



chaswood

RESOURCES HOLDINGS LTD.

SUSTAINABILITY REPORT

2018

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ABOUT THIS REPORT

This is the second sustainability report issued by Chaswood Resources Holdings Ltd (“Company”) and its subsidiaries (“Chaswood” or our “Group” or “we”) pursuant to Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist (“Catalist Rules”) and in accordance with the Global Reporting Initiative (“GRI”) Standards Sustainability Reporting Guidelines 2016 - Core Option and its reporting principles. We continued to adopt the GRI framework as it is an internationally recognised reporting framework that covers a wide range of sustainability topics.

In this report, we will be updating the status of our Group’s operations in Malaysia from 1 January 2018 to 31 December 2018 (“FY2018”). Sustainability reporting should encompass both information obtained in the past and sustainability goals established by our Group to provide for a better overall view of the Group’s sustainability performance on environmental, social and governance factors (“ESG”). However, in view of our Group’s ongoing restructuring exercise which includes the proposed disposal of certain subsidiaries of our Group, the information in this report may not meaningfully represent the future business operations and strategies of the Group. Additionally, due to the restructuring exercise, we are unable to present information on diversity due to the multitude of corresponding manpower changes from the restructuring exercise. We have not sought external assurance for this reporting period and will consider it when our reporting matures over time.

In line with our environmentally friendly practice, we will not be printing this report. A copy of this report is available for download from SGXNET and our website at <http://www.chaswood.com.my/>.

We are committed to listening to our stakeholders and we look forward to your feedback. For any enquiry related to this report, please contact us at pr@chaswood.com.my.

BOARD STATEMENT

Dear Stakeholders,

The Board of Directors (the “Board”) would like to present our second Sustainability Report which discusses the challenges and material issues identified to be of importance to our stakeholders. FY2018 had been a challenging year as we continue with the restructuring exercise.

The weak consumer sentiment with increased competition in the F&B industry has resulted in the declined business performance of our Group. Our Group’s revenue has also reduced significantly due to the closure of unprofitable outlets which was in line with our Group’s rationalisation plan. Under these circumstances, the Board is compelled to immediately protect the long-term interests of all stakeholders, including shareholders and creditors, and to restore the deteriorating financial position of our Group via the restructuring exercise currently undertaken by our Group.

The ongoing restructuring exercise to restore the financial position of the Group entails *inter-alia* the following:

- The proposed scheme of arrangement with financial institutions who have granted banking facilities to certain subsidiaries in Malaysia, which has been approved and sanctioned by the Malaysia Court;
- The proposed disposal of 100% equity interest of Chaswood Resources Sdn Bhd (“CRSB”), a wholly subsidiary of the Company, to Tremendous Asia Management Inc which would provide a more palatable platform for any new viable business or acquisition opportunities by the Group which may result in a reverse takeover. The proposed disposal will also entail the sale back of one of its subsidiary (Bistro Italiana (TC) Sdn Bhd) which operates the Italiannies brand to the Company to ensure that the Group has an existing business after the proposed disposal to retain its listing status;
- The proposed disposal of 100% equity interest of certain subsidiaries of CRSB which owns the TGI Friday’s in Malaysia and Teh Tarik Place businesses to Sino Hua-An International Berhad of which the proceeds shall be utilised to repay debts owing by our Group;
- The proposed issuance of 1.0% equity linked redeemable convertible notes (“RCN”) with an aggregate principal amount of up to S\$50.0 million to Advance Opportunities Fund (“AOF”) group of funds of which the term sheet signed has lapsed but the Group is currently renegotiating with AOF on the same proposed RCN issuance;
- The moratorium application with the Singapore Court to obtain an order, amongst other things, that no legal action or proceedings against the Company be commenced or continued against the Company for a period of 12 weeks from the date of the order to be granted pursuant to section 210(10) of the Companies Act (Cap. 50) (“Act”) (“Application”). The Singapore Court has fixed for the Application to be heard on 17 June 2019 before a High Court Judicial Commissioner. Further to the Application, the Company proposes to implement a scheme of arrangement with the creditors of the Company pursuant to section 210(1) or section 211 of the Act, as the case may be. The Application and the scheme will address the various debt obligations owed by the Company to its creditors and assist to

address the statutory demand issued under section 254(2)(a) of Act dated 15 January 2019 received from the interim judicial managers of TAP Venture Fund I Pte Ltd.

Details of the above-mentioned have been announced via SGXNET by the Company.

Pursuant to the restructuring exercise, the Group will continue to operate and expand its restaurant business under the Italiannies brand via the Excluded Subsidiary. The proposed RCN issuance will be for the purposes of the Group's general working capital and for the expansion of the Italiannies restaurant business. The Group is also exploring, inter alia, new viable business and acquisition opportunities which may result in a reverse takeover.

The Board is of the view that these restructuring plans and changes are in the best interest of the Group and the stakeholders as it will restore the financial position of the Group and provide better value to the stakeholders with the completion of the restructuring exercise.

Our Board understands the emphasis on sustainability and continue to incorporate sustainability goals and efforts as part of our business objectives and strategy formulation. The Board also maintain its role in managing and implementing the Group's approach in sustainability, determining the material environmental, social and governance factors, oversee the management and monitors the sustainability performance together with the senior management.

We appreciate the support and confidence from our stakeholders amidst the challenging time experienced by the Group. We would also like to thank our management, staff and relevant partners for the efforts in ensuring that sustainability is incorporated into our business practices as we look ahead to a better future.

For and on behalf of the Board of Directors

Ng Teck Wah

Non-Independent Non-Executive Chairman

30 May 2019

ABOUT US

Chaswood was founded in 2002 as a notable casual dining operator in Malaysia. We were successfully listed on Catalist Board of SGX-ST in 2012. Over the years, our operations have extended overseas to countries such as Indonesia and China. We manage international brands including TGI Fridays® and proprietary brands Teh Tarik Place, Italiannies and Malones. Upon completion of the restructuring exercise of the Group, our Group shall continue to be operating the restaurant business under the Italiannies brand.

In view of current challenges faced by our Group, our key focus is to restore the financial position of the Group for the best interest of all out stakeholders and shareholders.

SUPPLY CHAIN

Whilst we are focusing our efforts on restoring the financial position of the Group, we continue to build a responsible and sustainable supply chain with the guidance provided by our established procurement policies and procedures. We consistently monitor the standards of the services and food provided by our approved suppliers to ensure that they continue to demonstrate quality in their products and services provided.

GOVERNANCE & SUSTAINABILITY APPROACH

Our Board continues to be committed in maintaining a high standard of corporate governance within our Group. We promote performance management and accountability to enhance long-term shareholder value, and constantly review our processes, policies and practices to ensure that it meets the changing needs of the Group and the industry.

Our sustainability efforts are led by our senior management who ensures that the Group's business objectives are in line with our commitments to sustainable development. The senior management is responsible for on-going communication to the Board of Directors.

Our Group continues to maintain our whistle-blowing policy to provide an avenue to all employees and external parties to report any concern or complaint regarding questionable accounting or auditing matters, internal controls, disclosure matters, conflict of interest, insider trading, collusion with competitors, serious breaches of the Group's policy, unsafe work practices or any other matters involving fraud, corruption and employee misconduct. We continue to utilise the secured e-mail address set-up as a whistle blowing channel and a mailing channel is also available for direct contact to the Audit Committee ("AC"), this information are made available through the whistle blowing policy. All concerns or irregularities raised will be treated in confidence and every effort will be made to ensure that confidentiality is maintained throughout the process. The AC members may, in consultation with the Managing Director and/or senior management, direct the complaint to the division or department best placed to address it, or lead the investigation to ensure prompt and appropriate investigation and resolution.

The Board maintains its responsibility for the governance of risk and understands the need to ensure that a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets are in place. We have established internal monitoring and review processes to assess the adequacy and the effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls and risk management systems. Any material non-compliance or lapses in internal controls, together with recommendation for improvement, are reported to the AC.

STAKEHOLDER ENGAGEMENT

We aspire to understand the needs and expectation of our key stakeholders and strive to build mutual beneficial relationships through active engagement with them and through this process, key factors are determined and included within our sustainability report.

Stakeholder Group	Engagement Methods	Shareholders' Expectations
Customers	Various dining concepts and services to enhance customer experience Feedback channels	Excellent food and beverage, exceptional service and genuine hospitality
Suppliers	Constant communication suppliers that offer top notch standards in areas such as ethical conducts and workplace standards	Good business relationship, consistent demand for services and open channel for communication.
Employees	Coaching, training, mentoring are the key elements in our relationship with each of our team members	Staff benefits, employee rights, personal development and good working environment
Investors	Hold annual meetings and board meetings to keep shareholders updated about the Group's performance	Sustainable profitability, transparency, timely reporting and fair business practices
Business Partners	Business meetings, conferences and seminars to expand our knowledge and strengthen our capabilities and competencies	Partnership for opportunities and growth
Government and Regulators	Ensuring pleasant relationship with regulators and disclose pertinent information timely and engage them through discussions	Environmental-friendly business approach, compliance with regulations, timely reporting and resolution of issues

MATERIAL TOPICS

As we continue into our second year of sustainability reporting, we will be continuing to utilise the factors identified in the first sustainability report which was ranked and prioritised amongst other ESG factors selected after taking into consideration value drivers, risks, external and internal factors, qualitative perspectives. Moving forward, we are expecting these ESG factors to continue have significant ESG impacts to the organisation and stakeholders in the upcoming year.

Sustainability Topics Selected:

Economic Topics



- *Market Presence*
- *Anti-Corruption*

Environmental Topics



- *Energy*

Social Topics



- *Employment*
- *Training and Education*

As the legal proceedings against the Group and the restructuring exercise of the Group have not reached a resolution or completed as at the date of this sustainability report, the update on the Group's performance on the selected sustainability factors would be based on the limited operations of the Group and targets were not reported as they may not provide a representative and realistic portrayal of the Group's performance.

MARKET PRESENCE

The focus of the Group in FY2018 was to concentrate on our remaining operations and continue on the social progress and maintain our connections with the local communities.

As we continue our operations on a reduced scope, efforts and measures are still in place as we ensure that our Group conforms to the local laws and regulations. The Human Resource Department attends conference and seminars conducted by the relevant authorities to keep themselves updated with the corporate best practices in the HR field as well as any changes to the local labour laws and regulations. Our Group continues to strive on providing wages above the minimal wage level and ensures that minimal wage level is in compliance with Malaysia's manpower regulations.

The senior management of the Group highlights the importance of engaging local talents and establishing ties with the local communities and creating a sense of relatability. Due to the ongoing restructuring exercise, we are unable to clearly represent our market presence in FY2018 and set quantifiable targets in FY2019.

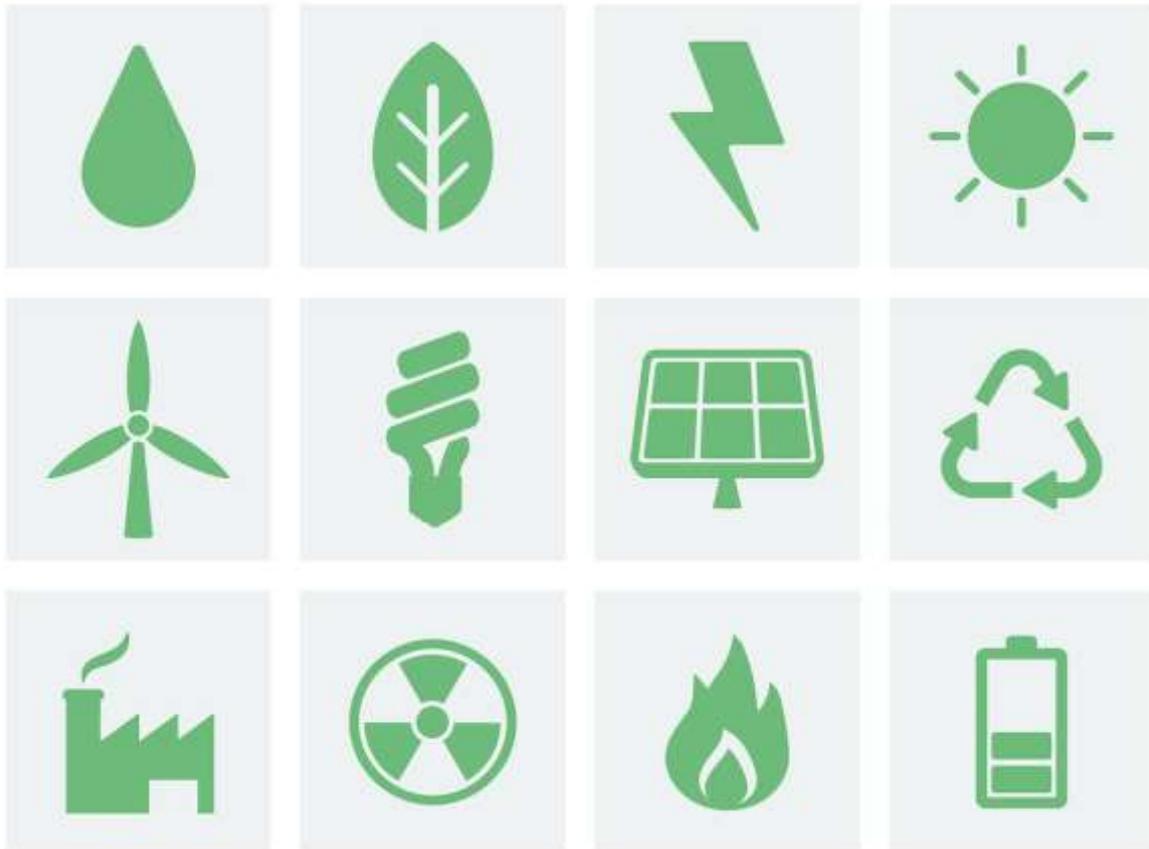
As the Group continues on the restructuring exercise, we aim to maintain our relationship with the local communities moving forward to allow for the continuous presence to the local communities as our operations continue to adjust.

ANTI-CORRUPTION

Our Group continues to maintain and adhere to the whistle-blowing policy which was endorsed by the AC, approved by the Board and made readily available to our employees and stakeholders through our website. This continues to provide a platform for employees and stakeholders to raise concerns about actual or potential corporate malpractices whilst ensuring that whistle blowers are protected against reprisals for whistleblowing conducted in good faith.

The Group continues to maintain a record of zero corruption report received by the AC during FY 2018 due to the anti-corruption culture and the whistle-blowing policy which provides deterrence against corruption practices. We will continue to maintain our anti-corruption culture with the help of our whistle blowing policy and internal controls established for our operations and should there be a need, fine-tune and update our whistle-blowing policy to adapt to our changing environment for the business and our personnel.

ENERGY



Energy continues to be an integral part of the Group’s sustainability strategy. Energy saving features for most of our kitchen equipment help to reduce energy usage and reduce carbon output. Closure of non-performing outlets and the continuous education of our employees also aid to reduce wastage through our daily operations. With the remaining operating outlets, we strive to continue to explore measures which we can incorporate into our daily operations to reduce energy usage and embark on energy-saving initiatives once our financial position has been restored. Due to ongoing restructuring exercise, we are unable to present representative and quantifiable statistics on energy for FY2018 and would work towards obtaining quantifiable statistics on energy for FY2019 as the business stabilises.

EMPLOYMENT AND TRAINING

Although we have decreased level of operations compared to previous financial years, employment continues to be an important part of our sustainability strategy due to our belief and commitment in our employees. Through policies and practices to ensure transparency and fairness for employees to our efforts in providing equal opportunities to our staff, we continue our efforts in creating a healthy work environment for our employees.

Our focus on two-way communication allows us to obtain feedback from our employees and address any grievances with the open culture established. Annual performance review continues to be an integral part of our people management systems as it helps to identify individuals with high potential for our Group to add further value in our daily operations. Our employee benefits include employee insurance and healthcare which were consistent with our previous practices.

In addition, employee developmental needs could be evaluated through our annual performance appraisals for our employees and different areas of improvements such as technical training for outlet personnel or management training for executives could help to improve on the performance of the individuals.

Due to the ongoing restructuring exercise of the Group, we focus on communicating the relevant changes to our Group arising from the exercise to ensure our employees are aware and well-informed of the potential impacts they might be facing. Business rationalisation initiatives are implemented to better focus our existing resources on other aspects which may assist in the financial restoration of the Group. As such, we are unable to set targets with regards to employment and training. Nonetheless, we believe that after the restructuring exercise, we would be able to regain the focus on employee development, training and education of the employees as we adjust our benefits to align to our operations.

Moving forward, we would continue to maintain our culture which encourages two way communication and maintain our benefits for our employees to encourage retention of talents identified within our Group.

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
GENERAL DISCLOSURE		
GRI 102: General Disclosures 2016	Organizational Profile	
	102-1 Name of the organisation	Cover Page
	102-2 Activities, brands, products, and services	Page 5
	102-3 Location of headquarters	Page 5
	102-4 Location of operations	Page 5
	102-5 Ownership and legal form	Page 5 and Annual Report
	102-6 Markets served	Page 5
	102-7 Scale of the organisation	Page 5 and Annual Report
	102-8 Information on employees and other workers	We will work on reporting this in the next report as the restructuring exercise is still ongoing, there would still be major changes to business operation, hence disclosures will not be meaningful.
	102-9 Supply chain	Page 5
	102-10 Significant changes to the organisation and its supply chain	No changes
	102-11 Precautionary principle or approach	Precautionary approach
	102-12 External initiatives	We will continue work on reporting this in the next report once restructuring exercise is complete
	102-13 Membership of associations	
	Strategy	
	102-14 Statement from senior decision maker	Page 3
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	Page 4
	Governance	
	102-18 Governance structure	Annual Report
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Page 7
	102-41 Collective bargaining agreements	NA
	102-42 Identifying and selecting stakeholders	Page 7
	102-43 Approach to stakeholder engagement	Page 7
	102-44 Key topics and concerns raised	Page 7
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Annual Report
	102-46 Defining report content and topic boundaries	Page 2
	102-47 List of material topics	Page 8
	102-48 Restatements of information	Not applicable
	102-49 Changes in reporting	This is the first Sustainability Report
102-50 Reporting period	Page 2	
102-51 Date of most recent report	27 December 2018	
102-52 Reporting cycle	Page 2	
102-53 Contact point for questions regarding the report	Page 2	
102-54 Claims of reporting in accordance with the GRI Standards	Page 2	
102-55 GRI content index	Page 12	
102-56 External assurance	Page 2	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
MATERIAL TOPICS		
Market Presence		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 9
	103-2 The management approach and its components	Page 9
	103-3 Evaluation of the management approach	Page 9
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	We will work on reporting this in the next report as the restructuring exercise is still ongoing, there would still be be major changes to business operation, hence disclosures will not be meaningful.
	202-2 Proportion of senior management hired from the local community	
Anti-Corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 9
	103-2 The management approach and its components	Page 9
	103-3 Evaluation of the management approach	Page 9
GRI 205: Anti- Corruption 2016	205-1 Operations assessed for risks related to corruption	Page 9
	205-2 Communication and training about anti-corruption policies and procedures	Page 9
	205-3 Confirmed incidents of corruption and actions taken	Page 9
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 10
	103-2 The management approach and its components	Page 10
	103-3 Evaluation of the management approach	Page 10
GRI 302: Energy	302-1 Energy consumption within the organisation	We will work on reporting this in the next report as the restructuring exercise is still ongoing, there would still be be major changes to business operation, hence disclosures will not be meaningful.
	302-2 Energy consumption outside of the organisation	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reduction in energy requirements of products and services	
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 11
	103-2 The management approach and its components	Page 11
	103-3 Evaluation of the management approach	Page 11
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	We will work on reporting this in the next report as the restructuring exercise is still ongoing, there would still be be major changes to business operation, hence disclosures will not be meaningful.
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 11
	103-2 The management approach and its components	Page 11
	103-3 Evaluation of the management approach	Page 11
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	We will work on reporting this in the next report as the restructuring exercise is still ongoing, there would still be be major changes to business operation, hence disclosures will not be meaningful.
	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	