

# JAPAN FOODS HOLDING LTD

## JAPAN FOODS HOLDING LTD.

(Incorporated in the Republic of Singapore on 3 December 2007)  
(UEN.: 200722314M)

### UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2019

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### Consolidated statement of comprehensive income

	<----- Group -----> Second Quarter Ended 30 September			<----- Group -----> Six Months Ended 30 September		
	2019 (S\$'000)	2018 (S\$'000)	Increase/ (Decrease) (%)	2019 (S\$'000)	2018 (S\$'000)	Increase/ (Decrease) (%)
<b>Revenue</b>	<b>18,024</b>	<b>16,645</b>	<b>8.3</b>	<b>36,116</b>	<b>33,271</b>	<b>8.6</b>
Cost of sales	(2,802)	(2,603)	7.6	(5,539)	(5,131)	8.0
<b>Gross profit</b>	<b>15,222</b>	<b>14,042</b>	<b>8.4</b>	<b>30,577</b>	<b>28,140</b>	<b>8.7</b>
Other income	144	131	9.9	207	228	(9.2)
Interest income from bank	51	33	54.5	95	59	61.0
Other gains/(losses) – net	1	(7)	N.M <sup>(1)</sup>	(13)	16	N.M <sup>(1)</sup>
Selling and distribution expenses	(13,012)	(12,388)	5.0	(25,913)	(24,310)	6.6
Administrative expenses	(907)	(872)	4.0	(1,766)	(1,768)	(0.1)
Other operating expenses	(422)	(310)	36.1	(753)	(593)	27.0
Lease interest expenses	(229)	-	N.M <sup>(1)</sup>	(446)	-	N.M <sup>(1)</sup>
<b>Profit from operations</b>	<b>848</b>	<b>629</b>	<b>34.8</b>	<b>1,988</b>	<b>1,772</b>	<b>12.2</b>
Share of results of associated companies	(29)	125	N.M <sup>(1)</sup>	(46)	182	N.M <sup>(1)</sup>
Share of results of joint venture	(9)	-	N.M <sup>(1)</sup>	(17)	-	N.M <sup>(1)</sup>
<b>Profit before tax</b>	<b>810</b>	<b>754</b>	<b>7.4</b>	<b>1,925</b>	<b>1,954</b>	<b>(1.5)</b>
Income tax expenses	(173)	(129)	34.1	(407)	(363)	12.1
<b>Total comprehensive income for the period attributable to equity holders of the company</b>	<b>637</b>	<b>625</b>	<b>1.9</b>	<b>1,518</b>	<b>1,591</b>	<b>(4.6)</b>

#### Note:

(1) "N.M." denotes not meaningful.

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### 1(a)(ii) Notes to the income statements

The Group's profit before income tax is arrived at after (crediting) / charging the following:

	<----- Group -----> Second Quarter Ended 30 September			<----- Group -----> Six Months Ended 30 September		
	2019 (S\$'000)	2018 (S\$'000)	Increase / (Decrease) (%)	2019 (S\$'000)	2018 (S\$'000)	Increase / (Decrease) (%)
Interest income	(51)	(33)	54.5	(95)	(59)	61.0
Royalty and franchise income	(73)	(61)	19.7	(127)	(122)	4.1
Membership card sales	2	-	N.M <sup>(1)</sup>	-	-	N.M <sup>(1)</sup>
Insurance claims	(3)	(9)	(66.7)	(3)	(11)	(72.7)
Government grants <sup>(2)</sup>	(56)	(54)	3.7	(58)	(75)	(22.7)
Other income <sup>(3)</sup>	(14)	(7)	100.0	(19)	(20)	(5.0)
Depreciation of plant and equipment	997	1,074	(7.3)	2,001	2,098	(4.7)
Depreciation of right-of-use	3,679	-	N.M <sup>(1)</sup>	6,959	-	N.M <sup>(1)</sup>
Amortisation of intangible assets	18	19	(5.3)	32	34	(5.9)
Property, plant and equipment written off	38	12	216.7	62	18	244.4
Currency exchange (gain)/loss - net	(1)	7	N.M <sup>(1)</sup>	13	(16)	N.M <sup>(1)</sup>

#### Notes:

- (1) "N.M." denotes not meaningful.
- (2) Government grants refer mainly to the Temporary Employment Credit and Special Employment Credit Scheme.
- (3) Other income refers mainly to sales of scrap materials and marketing subsidy.

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### 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

#### Statement of financial position

	<----- Group ----->		<----- Company----->	
	As at		As at	
	30.09.2019	31.03.2019	30.09.2019	31.03.2019
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	22,784	22,051	3,202	2,643
Trade receivables	712	995	8	-
Other receivables	40	15	3,129	4
Inventories	840	682	-	-
Amounts owing from subsidiary corporations	-	-	-	4,089
Other current assets	2,683	3,068	45	48
	<b>27,059</b>	<b>26,811</b>	<b>6,384</b>	<b>6,784</b>
<b>Non-current assets</b>				
Plant and equipment	9,924	9,309	6	10
Investment in subsidiary corporations	-	-	5,727	5,727
Investment in associated companies	2,397	2,423	191	191
Investment in joint ventures	83	100	121	100
Loan to an associated company	248	248	248	248
Other investment at amortised cost	753	754	-	-
Intangible assets	357	388	-	-
Right-of-use assets	38,253	-	31	-
Club membership	322	322	322	322
Long-term security deposits	3,566	3,391	13	13
	<b>55,903</b>	<b>16,935</b>	<b>6,659</b>	<b>6,611</b>
<b>Total Assets</b>	<b>82,962</b>	<b>43,746</b>	<b>13,043</b>	<b>13,395</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	1,612	1,367	-	-
Other payables and accruals	7,885	7,226	318	516
Current income tax liabilities	920	1,014	5	9
Lease liabilities	17,069	-	31	-
	<b>27,486</b>	<b>9,607</b>	<b>354</b>	<b>525</b>
<b>Non-current liability</b>				
Deferred income tax liabilities	320	320	2	2
Lease liabilities	21,516	-	-	-
	<b>21,836</b>	<b>320</b>	<b>2</b>	<b>2</b>
<b>Total Liabilities</b>	<b>49,322</b>	<b>9,927</b>	<b>356</b>	<b>527</b>
<b>Net assets</b>	<b>33,640</b>	<b>33,819</b>	<b>12,687</b>	<b>12,868</b>
<b>EQUITY</b>				
Share capital	9,522	9,522	9,522	9,522
Treasury shares	(156)	(376)	(156)	(376)
Capital reserves	73	80	74	80
Retained earnings	24,201	24,593	3,247	3,642
<b>Total Equity</b>	<b>33,640</b>	<b>33,819</b>	<b>12,687</b>	<b>12,868</b>

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### 1(b)(ii) Aggregate amount of group's borrowings and debt securities.

#### Amount repayable in one year or less, or on demand

As at 30 September 2019		As at 31 March 2019	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
-	-	-	-

#### Amount repayable after one year

As at 30 September 2019		As at 31 March 2019	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
-	-	-	-

#### Details of any collateral

Nil

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

### Consolidated statement of cash flows

	<----- Group -----> Second Quarter Ended 30 September		<----- Group -----> Six Months Ended 30 September	
	2019 (S\$'000)	2018 (S\$'000)	2019 (S\$'000)	2018 (S\$'000)
<b>Cash flows from operating activities:</b>				
<b>Net profit</b>	<b>637</b>	<b>625</b>	<b>1,518</b>	<b>1,591</b>
Adjustments for:				
Income tax expenses	173	129	407	363
Depreciation of property, plant and equipment	997	1,074	2,001	2,098
Depreciation of right-of-use	3,679	-	6,959	-
Amortisation of intangible assets	18	19	32	34
Property, plant and equipment written off	38	12	62	18
Share of profits of associated companies	29	(125)	46	(182)
Share of result of joint venture	9	-	17	-
Interest on leases	229	-	446	-
Interest income from bank deposits	(51)	(33)	(95)	(59)
Amortisation of government grants	-	(3)	(2)	(5)
Employee performance shares expenses	213	-	213	339
	<b>5,971</b>	<b>1,698</b>	<b>11,604</b>	<b>4,197</b>
<b>Changes in working capital:</b>				
Inventories	(108)	29	(158)	13
Trade and other receivables	180	(160)	267	(15)
Other current assets	(24)	(249)	385	(259)
Long-term security deposits	250	185	(175)	402
Trade and other payables	227	231	906	780
<b>Cash generated from operations</b>	<b>6,496</b>	<b>1,734</b>	<b>12,829</b>	<b>5,118</b>
Interest income received	46	39	85	59
Income tax paid	(492)	(726)	(501)	(726)
<b>Net cash provided by operating activities</b>	<b>6,050</b>	<b>1,047</b>	<b>12,413</b>	<b>4,451</b>
<b>Cash flows from investing activities:</b>				
Additions to property, plant and equipment	(1,190)	(1,436)	(2,677)	(2,217)
Additions to intangible assets	-	(48)	-	(134)
Additions to associated company	(21)	-	(21)	(143)
Redemption of financial assets, held-to-maturity	-	-	-	251
Dividends received from associated company	-	217	-	217
<b>Net cash used in investing activities</b>	<b>(1,211)</b>	<b>(1,267)</b>	<b>(2,698)</b>	<b>(2,026)</b>

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### Consolidated statement of cash flows (cont'd)

	<----- Group ----->		<----- Group ----->	
	Second Quarter Ended 30 September		Six Months Ended 30 September	
	2019	2018	2019	2018
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
<b>Cash flows from financing activities:</b>				
Decrease in short-term bank deposits pledged	(5)	(4)	(5)	(317)
Repayment of lease liabilities	(3,504)	-	(6,626)	-
Interest on leases	(229)	-	(446)	-
Purchase of treasury shares	-	(197)	-	(197)
Dividend paid to equity holders of the Company	(1,910)	(2,263)	(1,910)	(2,263)
<b>Net cash used in financing activities</b>	<b>(5,648)</b>	<b>(2,464)</b>	<b>(8,987)</b>	<b>(2,777)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(809)</b>	<b>(2,684)</b>	<b>728</b>	<b>(352)</b>
<b>Cash and cash equivalents</b>				
Beginning of financial period	21,048	22,111	19,511	19,779
<b>End of financial period <sup>(1)</sup></b>	<b>20,239</b>	<b>19,427</b>	<b>20,239</b>	<b>19,427</b>

#### Note:

- (1) This excludes bank deposits of \$2.5 million as at 30 September 2019 (S\$2.4 million as at 30 September 2018) pledged as security for bank facilities granted by financial institution(s) to the Group.

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

### Statement of changes in equity

Group	Share capital (S\$'000)	Treasury shares (S\$'000)	Capital reserves (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
<b>Balance as at 1 April 2019</b>	<b>9,522</b>	<b>(376)</b>	<b>80</b>	<b>24,593</b>	<b>33,819</b>
Total comprehensive income for the period	-	-	-	881	881
<b>Balance as at 30 June 2019</b>	<b>9,522</b>	<b>(376)</b>	<b>80</b>	<b>25,474</b>	<b>34,700</b>
Dividend paid	-	-	-	(1,910)	(1,910)
Performance shares granted	-	220	(7)	-	213
Total comprehensive income for the period	-	-	-	637	637
<b>Balance as at 30 September 2019</b>	<b>9,522</b>	<b>(156)</b>	<b>73</b>	<b>24,201</b>	<b>33,640</b>
<b>Balance as at 1 April 2018</b>	<b>9,522</b>	<b>(424)</b>	<b>24</b>	<b>24,911</b>	<b>34,033</b>
Performance shares granted	-	283	56	-	339
Total comprehensive income for the period	-	-	-	966	966
<b>Balance as at 30 June 2018</b>	<b>9,522</b>	<b>(141)</b>	<b>80</b>	<b>25,877</b>	<b>35,338</b>
Dividend paid	-	-	-	(2,263)	(2,263)
Purchase of treasury shares	-	(197)	-	-	(197)
Total comprehensive income for the period	-	-	-	625	625
<b>Balance as at 30 September 2018</b>	<b>9,522</b>	<b>(338)</b>	<b>80</b>	<b>24,239</b>	<b>33,503</b>

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Company	Share capital (S\$'000)	Treasury shares (S\$'000)	Capital reserves (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
<b>Balance as at 1 April 2019</b>	<b>9,522</b>	<b>(376)</b>	<b>80</b>	<b>3,642</b>	<b>12,868</b>
Total comprehensive income for the period	-	-	-	14	14
<b>Balance as at 30 June 2019</b>	<b>9,522</b>	<b>(376)</b>	<b>80</b>	<b>3,656</b>	<b>12,882</b>
Dividend paid	-	-	-	(1,910)	(1,910)
Performance shares granted	-	220	(7)	-	213
Total comprehensive income for the period	-	-	-	1,502	1,502
<b>Balance as at 30 September 2019</b>	<b>9,522</b>	<b>(156)</b>	<b>73</b>	<b>3,248</b>	<b>12,687</b>
<b>Balance as at 1 April 2018</b>	<b>9,522</b>	<b>(424)</b>	<b>24</b>	<b>3,000</b>	<b>12,122</b>
Performance shares granted	-	283	56	-	339
Total comprehensive income for the period	-	-	-	22	22
<b>Balance as at 30 June 2018</b>	<b>9,522</b>	<b>(141)</b>	<b>80</b>	<b>3,022</b>	<b>12,483</b>
Dividend paid	-	-	-	(2,263)	(2,263)
Purchase of treasury shares	-	(197)	-	-	(197)
Total comprehensive income for the period	-	-	-	1,736	1,736
<b>Balance as at 30 September 2018</b>	<b>9,522</b>	<b>(338)</b>	<b>80</b>	<b>2,495</b>	<b>11,759</b>



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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 30 June 2019, the Company held 833,100 treasury shares and the total number of ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares) was 173,602,900 Shares.

On 14 August 2019, 490,000 treasury shares ("**PSP Shares**") were transferred to certain employees of the Group pursuant to the Japan Foods Performance Share Scheme.

After such transfer and as at 30 September 2019, the Company held 343,100 treasury shares and the total number of issued Shares (excluding treasury shares) was 174,092,900 Shares.

Save for the above, there were no other changes in the Company's share capital between 30 June 2019 and 30 September 2019.

As at 30 September 2019 and as at 30 September 2018, the Company did not have any outstanding options or convertibles.

As at 30 September 2019, the Company did not have any subsidiary holdings and held 343,100 treasury shares which represented approximately 0.2% of the total issued Shares (excluding treasury shares and subsidiary holdings) comprising 174,092,900 shares. As at 30 September 2018, the Company did not have any subsidiary holdings and held 743,900 treasury shares which represented approximately 0.4% of the total issued Shares (excluding treasury shares and subsidiary holdings) comprising 173,692,100 shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<b>As at 30 September 2019</b>	<b>As at 31 March 2019</b>
Total number of issued Shares	174,436,000	174,436,000
Less: Treasury shares	(343,100)	(833,100)
Total number of issued Shares, excluding treasury shares	174,092,900	173,602,900

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- 1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

	Second quarter ended 30 September 2019
<b>Treasury shares:</b>	
Balance at beginning of financial period	833,100
Transferred on award of PSP Shares	(490,000)
Purchase of treasury shares	-
Balance at end of financial period	<u>343,100</u>

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company did not have any subsidiary holdings.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in Paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the unaudited consolidated financial statements for the six (6) months ended 30 September 2019 compared to its most recently audited annual financial statements for the financial year ended 31 March 2019.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all the new and revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and Interpretations of SFRS(I) ("**INT SFRS(I)**") that are effective for annual periods beginning on or after 1 January 2019 and are relevant to its operations.

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The adoption of these new/revised SFRS(I) and INT SFRS(I) does not result in any material changes to the Group's accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recently audited financial statements as at 31 March 2019, except as described below:-

### SFRS(I) 16 – Leases

SFRS(I) 16 introduces a single lessee accounting model. A lessee is required to recognise all leases on its statements of financial position to reflect its rights to use the leased assets (“**ROU assets**”) and a corresponding lease liability except for certain short-term leases (less than 12 months) and leases of low-value assets.

The Group capitalised its operating leases on office premises and other operating facilities on the statement of financial position by recognising ROU assets and their corresponding lease liabilities based on future lease payments of S\$30.6 million which has been discounted to present values of S\$29.4 million as at 1 April 2019. Subsequently, the ROU assets will be depreciated over the lease term on straight line method and the lease liabilities will be measured at amortised cost.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period.

The adoption of SFRS(I) 16 resulted in adjustments to the statement of financial position of the Group as at 1 April 2019. On adoption of SFRS(I) 16, the Group chose to measure the right-of-use assets at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before 1 April 2019. Accordingly, the adoption of SFRS(I) 16 does not result in any adjustment to the opening balance of retained earnings as at 1 April 2019.

### Effects of adoption of SFRS(I) 16 on the Group's unaudited consolidated financial statements for the second quarter from 1 July 2019 to 30 September 2019 (“2Q2020”) and six months ended 30 September 2019 (“HY2020”)

#### Income statements for 2Q2020 and HY2020

Items	2Q2020		HY2020	
	Previous accounting standard S\$'000	Adoption of new accounting standard S\$'000	Previous accounting standard S\$'000	Adoption of new accounting standard S\$'000
Rent expense	5,526	1,793	10,867	3,795
Depreciation of right-of-use	-	3,679	-	6,959
Imputed interest on leases	-	229	-	446
<b>Total</b>	<b>5,526</b>	<b>5,701</b>	<b>10,867</b>	<b>11,200</b>

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### Statements of financial position as at 30 September 2019

Items	Previous accounting standard S\$'000	Adoption of new accounting standard S\$'000
Non-current assets – right-of-use assets	-	38,253
Non-current liabilities – Lease liabilities	-	17,069
Current liabilities – Lease liabilities	-	21,516

### Statements of cash flows for HY2020

	Previous accounting standard S\$'000	Adoption of new accounting standard S\$'000	Net effect Inflow/(outflow) S\$'000
<b>Cash flows from operating activities</b>			
Net profit	1,851	1,518	(333)
Depreciation of right-of-use	-	6,959	6,959
Imputed interest on leases	-	446	446
<b>Total</b>	<b>1,851</b>	<b>8,923</b>	<b>7,072</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	-	6,626	(6,626)
Imputed interest on leases	-	446	(446)
<b>Total</b>	<b>-</b>	<b>7,072</b>	<b>(7,072)</b>

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6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

### Earnings per share ("EPS")

	<----- Group ----->		<----- Group ----->	
	Second Quarter Ended		Six Months Ended	
	30 September		30 September	
	2019	2018	2019	2018
Earnings attributable to equity holders of the Company (S\$'000)	637	625	1,518	1,591
Weighted average number of Shares used in computation of basic EPS	173,858,552	173,977,541	173,731,425	173,856,463
Basic EPS attributable to equity holders of the Company (cents) <sup>(1)</sup>	0.37	0.36	0.87	0.92
Fully diluted EPS attributable to equity holders of the Company (cents) <sup>(2)</sup>	0.37	0.36	0.87	0.92

#### Notes:

- (1) Basic EPS is computed by dividing the Group's earnings attributable to the equity holders of the Company in each financial period by the weighted average number of Shares outstanding during the respective financial periods.
- (2) Fully diluted EPS is the same as the basic EPS for the financial periods presented in the table above as the Company did not have any outstanding instruments convertible into rights to subscribe for, and options in respect of its Shares during these respective financial periods.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

(a) **current financial period reported on; and**

(b) **immediately preceding financial year.**

### Net asset value ("NAV")

	<----- Group ----->		<----- Company ----->	
	As at		As at	
	30 September	31 March	30 September	31 March
	2019	2019	2019	2019
NAV per Share (cents)	19.32	19.48	7.29	7.41
Number of Shares used in computation of NAV per Share	174,092,900	173,602,900	174,092,900	173,602,900

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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

As at 30 September 2019, the Group had a total of 58 restaurants in operation comprising 16 "Ajisen Ramen" restaurants, 2 "Karamen" restaurants, 7 "Akimitsu" restaurants, 2 "Fruit Paradise" restaurants, 5 "Konjiki Hototogisu" restaurants, 11 "Menya Musashi" restaurants, 2 "Menzo Butao" restaurants, 5 "Osaka Ohsho" restaurants, 2 "Kagurazaka Saryo" restaurants and 6 restaurants operating under various other brands, namely, "Afuri Ramen", "Curry is Drink", "Japanese Gourmet Town", "Kazokutei", "New ManLee Bak Kut Teh" and "Yonehachi". As at 30 September 2019, the Group had 180,000 members under the royalty program known as JFH Rewards.

As at 30 September 2018, the Group had a total of 53 restaurants in operation comprising 17 "Ajisen Ramen" restaurants, 2 "Kagurazaka Saryo" restaurants, 11 "Menya Musashi" restaurants, 7 "Shitamachi Tendon Akimitsu" restaurants, 5 "Osaka Ohsho" restaurants, 2 "Menzo Butao" restaurants and 9 restaurants operating under various other brands, namely, "Curry Is Drink", "Kazokutei", "Fruit Paradise", "Konjiki Hototogisu", "Japanese Gourmet Town", "New ManLee Bak Kut Teh", "Yonehachi", "Ginza Kushi-Katsu" and "Dutch Baby Cafe".

### **Review of financial performance of the Group for 2Q2020 compared to 2Q2019**

#### **Revenue**

The Group's revenue increased by S\$1.4 million or 8.3% from S\$16.6 million in the second quarter from 1 July 2018 to 30 September 2018 ("**2Q2019**") to S\$18.0 million in the second quarter from 1 July 2019 to 30 September 2019 ("**2Q2020**") in line with a higher number of restaurants in operation during 2Q2020. The increase in the Group's revenue was a result of the following:

- (i) *net increase in revenue of S\$2.6 million from the restaurants operating under other brands*

The Group recorded an increase in revenue of S\$3.1 million in 2Q2020, mainly contributed by new restaurants operating under the "Fruit Paradise", "Afuri Ramen" and "Konjiki Hototogisu" brands.

The increase in revenue was partially offset by a decrease in revenue of S\$0.5 million in 2Q2020 as compared to 2Q2019, mainly due to the closure of restaurants operating under the "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands as well as a 2-week closure of "Kazokutei" restaurant in August 2019 for renovation.

- (ii) *net decrease in revenue of S\$0.3 million from the restaurants operating under the "Ajisen Ramen" and "Karamen" brands*

The Group's revenue from restaurants operating under the "Ajisen Ramen" and "Karamen Ramen" brands decreased from S\$5.8 million in 2Q2019 to S\$5.5 million in 2Q2020, mainly attributable to (i) closure of two restaurants at White Sands and Sembawang Shopping Centre in November 2018 and April 2019 respectively and (ii) lower net sales generated from some existing restaurants. This decrease in revenue

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was mitigated by revenue contribution from two new Karamen restaurants at 111 Somerset and Funan which opened in March 2019 and June 2019, respectively.

*(iii) net decrease in revenue of S\$0.1 million from the restaurants operating under the “Menya Musashi” brand*

The Group’s revenue from restaurants operating under the “Menya Musashi” brand decreased from S\$3.7 million in 2Q2019 to S\$3.6 million in 2Q2020, mainly attributable to lower net sales generated from some existing restaurants which were partially offset by contribution from a new Menya Musashi restaurant in Chinatown Point which opened in September 2018.

*(iv) net decrease in revenue of S\$0.2 million from the restaurants operating under the “Osaka Ohsho” brand*

The Group’s revenue from restaurants operating under the “Osaka Ohsho” brand decreased from S\$1.8 million in 2Q2019 to S\$1.6 million in 2Q2020, mainly attributable to lower net sales generated from some existing restaurants.

*(v) net decrease in revenue of S\$0.4 million from the restaurants operating under the “Shitamachi Tendon Akimitsu” brand*

The Group’s revenue from restaurants operating under the “Shitamachi Tendon Akimitsu” brand decreased from S\$2.2 million in 2Q2019 to S\$1.8 million in 2Q2020, mainly attributable to lower net sales generated from some existing restaurants.

*(vi) impact of JFH Rewards*

The reward points known as \$J earned by members (net of expired points of S\$62,000) under JFH Rewards amounted to S\$0.4 million in 2Q2020 compared to S\$0.2 million in 2Q2019. In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognised during the respective financial periods.

### Gross profit

The Group’s gross profit increased by S\$1.2 million or 8.4%, from S\$14.0 million in 2Q2019 to S\$15.2 million in 2Q2020, in line with the higher revenue achieved. The Group maintained its overall gross profit margin at 84.4% in 2Q2020 which was approximately the same as that in 2Q2019.

### Other income

The Group’s other income increased by S\$13,000 or 9.9% from S\$131,000 in 2Q2019 to S\$144,000 in 2Q2020 mainly due to higher franchise fees and higher sales of scrap materials which were partially offset by lower insurance claim in 2Q2020.

### Interest income from bank

The Group’s interest income from bank increased by S\$18,000 or 54.5% from S\$33,000 in 2Q2019 to S\$51,000 in 2Q2020, due mainly to higher interest rates on cash deposits placed with the banks.



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### Other gains/(losses)

The Group recognised other gain of S\$1,000 in 2Q2020 as compared to other loss of S\$7,000 in 2Q2019. The other gains/(loss) mainly relates to foreign exchange gains and losses during the relevant periods.

### Selling and distribution expenses

The Group's selling and distribution expenses increased by S\$0.6 million or 5.0% from S\$12.4 million in 2Q2019 to S\$13.0 million in 2Q2020 in line with the increase in the number of restaurants in operation during 2Q2020, mainly due to (i) higher manpower cost, utilities and online delivery fees and (ii) higher rental charges and depreciation of ROU assets.

### Administrative expenses

The Group's administrative expenses remained the same at S\$0.9 million in 2Q2019 as compared to 2Q2018.

### Other operating expenses

The Group's other operating expenses increased by S\$0.1 million or 17.0% from S\$0.3 million in 2Q2019 to S\$0.4 million in 2Q2020 due to higher royalty expenses with more brands and restaurants in operation in 2Q2020.

### Lease interest expenses

Lease interest expenses relate to imputed interest on operating leases and amounted to S\$0.2 million in 2Q2020. Please refer to Paragraph 5 above for the effects of adoption of SFRS(I) 16.

### Share of profit of associated companies and joint venture company

The Group recorded its share of loss of its associated companies of S\$29,000 in 2Q2020 as compared to its share of profit of S\$125,000 in 2Q2019, mainly due to losses incurred at certain "Menya Musashi" brand restaurants operated by an associated company in Hong Kong as a result of intense competition and the impact of the recent social unrest in Hong Kong.

The Group recorded its share of loss of its joint venture company of S\$9,000 in 2Q2020. As at 30 September 2019, the joint venture company, Dining Collective Pte Ltd, had not commenced operations and the loss was due to general overhead and administrative costs incurred during 2Q2020.

### Income tax expenses

The Group's income tax expenses increased by S\$44,000 or 34.1% from S\$129,000 in 2Q2019 to S\$173,000 in 2Q2020 due to higher taxable profit.



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### Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company increased marginally by S\$12,000 or 1.9% from S\$625,000 in 2Q2019 to from S\$637,000 in 2Q2020.

### Review of financial performance of the Group for HY2020 compared to HY2019

#### Revenue

The Group's revenue increased by S\$2.8 million or 8.6% from S\$33.3 million in the six (6) months ended 30 September 2018 ("HY2019") to S\$36.1 million in the six (6) months ended 30 September 2019 ("HY2020"). The increase in the Group's revenue was a result of the following:

- (i) *a net increase in revenue of S\$5.2 million from the restaurants operating under other brands*

The Group recorded an increase in revenue of S\$6.1 million in HY2020, mainly contributed by new restaurants operating under the "Fruit Paradise", "Afuri Ramen", "Menzo Butao" and "Konjiki Hototogisu" brands.

This increase in revenue was partially offset by a decrease in revenue of S\$0.9 million due to the closure of restaurants operating under the "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands.

- (ii) *net decrease in revenue of S\$0.2 million from the restaurants operating under the "Menya Musashi" brand*

The Group's revenue from restaurants operating under the "Menya Musashi" brand decreased from S\$7.5 million in HY2019 to S\$7.3 million in HY2020, mainly attributable to lower net sales generated from some existing restaurants which were partially offset by contribution from a new Menya Musashi restaurant in Chinatown Point which opened in September 2018.

- (iii) *net decrease in revenue of S\$0.7 million from the restaurants operating under the "Ajisen Ramen" and "Karamen" brands*

The Group's revenue from restaurants operating under the "Ajisen Ramen" brands decreased from S\$12.0 million in HY2019 to S\$11.3 million in HY2020, mainly attributable to (i) closure of two restaurants at White Sands and Sembawang Shopping Centre in November 2018 and April 2019 respectively and (ii) lower net sales generated from some existing restaurants. This decrease in revenue was mitigated by revenue contribution from two new Karamen restaurants at 111 Somerset and Funan in March 2019 and June 2019 respectively.

- (iv) *net decrease in revenue of S\$0.3 million from the restaurants operating under "Osaka Ohsho" brand*

The Group's revenue from restaurants operating under the "Osaka Ohsho" brand decreased from S\$3.6 million in HY2019 to S\$3.3 million in HY2020, mainly attributable to lower net sales generated from some existing restaurants.

- (v) *net decrease in revenue of S\$0.9 million from the restaurants operating under the "Shitamachi Tendon Akitmitsu" brand*

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The Group's revenue from restaurants operating under the "Shitamachi Tendon Akimitsu" brand decreased from S\$4.3 million in HY2019 to S\$3.4 million in HY2020, mainly attributable to lower net sales generated from some existing restaurants.

### (vi) *impact of JFH Rewards*

The reward points known as \$J earned by members (net of expired points of S\$124,000) under JFH Rewards amounted to S\$0.7 million in HY2020 as compared to S\$0.4 million in HY2019. In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognised during the respective financial periods.

### **Gross profit**

The Group's gross profit increased by S\$2.4 million or 8.7% from S\$28.2 million in HY2019 to S\$30.6 million in HY2020, generally in line with the increase in the Group's revenue. The Group maintained its overall gross profit margin at 84.7% in HY2020 as compared to 84.6% in 2Q2019.

### **Other income**

The Group's other income decreased by S\$21,000 or 9.2% from S\$228,000 in HY2019 to S\$207,000 in 2Q2020 mainly due to lower government grant received and lower insurance claim.

### **Selling and distribution expenses**

The Group's selling and distribution expenses increased by S\$1.6 million or 6.6% from S\$24.3 million in HY2019 to S\$25.9 million in HY2020 in line with the increase in the number of restaurants in operation during HY2020, mainly due to (i) higher manpower cost, utilities and online delivery fees and (ii) higher rental charges and depreciation of ROU assets.

### **Administrative expenses**

The Group's administrative expenses remained the same at S\$1.8 million in HY2020 as compared to HY2019.

### **Other operating expenses**

The Group's other operating expenses increased by S\$160,000 or 27.0% from S\$593,000 in HY2019 to S\$753,000 in HY2020 due to higher royalty expenses in line with more brands and restaurants in operation in HY2020.

### **Lease interest expenses**

Lease interest expenses relate to imputed interest on operating leases amounting to S\$0.4 million in HY2020. Please refer to Paragraph 5 above for the effects of adoption of SFRS(I) 16.

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### Share of profit of associated companies and joint venture company

The Group recorded its share of loss of its associated companies of S\$46,000 in HY2020 as compared to its share of profit of S\$182,000 in HY2019, mainly due to a write-off of equipment and re-instatement expenses arising from closure of a “Menya Musashi” brand restaurant in June 2019 upon expiry of lease as well as losses incurred at certain “Menya Musashi” brand restaurants operated by an associated company in Hong Kong as a result of intense competition and the impact of the recent social unrest in Hong Kong.

The Group recorded its share of loss of its joint venture company of S\$17,000 in HY2020. As at 30 September 2019, the joint venture company, Dining Collective Pte Ltd, had not commenced operations and the loss was due to general overhead and administrative costs incurred during HY2020.

### Income tax expenses

The Group's income tax expenses increased by S\$44,000 or 12.1% from S\$363,000 in HY2019 to S\$407,000 in HY2020, due to higher taxable profit.

### Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company decreased by S\$0.1 million or 5.9% from S\$1.6 million in HY2019 to S\$1.5 million in HY2020.

## Review of financial position of the Group as at 30 September 2019

### Current assets

The Group's total current assets increased by S\$0.2 million, from S\$26.8 million as at 31 March 2019 to S\$27.0 million as at 30 September 2019. This was mainly due to (i) an increase in cash and bank balances of S\$0.7 million and (ii) an increase in inventories of S\$0.1 million. The increases were partially offset by decreases in trade receivables of S\$0.2 million and short-term rental deposits and prepayments of S\$0.4 million.

### Non-current assets

The Group's total non-current assets increased by S\$39.0 million, from S\$16.9 million as at 31 March 2019 to S\$55.9 million as at 30 September 2019.

This was mainly due to (i) an increase in net book value of plant and equipment of S\$0.6 million, (ii) an increase in long-term security deposits of S\$0.2 million; and (iii) an increase in ROU assets of S\$38.2 million arising from the adoption of SFRS (I) 16. Please refer to Paragraph 5 above for the effects of adoption of SFRS(I) 16.

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### Current liabilities

The Group's total current liabilities increased by S\$17.9 million, from S\$9.6 million as at 31 March 2019 to S\$27.5 million as at 30 September 2019, mainly due to higher trade payables and accruals of S\$0.9 million and the recognition of current portion of lease liabilities amounting to S\$17.0 million arising from the adoption of SFRS (I) 16.

The Group has net current liabilities of S\$0.4 million as at 30 September 2019, due to the recognition of lease liabilities of S\$17.1 million arising from the adoption of SFRS(I) 16 which are expected to be paid within 12 months after the balance sheet date. Based on the Group's internal resources and projected operational cash flows, the Board is of the opinion that the Group will have sufficient funds to meet its financial obligations as and when they fall due.

### Non-current liabilities

The Group's total non-current liabilities increased by S\$21.5 million, from S\$0.3 million as at 31 March 2019 to S\$25.8 million as at 30 September 2019, due to the recognition of the long-term portion of lease liabilities of S\$21.5 million arising from the adoption of SFRS (I) 16.

### Shareholders' equity

The Group's shareholders' equity decreased by S\$0.2 million, from S\$33.8 million as at 31 March 2019 to S\$33.6 million as at 30 September 2019. The decrease was mainly due to the distribution of final dividend in respect of FY2019 amounting to S\$1.9 million which was partially offset by the net profit achieved by the Group in HY2019 of S\$1.5 million and the transfer of treasury shares to the Group's employees pursuant to the Japan Foods Performance Share Plan (as announced on 14 August 2019) amounting to S\$0.2 million.

### Review of cash flow statement for 2Q2020

The Group's net cash generated from operating activities in 2Q2020 was S\$6.0 million. This was mainly due to operating profit after working capital changes of S\$6.5 million which was offset by payment of income tax of S\$0.5 million.

The Group's net cash used in investing activities in 2Q2020 was S\$1.2 million arising from renovation cost and purchase of equipment for the Group's new and existing restaurants and central kitchen.

The Group's net cash used in financing activities in 2Q2020 was S\$5.6 million due to dividend payment of S\$1.9 million, repayment of lease liabilities of S\$3.5 million and interest on lease of S\$0.2 million.

### Review of cash flow statement for HY2020

The Group's net cash generated from operating activities in HY2020 was S\$12.4 million. This was mainly due to operating profit after working capital changes of S\$12.8 million plus interest income of S\$0.1 million and offset by payment of income tax of S\$0.5 million.

The Group's net cash used in investing activities in HY2020 was S\$2.7 million arising from renovation cost and purchase of equipment for the Group's new and existing restaurants and central kitchen.

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The Group's net cash used in financing activities in HY2020 was S\$9.0 million due to dividend payment of S\$1.9 million, repayment of lease liabilities of S\$6.6 million and interest on lease of S\$0.5 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

There has not been any forecast or prospect statement in relation to the Group's results previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The operating environment in the local food and beverage industry is expected to remain challenging in the next 12 months due to intense competition, tight labour supply, rising business costs and uncertain economic outlook. The Group will continue to focus its efforts in controlling raw material costs, improving operational efficiency via streamlining of work processes and technology and practising good restaurant portfolio management taking into account market demand and individual restaurant's profitability.

As at 30 September 2019, the Group's associated companies operated 6 restaurants in Hong Kong, 11 restaurants in China and 1 restaurant in Indonesia under the "Menya Musashi" brand. On 8 August 2019, the Company and an indirect wholly-owned subsidiary of Ajisen (China) Holdings Limited had established a 30-70 joint venture company known as Wakayama International Limited ("**Wakayama**") to operate restaurant(s) under the "Konjinki Hototogisu" brand in Hong Kong.

The social unrest in Hong Kong had negatively impacted the performance of "Menya Musashi" restaurants operated by the Group's associated companies in Hong Kong. In executing its business strategy and expansion, the Company will monitor the situation in Hong Kong. As at the date of this announcement, subject to business considerations and developments in Hong Kong, Wakayama remains on track to set up its first "Konjinki Hototogisu" restaurant in Hong Kong.

On 29 January 2019, the Company and Minor Food Group (Singapore) Pte.Ltd. ("**MS**") established a joint venture ("**JV**") to conduct the business of franchising and operating existing restaurant brands owned by the Company and MS in Japan, Thailand and the People's Republic of China. The Company and MS are actively looking for a suitable location to open its first store in Japan and upon securing a suitable location, the JV plans to open the new store within the next 12 months.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	1.00 cent per ordinary share

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**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.80 cent per ordinary share

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**

Tax exempt (one-tier)

**(d) Date payable**

The payment date for the interim dividend in respect of HY2020 (the “Interim Dividend”) is on 6 December 2019.

**(e) Books closure date**

Registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, up to 5.00 p.m. on 21 November 2019 will be registered before entitlements to the Interim Dividend are determined and the Share Transfer Books and the Register of Members of the Company will be closed on 22 November 2019 for the purposes of determining shareholders' entitlement to the Interim Dividend.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no general mandate has been obtained, a statement to that effect**

During HY2020, the Company did not have any interested person transaction of an amount of S\$100,000 and above. The Company did not obtain any general mandate from its shareholders in respect of any interested person transaction.

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### 14. Negative confirmation pursuant to Rule 705(5)

We, Takahashi Kenichi and Eugene Wong Hin Sun, being directors of the Company ("**Directors**"), hereby confirm on behalf of the board of Directors that, to the best of the Directors' knowledge, nothing has come to the attention of the board of Directors which may render the unaudited consolidated financial statements of the Group for the six months ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the board of Directors

Takahashi Kenichi  
Executive Chairman and CEO

Eugene Wong Hin Sun  
Non-Executive Vice Chairman

### 15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has already procured signed undertakings from all of its Directors and relevant executive officers in the format as set out in Appendix 7H of the Catalist Rules in accordance with Rule 720(1) of the Catalist Rules.

## BY ORDER OF THE BOARD

Takahashi Kenichi  
Executive Chairman and CEO

6 November 2019

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*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone (65) 6337 5115.*