

PRESS RELEASE

RE&S reports revenue of S\$32.4 million for 1Q FY2020

- Revenue was 8.0% lower year-on-year, due to the interim closure of multiple food outlets across the Group's traditional strongholds of Great World City and Jurong Point.
- Net loss before tax was S\$3.5 million as opposed to a net profit before tax of S\$1.1 million in the previous corresponding period.
- Net loss before tax would have been significantly lower at approximately S\$0.1 million, excluding the one-off impact of share-based expenses as well as plant and equipment written off. The Group's core business operations remained strong.

Singapore, 4 November 2019 – RE&S Holdings Limited ("RE&S" or the "Company" and, together with its subsidiaries, the "Group"), a Japanese multi-brand food and beverage ("F&B") operator, announced today its financial results for the three months ended 30 September 2019 ("1Q FY2020").

Financial Highlights

S\$'000	1Q FY2020	1Q FY2019	Change (%)
Revenue	32,440	35,246	(8.0)
Operating expenses ⁽¹⁾	(34,100)	(34,020)	0.2
Other expenses ⁽²⁾	(1,311)	(325)	303.4
(Loss) / Profit before tax	(3,547)	1,051	N.M
(Loss) / Profit, net of tax	(3,595)	704	N.M

(1) Operating expenses as the summation of the Group's raw materials and consumables used, changes in inventories, employee benefits expense, operating lease expenses, utilities expenses, depreciation expenses and other operating expenses. Figures for 1Q FY2020 included a non-recurring and non-cash expense of S\$2.6 million incurred as a result of the transfer of shares amongst three Board members of the Group (see more below).

(2) Figures for 1Q FY2020 included an amount of S\$0.9 million for plant and equipment written off, incurred as a result of the Group revamping certain food concepts at Jurong Point (see more below).

Revenue for 1Q FY2020 was S\$32.4 million, a decrease of 8.0% year-on-year ("**yoy**") compared with the S\$35.2 million revenue recorded in 1Q FY2019. This was attributable to the interim closures of multiple food outlets across Great World City* (as the mall underwent major enhancement works during FY2019) and Jurong Point* (as the Group partially revamped the Japanese Food Street in 1Q FY2020). Accordingly, revenue for the *Full-Service Restaurants* ("**FSR**") segment declined by 9.3% yoy to S\$22.8 million while revenue for the *Quick-Service Restaurants, Convenience & Others* ("**QSR**") segment declined by 4.7% yoy to S\$9.7 million.

*The Group's outlets at Great World City are expected to re-open in early 2020 upon the mall's eventual completion of its Asset Enhancement Initiatives ("**AEI**") while the Group's outlets at Jurong Point have officially reopened on 16 October 2019.

Revenue by Segment

S\$'000	1Q FY2020	1Q FY2019	Change (%)
Full-Service Restaurants	22,759	25,090	(9.3)
Quick-Service Restaurants, Convenience & Others	9,681	10,156	(4.7)
Total Revenue	32,440	35,246	(8.0)

Notwithstanding renovation and refurbishment efforts conducted by the Group, operating expenses ⁽¹⁾ remained relatively stable, increasing marginally by 0.2% from S\$34.0 million in 1Q FY2019 to S\$34.1 million in 1Q FY2020. These were mainly due to an increase in employment related costs and

depreciation (mainly due to the adoption of SFRS(I) 16 accounting standards which were partially offset by lower operating lease expenses (mainly due to the adoption of SFRS(I) 16 accounting standards).

Particularly for employee benefits expense, there was a non-recurring and non-cash expense of approximately S\$2.6 million incurred 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.

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.

Other expenses ⁽²⁾ were S\$1.3 million, 303.4% higher than prior corresponding period, mainly due to plant and equipment written off of S\$0.9 million incurred during the quarter. This was in relation to fixed assets at Jurong Point being written off as the Group sought to revamp certain food concepts at the mall.

Accordingly, the Group reported net loss before tax of S\$3.5 million for 1Q FY2020, as opposed to a net profit before tax of S\$1.1 million for 1Q FY2019. Excluding the impact of the share-based payment and the write-off of plant and equipment for fixed assets at the Jurong Point outlet, the loss before tax would be approximately S\$0.1 million for 1Q FY2020.

Operationally, the Group’s businesses remained strong, with net cash flow from operations of S\$7.1 million – 31.6% higher than prior corresponding period. As at 30 September 2019, the Group’s balance sheet remained healthy with a net cash position of S\$9.1 million.

Commenting on the Group’s results, Mr. Foo Kah Lee, Executive Director and Chief Executive Officer of RE&S, said, **“Q1 FY2020 has been an exceptional quarter for the Group. We were impacted by the interim closure of multiple food outlets as well as the incurrence of several non-recurring and one-off items – all of which, had come together to hit our bottom-line hard. That said, our core business operations remained stable, and the expenses incurred in the revamp of our concepts and outlets will better position us in dealing with evolving consumer tastes and preferences.”**

Outlook

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.

About RE&S Holdings Limited

Established in 1988, RE&S is a multi-concept owner and operator of F&B outlets in Singapore and Malaysia that provides customers with authentic Japanese cuisine and dining experience. Since its incorporation, RE&S has grown from a single Fiesta restaurant into a network comprising its Corporate Headquarters which houses more than 1,600 employees across the corporate office, a central kitchen in Tai Seng, a procurement office in Japan, and more than 70 F&B outlets. Staying true to the RE&S brand promise of “Food for Life”, its diverse portfolio comprising 20 distinct brands covers the full spectrum of varied market segments today; ranging from fine dining (Kuriya Dining) to family-style (Ichiban Boshi) and convenience (Kuriya Japanese Market). Supported by its ISO 22000:2005-certified Central Kitchen, RE&S is committed to maintaining a high standard of food consistency and quality for its customers alongside constant efforts in strategic innovation.

For more information, please visit <http://www.res.com.sg>

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*This press release (“**Press Release**”) has been prepared by RE&S Holdings Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, DBS Bank Ltd. (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGXST**”). The Sponsor has not independently verified the contents of this Press Release.*

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