (2018: \$660,000) contingent rental (as described below) incurred during the year.

Operating lease payments are for rentals payable for its operating premises. The lease rental terms are negotiated for an average term of 3 years. Some of the leases contain escalation clauses. Some provide for contingent rentals based on percentages of sales. Lease terms do not contain restrictions on the group's activities concerning dividends, additional debt or further leasing. Contingent rental is not included in the commitments as it is currently not determinable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

31. Operating lease income commitments – as lessor

Operating lease income is for rentals receivables for its operating premises. The lease to the tenant is on a month-to-month basis with no commitment terms. At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are not significant.

32. Financial instruments: information on financial risks

32A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
Financial assets:			
Financial assets at amortised cost	20,810	15,028	5,215
Financial liabilities:			
Financial liabilities at amortised cost	21,342	23,657	28,925
Company			
	30.06.2019	30.06.2018	
	\$'000	\$'000	
Financial assets:			
Financial assets at amortised cost		13,429	16,255
Financial liabilities:			
Financial liabilities at amortised cost		558	2,012

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

32. Financial instruments: information on financial risks (cont'd)

32B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposure to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain strategies for the management of financial risks. However, these are not documented in formal writing. The following guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following the acceptable market practices.

There have been no changes to the exposures to risks; the objectives, policies and processes for managing the risks and the methods used to measure the risks.

32C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

32D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

32. Financial instruments: information on financial risks (cont'd)

32D. Credit risk on financial assets (cont'd)

Note 21 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

Other receivables are normally with no fixed terms and therefore there is no maturity.

32E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year \$'000	2 – 5 years \$'000	After 5 years \$'000	Total \$'000
Non-derivative financial liabilities:				
<u>30 June 2019:</u>				
Gross borrowing commitments	881	3,522	7,455	11,858
Trade and other payables	11,363	–	–	11,363
At end of the year	12,244	3,522	7,455	23,221
<u>30 June 2018:</u>				
Gross borrowing commitments	1,991	3,789	8,901	14,681
Trade and other payables	10,951	–	–	10,951
At end of the year	12,942	3,789	8,901	25,632
<u>1 July 2017:</u>				
Gross borrowing commitments	5,456	4,647	9,156	19,259
Trade and other payables	11,759	–	–	11,759
At end of the year	17,215	4,647	9,156	31,018
Company				
Non-derivative financial liabilities:				
<u>30 June 2019:</u>				
Trade and other payables	558	–	–	558
At end of the year	558	–	–	558
<u>30 June 2018:</u>				
Trade and other payables	2,012	–	–	2,012
At end of the year	2,012	–	–	2,012

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

32. Financial instruments: information on financial risks (cont'd)

32E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Financial guarantee contracts – For financial guarantees contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Group	Less than 1 year \$'000	1 – 3 years \$'000	Total \$'000
<u>30 June 2019:</u>			
Bank guarantees	570	2,637	3,207
<u>30 June 2018:</u>			
Bank guarantees	425	2,310	2,735
<u>1 July 2017:</u>			
Bank guarantees	–	964	964

The above bank guarantees were secured by legal mortgage over the group's property and guaranteed by the company.

Company	Less than 1 year \$'000	2 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<u>30 June 2019:</u>				
Corporate guarantees in favour of financial institutions for facilities extended to subsidiaries	626	2,674	6,676	9,976
<u>30 June 2018:</u>				
Corporate guarantees in favour of financial institutions for facilities extended to subsidiaries	2,160	6,404	8,027	16,591

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

32. Financial instruments: information on financial risks (cont'd)

32F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>Financial assets:</u>			
Fixed rate	12,354	6,164	162
Total at end of the year	<u>12,354</u>	<u>6,164</u>	<u>162</u>
<u>Financial liabilities:</u>			
Floating rate	9,979	12,706	17,166
Total at end of the year	<u>9,979</u>	<u>12,706</u>	<u>17,166</u>

The floating rate debt instruments are with interest rates that are reset regularly at one month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	Group		
	30.06.2019	30.06.2018	01.07.2017
	\$'000	\$'000	\$'000
<u>Financial liabilities:</u>			
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have a decrease in pre-tax profit for the year by	100	127	172

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

32. Financial instruments: information on financial risks (cont'd)

32G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies:

	Japanese Yen \$'000	Others \$'000	Total \$'000
Group			
30 June 2019:			
<u>Financial assets:</u>			
Cash and cash equivalents	48	43	91
Total financial assets	48	43	91
<u>Financial liabilities:</u>			
Trade and other payables	(22)	(301)	(323)
Total financial liabilities	(22)	(301)	(323)
Net financial assets (liabilities) at end of the year	26	(258)	(232)
30 June 2018:			
<u>Financial assets:</u>			
Cash and cash equivalents	136	78	214
Total financial assets	136	78	214
<u>Financial liabilities:</u>			
Trade and other payables	(15)	(383)	(398)
Total financial liabilities	(15)	(383)	(398)
Net financial assets (liabilities) at end of the year	121	(305)	(184)
1 July 2017:			
<u>Financial assets:</u>			
Cash and cash equivalents	58	227	285
Total financial assets	58	227	285
<u>Financial liabilities:</u>			
Trade and other payables	(78)	(424)	(502)
Total financial liabilities	(78)	(424)	(502)
Net financial liabilities at end of the year	(20)	(197)	(217)

Sensitivity analysis: The effect on profit before tax is not significant.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

33. Changes and adoption of financial reporting standards

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the group has adopted all the SFRS(I) which are effective for annual reporting periods beginning on or after 1 January 2018.

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below:

SFRS(I) No.	Title
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 2	Amendments to, Classification and Measurement of Share-based Payment Transactions
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers – Amendments to, Clarifications to SFRS 115 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

The above applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

34. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Adoption of the applicable new or revised standards are expected to result in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)	1 January 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 January 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

34. New or amended standards in issue but not yet effective (cont'd)

Those that are expected to have a material impact are described below:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on statements of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 July 2019.

On the adoption of SFRS(I) 16, the group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019.

In addition, the group plans to elect the following practical expedients:

- Not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- To apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019; and
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the group adopts SFRS(I) 16 in FY2020.

On the adoption of SFRS(I) 16, the group expects to recognise right-of-use assets of \$79,553,000 and lease liabilities of \$83,823,000 for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of \$4,270,000 and its related tax impact as of 1 July 2019.

35. Events after the end of the reporting year

- (i) On 30 August 2019, the company announced a share transfer of 15,000,000 shares from a substantial shareholder and executive director to two executive directors of the company by way of gift; and
- (ii) On 20 September 2019, the company's wholly-owned subsidiary, R E & S Enterprises Pte Ltd incorporated a joint venture company, namely Ebisu Private Limited with a counterparty in Singapore. R E & S Enterprises Pte Ltd holds 55% interest in the joint venture company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2019

36. Comparative figures

The company's financial statements for 2018 cover the reporting period since incorporation on 26 May 2017 to 30 June 2018. The company's financial statements for 2019 cover the twelve months ended 30 June 2019. Therefore, the comparative amounts for the statement of changes in equity of the company and related notes are not entirely comparable.

SHAREHOLDERS' INFORMATION

As at 18 September 2019

Number of equity securities	:	354,000,000
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	63	7.99	50,300	0.02
1,001 - 10,000	396	50.19	1,991,700	0.56
10,001 - 1,000,000	316	40.05	19,165,500	5.41
1,000,001 AND ABOVE	14	1.77	332,792,500	94.01
TOTAL	789	100.00	354,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HIROSHI TATARA	219,000,030	61.86
2	YEK HONG LIAT JOHN	60,000,000	16.95
3	ORCHID 2 INVESTMENTS PTE LTD	16,000,000	4.52
4	FOO KAH LEE	9,000,000	2.54
5	LIM SHYANG ZHENG (LIN XIANGZHENG)	7,834,000	2.21
6	BEN YEO CHEE SEONG	2,999,985	0.85
7	TEO ENG KIM	2,999,985	0.85
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,976,000	0.84
9	DBS NOMINEES (PRIVATE) LIMITED	2,550,000	0.72
10	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,252,100	0.64
11	PHILLIP SECURITIES PTE LTD	2,220,000	0.63
12	CHAN MEI LIN	1,750,000	0.49
13	YEO WEE LIN NICHOLAS	1,750,000	0.49
14	CITIBANK NOMINEES SINGAPORE PTE LTD	1,460,400	0.41
15	CHEAH PHI TEIK	523,000	0.15
16	CHAN CHEE MENG	519,600	0.15
17	OW CHEO GUAN	496,400	0.14
18	NG SENG LEE	457,500	0.13
19	RAFFLES NOMINEES (PTE.) LIMITED	457,300	0.13
20	SUM AH LAM	450,000	0.13
	TOTAL	335,696,300	94.83

SHAREHOLDERS' INFORMATION

As at 18 September 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 18 September 2019)

	Direct Interest	%	Deemed Interest	%
HIROSHI TATARA	219,000,030	61.86	–	–
YEK HONG LIAT JOHN	60,000,000	16.95	–	–

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Approximately 15.6% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “AGM”) of RE&S Holdings Limited (the “Company”) will be held at 32 Tai Seng Street, #07-01 RE&S Building, Singapore 533972 on 24 October 2019, Thursday, at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend (tax exempt one-tier) of 0.45 cent per ordinary share for the financial year ended 30 June 2019. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulations 97 and 103 of the Constitution of the Company:

Mr. Hiroshi Tataro	(Regulation 97)	(Resolution 3)
Mr. Guok Chin Huat Samuel	(Regulation 97)	(Resolution 4)
Mr. Foo Kah Lee	(Regulation 103)	(Resolution 5)
Mr. Lim Shyang Zheng	(Regulation 103)	(Resolution 6)

 - *Mr. Hiroshi Tataro will, upon re-election as a Director of the Company, remain as the Executive Director and President of the Company. Detailed information of Mr. Hiroshi Tataro required pursuant to Rule 720(5) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”) can be found in the Annual Report.*
 - *Mr. Guok Chin Huat Samuel will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee, Nominating Committee and Administration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information of Mr. Guok Chin Huat Samuel required pursuant to Rule 720(5) of the Catalist Rules can be found in the Annual Report.*
 - *Mr. Foo Kah Lee will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Executive Officer of the Company. Detailed information of Mr. Foo Kah Lee required pursuant to Rule 720(5) of the Catalist Rules can be found in the Annual Report.*
 - *Mr. Lim Shyang Zheng will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Operating Officer of the Company. Detailed information of Mr. Lim Shyang Zheng required pursuant to Rule 720(5) of the Catalist Rules can be found in the Annual Report.*
4. To approve the payment of Directors’ fees of S\$210,000 for the financial year ending 30 June 2020, to be paid quarterly in arrears. (FY2019: S\$210,000) **(Resolution 7)**
5. To re-appoint RSM Chio Lim LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may properly be transacted at an AGM.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. Authority to issue new shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Catalist Rules of SGX-ST, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) 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 of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was 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 Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a general meeting, such authority shall 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. **(Resolution 9)**

[See Explanatory Note (i)]

8. Authority to issue shares under the RE&S Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing RE&S Employee Share Option Scheme (the “**RE&S ESOS**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the RE&S ESOS, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the RE&S ESOS shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company 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. **(Resolution 10)**

[See Explanatory Note (ii)]

By Order of the Board

Josephine Toh
Secretary

Singapore
8 October 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holding) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting (the "**Meeting**").
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

RE&S HOLDINGS LIMITED

(Registration No. 201714588N)
(Incorporated In Singapore)

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. SRS Investors who are unable to attend the Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC / Passport No./ Co Reg No.)

of _____ (Address)

being *a member/members of **RE&S HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on 24 October 2019 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	For ⁽¹⁾	Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019		
2	Declaration of first and final dividend		
3	Re-election of Mr. Hiroshi Tatara as a Director		
4	Re-election of Mr. Guok Chin Huat Samuel as a Director		
5	Re-election of Mr. Foo Kah Lee as a Director		
6	Re-election of Mr. Lim Shyang Zheng as a Director		
7	Approval of Directors' fees amounting to S\$210,000 for the financial year ending 30 June 2020, to be paid quarterly in arrears		
8	Re-appointment of RSM Chio Lim LLP		
9	Authority to issue new shares		
10	Authority to allot and issue shares under the RE&S Employee Share Option Scheme		

(1) If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



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 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the Company’s Share Registrar’s Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under **the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 October 2019.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

RE&S

Food For Life

RE&S Holdings Limited

(Company Registration Number: 201714588N)

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