



RE&S HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 201714588N)

Unaudited Financial Statements

For the first quarter ended 30 September 2019

RE&S Holdings Limited (the “**Company**”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 22 November 2017. The initial public offering of the Company (the “**IPO**”) was sponsored by DBS Bank Ltd. (the “**Sponsor**” or “**DBS Bank**”).

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this announcement.

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Background

The Company was incorporated on 26 May 2017 in Singapore under the Singapore Companies Act as a company limited by shares under the name of “RE&S Enterprise Holdings Pte. Ltd.”. On 31 July 2017, the Company was renamed “RE&S Holdings Pte. Ltd.”. The Company was converted into a public limited company and renamed “RE&S Holdings Limited” on 8 November 2017.

The Group comprising the Company and its subsidiaries (the “**Group**”) was formed pursuant to a restructuring exercise (the “**Restructuring Exercise**”) undertaken as part of a corporate reorganisation implemented for the purposes of the Company’s listing on Catalist. Please refer to the Company’s offer document dated 15 November 2017 (“**Offer Document**”) for further details on the Restructuring Exercise.

The Group is a multi-concept owner and operator of F&B outlets in Singapore and Malaysia that provides customers with authentic Japanese cuisine and dining experiences. The Group business is undertaken primarily through two business segments, namely the Full-Service Restaurants and the Quick-Service Restaurants, Convenience and Others.

For the purpose of this announcement, the results of the Group for the first quarter ended 30 September 2019 (“**1Q FY2020**”) with the comparative results of the Group for the first quarter ended 30 September 2018 (“**1Q FY2019**”) have been prepared on the assumption that the group structure following the completion of the Restructuring Exercise has been in place since 1 July 2017.

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENT

- 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 Statements Of Profit Or Loss And Other Comprehensive Income

	Group		
	Unaudited 1Q FY2020 S\$'000	Unaudited 1Q FY2019 S\$'000	Increase / (decrease) %
Revenue	32,440	35,246	(8.0%)
Raw materials and consumables used	(9,381)	(9,109)	3.0%
Changes in inventories of finished goods	420	(393)	N.M.
Other operating income	279	222	25.7%
Employee benefits expense	(14,530)	(12,410)	17.1%
Operating lease expenses	(250)	(6,504)	(96.2%)
Utilities expenses	(1,015)	(1,090)	(6.9%)
Depreciation expense	(6,910)	(2,183)	216.5%
Other operating expenses	(2,434)	(2,331)	4.4%
Other expenses – Non-operating	(1,311)	(325)	303.4%
Finance costs	(855)	(72)	1,087.5%
(Loss) / profit before income tax	(3,547)	1,051	N.M.
Income tax expense	(48)	(347)	(86.2%)
(Loss) / profit, net of income tax	(3,595)	704	N.M.
<u>Other comprehensive income:</u>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of income tax	13	12	8.3%
Total comprehensive (loss) / income	(3,582)	716	N.M.
(Loss) / profit attributable to owners of the Company, net of income tax	(3,512)	704	N.M.
Loss attributable to non-controlling interest, net of income tax	(83)	-	N.M.
(Loss) / profit net of income tax	(3,595)	704	N.M.
Total comprehensive (loss) / income attributable to owners of the Company	(3,499)	715	N.M.
Total comprehensive loss attributable to non-controlling interest	(83)	-	N.M.
Total comprehensive (loss) / income	(3,582)	715	N.M.

N.M.: Not meaningful

1(a) (ii) (Loss) / profit before income tax is arrived at after charging / (crediting) the following:

	Group		
	Unaudited 1Q FY2020 S\$'000	Unaudited 1Q FY2019 S\$'000	Increase/ (decrease) %
Government grants	(154)	(199)	(22.6%)
Interest income	(103)	(7)	1,371.4%
Other income	(23)	(17)	35.3%
Depreciation expense			
- property, plant and equipment	1,771	2,183	(18.9%)
- right-of-use assets ⁽¹⁾	5,139	-	N.M.
Plant and equipment written off	860	10	8,500.0%
Finance costs			
- interest expense on borrowings	67	72	(6.9%)
- lease-related interest expense ⁽¹⁾	788	-	N.M.
Share-based payment ⁽²⁾	2,625	-	N.M.

Notes:

- (1) With effect from the financial year beginning 1 July 2019, the Group has adopted SFRS(I) 16 – Leases. The detailed impact from the adoption is presented in paragraph 5 of this announcement.
- (2) A non-recurring, non-cash expense incurred in accordance with SFRS(I) 2 relating to the transfer of shares from Mr. Yek Hong Liat John, Executive Director (“ED”), to Mr. Foo Kah Lee, Chief Executive Officer and ED, as well as Mr. Lim Shyang Zheng, Chief Operating Officer and ED, by way of gift on 29 August 2019. This transaction was accounted for under SFRS(I) 2 as a share-based payment transaction, as the shares were transferred to employees of the Company in exchange for services, although the shares were not transferred by the Company directly. The fair value of the shares of S\$2,625,000 has been recorded as an expense in the profit or loss with a corresponding increase in share-based payment reserve.

N.M.: Not meaningful

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.

Consolidated Statements of Financial Position

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30.09.2019	30.06.2019	30.09.2019	30.06.2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	31,258	33,711	-	-
Investment in subsidiaries	-	-	21,738	21,738
Other receivables, non-current	-	-	10,671	10,671
Other assets, non-current	3,294	3,027	-	-
Right-of-use assets	74,414	-	-	-
Total non-current assets	108,966	36,738	32,409	32,409
Current assets				
Inventories	3,316	2,896	-	-
Trade and other receivables, current	1,192	2,627	2,588	-
Other assets, current	5,217	3,766	36	7
Cash and cash equivalents	18,924	18,183	497	2,758
Total current assets	28,649	27,472	3,121	2,765
Total assets	137,615	64,210	35,530	35,174
Equity and liabilities				
Share capital	32,307	32,307	32,307	32,307
Retained earnings	16,333	24,115	(301)	2,297
Merger reserve ⁽¹⁾	(18,149)	(18,149)	-	-
Share-based payment reserve ⁽²⁾	2,625	-	2,625	-
Foreign currency translation reserve	(42)	(55)	-	-
Equity attributable to owners of the parent	33,074	38,218	34,631	34,604
Non-controlling interest	(2)	36	-	-
Total equity	33,072	38,254	34,631	34,604

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.

Consolidated Statements of Financial Position (cont'd)

	Group		Company	
	Unaudited 30.09.2019	Audited 30.06.2019	Unaudited 30.09.2019	Audited 30.06.2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities				
Deferred tax liabilities	1,206	1,206	-	-
Provision, non-current	1,635	1,632	-	-
Other financial liabilities, non-current	9,197	9,353	-	-
Lease liabilities, non-current	67,166	-	-	-
Total non-current liabilities	79,204	12,191	-	-
Current liabilities				
Income tax payable	1,706	1,689	20	12
Trade and other payables	11,297	11,363	879	558
Other financial liabilities, current	628	626	-	-
Other liabilities	84	87	-	-
Lease liabilities, current	11,624	-	-	-
Total current liabilities	25,339	13,765	899	570
Total liabilities	104,543	25,956	899	570
Total equity and liabilities	137,615	64,210	35,530	35,174

Notes:

- (1) The negative merger reserve relates to the difference between the consideration paid by the Company and the equity of R E & S Enterprises Pte Ltd acquired in relation to the restructuring exercise undertaken in relation to the listing of the Company on the Catalist Board of the SGX-ST ("**Restructuring Exercise**"). The acquisition of R E & S Enterprises Pte Ltd by the Company was completed on 26 October 2017.
- (2) Share-based payment reserve relates to transfer of shares from Mr. Yek Hong Liat John, ED, to Mr. Foo Kah Lee, Chief Executive Officer and ED, as well as Mr. Lim Shyang Zheng, Chief Operating Officer and ED, by way of gift on 29 August 2019. This transaction was accounted for under SFRS(I) 2 as a share-based payment transaction, as the shares were transferred to employees of the Company in exchange for services, although the shares were not transferred by the Company directly. A corresponding entry has been taken up in employee benefit expense. This is a non-recurring and non-cash expense.

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

	Group Unaudited 30.09.2019		Group Audited 30.06.2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(A) Amount repayable in one year or less, or on demand;	628	-	626	-
(B) Amount repayable after one year	9,197	-	9,353	-
	<u>9,825</u>	<u>-</u>	<u>9,979</u>	<u>-</u>

Details of any collaterals:

The banking facilities of the Group as at 30 September 2019 comprised short term and long term loans. These facilities are secured by:

- (i) Corporate guarantees from the Company;
- (ii) A legal mortgage of the subsidiary's leasehold factory building (for the bank loans and overdraft); and
- (iii) Fixed deposits placed with the bank.

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	
	Unaudited 1Q FY2020 S\$'000	Unaudited 1Q FY2019 S\$'000
Cash flows from operating activities:		
(Loss) / profit before income tax	(3,547)	1,051
Adjustments for:		
Interest income	(103)	(7)
Interest expense on borrowings	67	72
Lease-related interest expense	788	-
Plant and equipment written off	860	10
Depreciation of property, plant and equipment	1,771	2,183
Depreciation of right of use assets	5,139	-
Share-based payment	2,625	-
Net effect of exchange rate changes in consolidating foreign operations	(1)	12
Operating cash flows before changes in working capital	7,599	3,321
Inventories	(420)	394
Trade and other receivables, current	1,435	(612)
Reinstatement cost utilised	3	-
Trade and other payables, current	(66)	2,321
Other assets, current	(1,451)	371
Other liabilities	(3)	(3)
Net cash flows from operations	7,097	5,792
Income tax paid	(31)	(421)
Net cash flows from operating activities	7,066	5,371
Cash flows from investing activities:		
Purchase of plant and equipment	(164)	(1,450)
Disposal of plant and equipment	-	-
Other assets, non-current	(267)	(683)
Interest received	103	7
Net cash flows used in investing activities	(328)	(2,126)
Cash flows from financing activities:		
Decrease in other financial liabilities	(154)	(1,209)
Interest portion of lease liabilities paid	(788)	-
Repayment of lease obligations	(5,033)	-
Capital contribution from a non-controlling interest	45	-
Interest paid	(67)	(72)
Net cash flows used in financing activities	(5,997)	(1,281)
Net increase in cash and cash equivalents	741	1,964
Cash and cash equivalents at beginning of year	16,019	11,865
Cash and cash equivalents at end of year	16,760	13,829
Notes to Statement of Cash Flows:		
Cash and cash equivalents in the statement of financial position	18,924	15,489
Cash restricted over 3 months	(2,164)	(1,660)
Cash and cash equivalents as shown above	16,760	13,829

- 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.

Statements of Changes in Equity

	Share capital S\$'000	Merger reserve S\$'000	Share-based payment reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Attributable to parent S\$'000	Non-controlling interest S\$'000	Total equity S\$'000
Group (Unaudited)								
Balance as at 1 July 2019, as previously reported	32,307	(18,149)	-	(55)	24,115	38,218	36	38,254
Impact of adopting SFRS(I) 16	-	-	-	-	(4,270)	(4,270)	-	(4,270)
Balance as at 1 July 2019 (Restated)	32,307	(18,149)	-	(55)	19,845	33,948	36	33,984
Total comprehensive income (loss) for the period			-	13	(3,512)	(3,499)	(83)	(3,582)
Capital contribution from a non-controlling interest	-	-	-	-	-	-	45	45
<u>Contributions by and distributions to owners</u>								
Share-based payments	-	-	2,625	-	-	2,625	-	2,625
Balance as at 30 September 2019	32,307	(18,149)	2,625	(42)	16,333	33,074	(2)	33,072

	Share capital S\$'000	Merger reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Group (Unaudited)					
Balance as at 1 July 2018	32,307	(18,149)	(48)	21,490	35,600
Total comprehensive income for the period	-	-	12	704	716
Balance as at 30 September 2018	32,307	(18,149)	(36)	22,194	36,316

- 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.

Statements of Changes in Equity (cont'd)

	Share capital S\$'000	Other reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<u>Company (Unaudited)</u>				
Balance as at 1 July 2019	32,307	-	2,297	34,604
Total comprehensive income for the period	-	-	(2,598)	(2,598)
<u>Contributions by and distributions to owners</u>				
Share-based payments	-	2,625	-	2,625
Balance as at 30 September 2019	32,307	2,625	(301)	34,631

	Share capital S\$'000	Retained earnings S\$'000	Total equity S\$'000
<u>Company (Unaudited)</u>			
Balance as at 1 July 2018	32,307	3,575	35,882
Total comprehensive income for the period	-	32	32
Balance as at 30 September 2018	32,307	3,607	35,914

- 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 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.

There has been no change in the Company's issued share capital since 30 June 2019.

The Company has no treasury shares or subsidiary holdings or convertible instruments as at 30 September 2019 and as at 30 September 2018.

- 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.

	Unaudited	Audited
	30.09.2019	30.06.2019
Total number of issued shares	354,000,000	354,000,000

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

The Company did not have any treasury shares during, and at the end of, the financial period reported on.

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.

The Company did not have any subsidiary holdings during, and at the end of, the financial period reported on.

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 Company's auditors.

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

Not applicable as the figures have not been audited or reviewed by the Company's auditors.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period compared with the annual audited financial statements for the year ended 30 June 2019, except for the adoption of the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which are effective for its financial year beginning 1 July 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 applicable new and revised Singapore Financial Reporting Standards International ("SFRS(I)") and the related Interpretations ("SFRS(I)INT") that are mandatory for the accounting periods beginning on or after 1 July 2019. The impact of adopting the following SFRS(I) which are effective for the financial year beginning 1 July 2019, are detailed as follows:

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 payment (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.

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. (cont'd)

The Group adopted SFRS(I) 16 and elected to apply the standard retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 July 2019. In addition, the Group elected the following practical expedients:

- (i) 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;
- (ii) To apply the exemption not to recognise right-of-use asset and liabilities to lease for which the lease term ends within 12 months as at 1 July 2019; and
- (iii) To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Summary of Impact

Group S\$'000	1 July 2019	SFRS(I) 16	1 July 2019 (Restated)
Non-Current Assets			
Right-of-use assets	-	79,553	79,553
Non-Current Liabilities			
Lease liabilities	-	73,578	73,578
Current Liabilities			
Lease liabilities	-	10,245	10,245
Equity			
Retained earnings	24,115	(4,270)	19,845

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.

	Group	
	Unaudited 1Q FY2020	Unaudited 1Q FY2019
<u>Earnings/(loss) per share ("EPS")</u>		
(Loss) / profit attributable to owners of the Company (S\$'000)	(3,512)	704
(i) Based on weighted average number of ordinary shares in issue ('000)	354,000	354,000
(ii) On a basic and diluted basis (Singapore cents per share)	(0.99)	0.20

7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.09.2019	30.06.2019	30.09.2019	30.06.2019
Net asset value (" NAV ") (S\$'000)	33,074	38,218	34,631	34,604
Number of ordinary shares in issue ('000)	354,000	354,000	354,000	354,000
Net asset value per ordinary share (Singapore cents per share)	9.34	10.80	9.78	9.78

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 affect the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Consolidated Statement of Comprehensive Income
1Q FY2020 compared to 1Q FY2019

	Group Unaudited		Increase/ (decrease) %
	1Q FY2020 S\$'000	1Q FY2019 S\$'000	
<u>Revenue</u>			
Full-Service Restaurants	22,759	25,090	(9.3%)
Quick-Service Restaurants, Convenience and Others	9,681	10,156	(4.7%)
	<u>32,440</u>	<u>35,246</u>	

Revenue

The Group's revenue decreased by 8.0%, or approximately S\$2.8 million, from S\$35.2 million in 1Q FY2019 to S\$32.4 million in 1Q FY2020.

Revenue from Full-Service Restaurants segment declined by 9.3%, or approximately S\$2.3 million, from S\$25.1 million in 1Q FY2019 to S\$22.8 million in 1Q FY2020 mainly attributable to closure of Great World City outlets due to mall enhancement works since FY2019 and partial revamp of Japanese Food Street at Jurong Point in 1Q FY2020 which involved interim closure of certain restaurants. The revamp at Jurong Point was completed and outlets have re-opened on 16 October 2019.

The revenue for Quick-Service Restaurants, Convenience and Others segments ("QSR") decreased by 4.7%, or approximately S\$0.5 million, from S\$10.2 million in 1Q FY2019 to S\$9.7 million in 1Q FY2020 mainly due to the interim closure of two outlets at Great World City and one outlet Jurong Point. The closure of these outlets were due to the mall or concept revamp at Great World City and Jurong Point respectively, as outlined above.

Raw materials and consumables used

Raw materials and consumables used (taking into account the changes in closing inventories) remained relatively constant at 27.6% and 27.0% of total revenue for 1Q FY2020 and 1Q FY2019 respectively.

Other operating income

Other operating income remained relatively constant at approximately S\$0.3 million and S\$0.2 million in 1Q FY2020 and 1Q FY2019 respectively.

Consolidated Statement of Comprehensive Income (cont'd)
1Q FY2020 compared to 1Q FY2019 (cont'd)

Employee benefits expense

Employee benefits expense increased by 17.1% or approximately S\$2.1 million, from S\$12.4 million in 1Q FY2019 to S\$14.5 million in 1Q FY2020. Employee benefits expense in 1Q FY2020 included a share-based payment amounting to approximately S\$2.6 million as a result of the transfer of shares from Mr. Yek Hong Liat John, Executive Director ("ED"), to Mr. Foo Kah Lee, Chief Executive Officer and ED, as well as Mr. Lim Shyang Zheng, Chief Operating Officer and ED, by way of gift on 29 August 2019. This transaction was accounted for under SFRS(I) 2 as a share-based payment transaction, as the shares were transferred to employees of the Company in exchange for services, although the shares were not transferred by the Company directly.

Excluding the impact of this share-based payment, employee benefits expense in 1Q FY2020 would have decreased by approximately S\$0.5 million and as a proportion to revenue, employee benefits expense increased marginally at 36.7% for 1Q FY2020 compared to 35.2% for 1Q FY2019. The slight increase was mainly due to continued payment of salaries despite the interim closure of the Group's outlets at Great World City and Jurong Point.

Operating lease expenses

Operating lease expenses decreased by 96.2% or approximately S\$6.3 million, from S\$6.5 million in 1Q FY2019 to S\$0.3 million in 1Q FY2020, mainly due to adoption of SFRS(I)16, where operating leases were accounted for as a "Right-of-use asset" and depreciated accordingly, with the expenses recognised as "Depreciation expense".

Utilities expenses

Utilities expenses remained constant at 3.1% of total revenue, which amounted to approximately S\$1.0 million and S\$1.1 million for 1Q FY2020 and 1Q FY2019 respectively.

Depreciation expense

Depreciation expense increased by approximately S\$4.7 million, from S\$2.2 million in 1Q FY2019 to S\$6.9 million in 1Q FY2020, mainly due to adoption of SFRS(I)16, where operating leases were accounted for as a "Right-of-use asset" and depreciated accordingly, with the expenses recognised as "Depreciation expense". Excluding the impact of SFRS(I)16, depreciation expense decreased from S\$2.2 million in 1Q FY2019 to S\$1.8 million in 1Q FY2020 mainly due to interim closure of Great World City and Jurong Point outlets.

Other operating expenses

Other operating expenses remained relatively constant at approximately S\$2.4 million and S\$2.3 million in 1Q FY2020 and 1Q FY2019 respectively.

Other expenses – Non-operating

Other non-operating expenses increased by approximately S\$1.0 million, from S\$0.3 million in 1Q FY2019 to S\$1.3 million in 1Q FY2020. This was mainly attributed to plant and equipment written off of approximately S\$0.9 million, of which S\$0.8 million relates to the partial revamp of Japanese Food Street at Jurong Point.

Finance costs

Finance costs increased from S\$0.1 million in 1Q FY2019 to S\$0.9 million in 1Q FY2020 mainly due to adoption of SFRS(I)16, where interest expense on lease liabilities is a component of finance cost. Excluding the impact of SFRS(I)16, finance costs remained relatively constant at approximately S\$0.1 million for 1Q FY2020 and 1Q FY2019.

Loss before tax

The Group recorded a loss before tax of S\$3.5 million in 1Q FY2020, largely attributable to (i) share-based payment of approximately S\$2.6 million and (ii) plant and equipment written off in relation to the partial revamp of Japanese Food Street at Jurong Point of approximately S\$0.9 million. Excluding the impact of these two expenses, the Group incurred a loss before tax of approximately S\$0.1 million in 1Q FY2020 due to interim closure of outlets at Jurong Point and Great World City.

Income tax expense

Income tax expense decreased by approximately S\$0.3 million, from S\$0.3 million in 1Q FY2019 to S\$48,000 in 1Q FY2020.

Loss, net of income tax

As a result of the foregoing, the Group recorded a loss after tax of S\$3.6 million in 1Q FY2020.

Consolidated Statements of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 September 2019 and 30 June 2019.

Non-current assets

The Group's non-current assets increased by S\$72.2 million from S\$36.7 million as at 30 June 2019 to S\$109.0 million as at 30 September 2019. This was mainly due to an increase in the right-of-use assets of S\$74.4 million, partially offset by a decrease in property, plant and equipment of S\$2.5 million.

Right-of-use assets increased by S\$74.4 million largely arising from the adoption of the SFRS(I) 16 on 1 July 2019. The decrease in property, plant and equipment was mainly due to the write off of renovation and fixtures for partial revamp of outlets at Jurong Point and depreciation, partially offset by an addition of assets of S\$0.2 million.

Current assets

The Group's current assets increased by S\$1.2 million from S\$27.5 million as at 30 June 2019 to S\$28.6 million as at 30 September 2019. This was mainly due to (i) an increase in other assets, current of S\$1.5 million; (ii) an increase in cash and cash equivalents of S\$0.7 million; and (iii) an increase in inventories of S\$0.4 million, partially offset by a decrease in trade and other receivables, current of S\$1.4 million.

The increase in other assets, current was mainly due to the deposit placed for the purchase of equipment and renovation for the revamp of new food concepts at our Jurong Point outlets. The increase in cash and cash equivalents was mainly due to a decrease in capital expenditure of S\$0.7 million as compared to last quarter. Decrease in trade and other receivables was mainly due to lower amount due from credit card companies as there were less transactions towards the end of 1Q FY2020 and decline in demand from corporate customer.

Non-current liabilities

The Group's non-current liabilities increased by S\$67.0 million from S\$12.2 million as at 30 June 2019 to S\$79.2 million as at 30 September 2019 mainly due to increase in lease liabilities arising from the adoption of SFRS(I) 16.

Current liabilities

The Group's current liabilities increased by S\$11.6 million from S\$13.8 million as at 30 June 2019 to S\$25.3 million as at 30 September 2019. This was mainly attributable to an increase in lease liabilities arising from the adoption of SFRS(I) 16.

Consolidated Statements of Cash Flows

The Group's net cash flows generated from operating activities was S\$7.1 million in 1Q FY2020, mainly due to operating cash flows before changes in the working capital of S\$7.6 million, net working capital outflows of S\$0.5 million and income taxes paid of S\$31,000. The net working capital outflows were due to (i) an increase in inventories of S\$0.4 million; (ii) an increase in other assets, current of \$1.5 million; (iii) a decrease in trade and other payables, current of S\$0.1 million; and partially offset by a decrease in trade and other receivables, current of S\$1.4 million. The Group continued to generate healthy cash flow from operating activities in 1Q FY2020 as the losses recorded in 1Q FY2020 were mainly due to the share-based compensation expense, which was non-cash and had no impact on cash flow.

The Group's net cash flows used in investing activities was S\$0.3 million in 1Q FY2020, mainly attributable to (i) the purchase of plant and equipment amounting to S\$0.2 million; (ii) an increase in other assets, non-current of S\$0.3 million; and partially offset by interest of S\$0.1 million received from the bank.

The Group's net cash flows used in financing activities was S\$6.0 million in 1Q FY2020, mainly due to (i) repayment of bank borrowings of S\$0.2 million; (ii) repayment of lease obligations of S\$5.0 million; and (iii) interest portion of the lease liabilities of S\$0.8 million paid.

As a result, cash and cash equivalents increased by S\$0.7 million in 1Q FY2020.

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

The Group's 1Q FY2020 results are in line with the profit guidance announcement released to SGX-ST on 21 October 2019.

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 F&B industry is expected to face continuous challenges driven by intensifying competition and higher cost pressures posed by a tighter labour and rental market. Nonetheless, the Group remains committed in growing its businesses and reinventing itself, so as to stay relevant amongst the everchanging needs of consumers. Specifically, the Group seeks to improve its existing portfolio of concepts while building upon new ones such as &JOY Dining Hall.

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) The date the dividend is payable.

Not applicable.

(d) Books closure date.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

There is no dividend declared in this quarter as it is the Company's practice to consider dividend declaration/recommendation (if any) in respect of full year result.

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

The Group has not obtained a general mandate from shareholders for IPT.

14. Utilisation of Proceeds from the IPO

As at the date of this announcement, the status on the use of the IPO net proceeds is 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	6,174	826
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	11,054	826

Note: The amount deployed for general working capital is for rental expenses.

The above utilisation is in accordance with the intended use of IPO net proceeds, as stated in the Company's Offer Document dated 15 November 2017.

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) of the Catalist Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

16. Negative Confirmation of Interim Financial Results pursuant to Rule 705(5) of the Catalist Listing Manual

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for the first quarter ended 30 September 2019 to be false or misleading in any material aspect.

Foo Kah Lee
Executive Director and CEO

Hiroshi Tatara
Executive Director and President

By Order of the Board

Foo Kah Lee
Executive Director and CEO
Date: 4 November 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. 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.

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