



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

Unaudited Financial Statements

For the second quarter and half year ended 31 December 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 concept owner and operator of F&B Outlets 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.

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		Increase / (decrease)	Group		Increase / (decrease)
	Unaudited	Unaudited		Unaudited	Unaudited	
	2Q FY2020 S\$'000	2Q FY2019 S\$'000	%	1H FY2020 S\$'000	1H FY2019 S\$'000	%
Revenue	34,038	36,637	(7.1%)	66,478	71,883	(7.5%)
Raw materials and consumables used	(8,053)	(10,746)	(25.1%)	(17,434)	(19,854)	(12.2%)
Changes in inventories of finished goods	(1,330)	713	N.M.	(910)	319	N.M.
Other operating income	140	1,000	(86.0%)	419	1,222	(65.7%)
Employee benefits expense	(12,233)	(12,288)	(0.4%)	(26,763)	(24,698)	8.4%
Operating lease expenses	(393)	(6,427)	(93.9%)	(643)	(12,931)	(95.0%)
Utilities expenses	(985)	(1,129)	(12.8%)	(2,000)	(2,219)	(9.9%)
Depreciation expense	(7,013)	(2,031)	245.3%	(13,923)	(4,214)	230.4%
Other operating expenses	(2,574)	(2,257)	14.0%	(5,008)	(4,588)	9.2%
Other expenses – Non-operating	(775)	(1,400)	(44.6%)	(2,086)	(1,725)	20.9%
Finance costs	(870)	(67)	N.M.	(1,725)	(139)	N.M.
(Loss) / profit before income tax	(48)	2,005	N.M.	(3,595)	3,056	N.M.
Income tax expense	(215)	(558)	(61.5%)	(263)	(905)	(70.9%)
(Loss) / profit, net of income tax	(263)	1,447	N.M.	(3,858)	2,151	N.M.
Other comprehensive income:						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of income tax						
	(17)	4	N.M.	(4)	16	N.M.
Total comprehensive (loss) / income	(280)	1,451	(119.3%)	(3,862)	2,167	(278.2%)
(Loss) / profit attributable to owners of the Company, net of income tax	(249)	1,447	N.M.	(3,761)	2,151	N.M.
Loss attributable to non-controlling interest, net of income tax	(14)	-	N.M.	(97)	-	N.M.
(Loss) / profit net of income tax	(263)	1,447		(3,858)	2,151	N.M.
Total comprehensive (loss) / income attributable to owners of the Company	(266)	1,451	N.M.	(3,765)	2,167	N.M.
Total comprehensive loss attributable to non-controlling interest	(14)	-	N.M.	(97)	-	N.M.
Total comprehensive (loss) / income	(280)	1,451	N.M.	(3,862)	2,167	N.M.

N.M.: Not Meaningful

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

	Group			Group		
	Unaudited	Unaudited	Increase/ (decrease)	Unaudited	Unaudited	Increase/ (decrease)
	2Q	2Q		1H	1H	
	FY2020	FY2019		FY2020	FY2019	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Government grant	(35)	(8)	337.5%	(189)	(207)	(8.7%)
Interest income	(23)	(10)	130.0%	(126)	(17)	641.2%
Other income	(81)	(958)	(91.5%)	(104)	(958)	(89.1%)
Depreciation expense						
- property, plant and equipment	1,735	2,031	(14.6%)	3,506	4,214	(16.8%)
- right-of-use assets ⁽¹⁾	5,278	-	N.M.	10,417	-	N.M.
Loss on disposal of plant and equipment	44	-	N.M.	44	-	N.M.
Plant and equipment written off	30	965	(96.9%)	890	975	(8.7%)
Finance costs						
- interest expense on borrowings	63	67	(6.0%)	130	139	(6.5%)
- lease-related interest expense ⁽¹⁾	807	-	N.M.	1,595	-	N.M.
Share-based payment ⁽²⁾	-	-	N.M.	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
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	32,391	33,711	-	-
Investment in subsidiaries	-	-	21,738	21,738
Other receivables, non-current	-	-	10,671	10,671
Other assets, non-current	4,124	3,027	-	-
Right-of-use assets	79,118	-	-	-
Total non-current assets	115,633	36,738	32,409	32,409
Current assets				
Inventories	3,806	2,896	-	-
Trade and other receivables, current	1,424	2,627	1,319	-
Other assets, current	3,555	3,766	12	7
Cash and cash equivalents	14,909	18,183	620	2,758
Total current assets	23,694	27,472	1,951	2,765
Total assets	139,327	64,210	34,360	35,174
Equity and liabilities				
Share capital	32,307	32,307	32,307	32,307
Retained earnings	14,491	24,115	(1,869)	2,297
Merger reserve ⁽¹⁾	(18,149)	(18,149)	-	-
Share-based payment reserve ⁽²⁾	2,625	-	2,625	-
Foreign currency translation reserve	(59)	(55)	-	-
Equity attributable to owners of the parent	31,215	38,218	33,063	34,604
Non-controlling interest	(16)	36	-	-
Total equity	31,199	38,254	33,063	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 31.12.2019	Audited 30.06.2019	Unaudited 31.12.2019	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	1,628	1,632	-	-
Other financial liabilities, non-current	9,032	9,353	-	-
Lease liabilities, non-current	65,097	-	-	-
Total non-current liabilities	76,963	12,191	-	-
Current liabilities				
Income tax payable	1,016	1,689	21	12
Trade and other payables	10,685	11,363	1,276	558
Other financial liabilities, current	636	626	-	-
Other liabilities	80	87	-	-
Lease liabilities, current	18,748	-	-	-
Total current liabilities	31,165	13,765	1,297	570
Total liabilities	108,128	25,956	1,297	570
Total equity and liabilities	139,327	64,210	34,360	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		Group Audited	
	31.12.2019		30.06.2019	
	Secured <u>S\$'000</u>	Unsecured <u>S\$'000</u>	Secured <u>S\$'000</u>	Unsecured <u>S\$'000</u>
(A) Amount repayable in one year or less, or on demand;	636	-	626	-
(B) Amount repayable after one year	<u>9,032</u>	<u>-</u>	<u>9,353</u>	<u>-</u>
	<u>9,668</u>	<u>-</u>	<u>9,979</u>	<u>-</u>

Details of any collaterals:

The banking facilities of the Group as at 31 December 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		Group	
	Unaudited	Unaudited	Unaudited	Unaudited
	2Q FY2020	2Q FY2019	1H FY2020	1H FY2019
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
(Loss) / Profit before income tax	(48)	2,005	(3,595)	3,056
Adjustments for:				
Interest income	(23)	(10)	(126)	(17)
Interest expense on borrowings	63	67	130	139
Lease-related interest expense	807	-	1,595	-
Plant and equipment written off	30	965	890	975
Depreciation of property, plant and equipment	1,735	2,031	3,506	4,214
Depreciation of right of use assets	5,278	-	10,417	-
Share-based payment	-	-	2,625	-
Loss on disposal of plant and equipment	44	(0)*	44	(0)*
Net effect of exchange rate changes in consolidating foreign operations	(4)	11	(5)	23
Operating cash flows before changes in working capital	7,882	5,069	15,481	8,390
Inventories	(490)	(713)	(910)	(319)
Trade and other receivables, current	(232)	458	1,203	(154)
Reinstatement cost utilised	(7)	(92)	(4)	(92)
Trade and other payables, current	(612)	(1,904)	(678)	417
Other assets, current	1,662	532	211	903
Other liabilities	(4)	(3)	(7)	(6)
Net cash flows from operations	8,199	3,347	15,296	9,139
Income tax paid	(905)	(512)	(936)	(933)
Net cash flows from operating activities	7,294	2,835	14,360	8,206
Cash flows from investing activities:				
Purchase of plant and equipment	(2,959)	(506)	(3,123)	(1,956)
Proceeds from disposal of plant and equipment	4	-	4	-
Other assets, non-current	(830)	(78)	(1,097)	(761)
Interest received	23	10	126	17
Net cash flows used in investing activities	(3,762)	(574)	(4,090)	(2,700)
Cash flows from financing activities:				
Decrease in other financial liabilities	(157)	(171)	(311)	(1,380)
Interest portion of lease liabilities paid	(807)	-	(1,595)	-
Repayment of lease obligations	(4,927)	-	(9,960)	-
Capital contribution from a non-controlling interest	-	-	45	-
Dividends paid	(1,593)	(1,416)	(1,593)	(1,416)
Interest paid	(63)	(67)	(130)	(139)
Net cash flows used in financing activities	(7,547)	(1,654)	(13,544)	(2,935)
Net (decrease) increase in cash and cash equivalents	(4,015)	607	(3,274)	2,571
Cash and cash equivalents at beginning of year	16,760	13,829	16,019	11,865
Cash and cash equivalents at end of year	12,745	14,436	12,745	14,436
* - Less than S\$1,000				
Notes to Statement of Cash Flows:				
Cash and cash equivalents in the statement of financial position	14,909	16,096	14,909	16,096
Cash restriction in use over 3 months	(2,164)	(1,660)	(2,164)	(1,660)
Cash and cash equivalents as shown above	12,745	14,436	12,745	14,436

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
Total comprehensive loss for the period	-	-	-	(17)	(249)	(266)	(14)	(280)
Dividends paid	-	-	-	-	(1,593)	(1,593)	-	(1,593)
Balance as at 31 December 2019	32,307	(18,149)	2,625	(59)	14,491	31,215	(16)	31,199

- 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	Merger reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<u>Group (Unaudited)</u>					
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
Total comprehensive income for the period	-	-	4	1,447	1,451
Dividends paid	-	-	-	(1,416)	(1,416)
Balance as at 31 December 2018	32,307	(18,149)	(32)	22,225	36,351

	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
Total comprehensive income for the period	-	-	25	25
Dividends paid	-	-	(1,593)	(1,593)
Balance as at 31 December 2019	32,307	2,625	(1,869)	33,063

- 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	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
Total comprehensive income for the period	-	39	39
Dividends paid	-	(1,416)	(1,416)
Balance as at 31 December 2018	32,307	2,230	34,537

* - Less than S\$1,000

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 September 2019.

The Company has no treasury shares or convertible instruments as at 31 December 2019 and as at 31 December 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
	31.12.2019	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 modifications or emphasis of a matter).

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

3(a). Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion.

Not applicable as the latest financial statements are not an adverse opinion, qualified opinion or disclaimer of opinion.

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 payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group 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.

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)

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 2Q FY2020	Unaudited 2Q FY2019	Unaudited 1H FY2020	Unaudited 1H FY2019
<u>(Loss) / Earnings per share ("EPS")</u>				
(Loss) / Profit attributable to owners of the Company (S\$'000)	(249)	1,447	(3,761)	2,151
(i) Based on weighted average number of ordinary shares in issue ('000)	354,000	354,000	354,000	354,000
(ii) On a basic and diluted basis (Singapore cents per share)	(0.07)	0.41	(1.06)	0.61

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	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
Net asset value ("NAV") (S\$'000)	31,215	38,218	33,063	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)	8.82	10.80	9.34	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
2Q FY2020 compared to 2Q FY2019

	Group Unaudited		Increase/ (decrease) %	Group Unaudited		Increase/ (decrease) %
	2Q	2Q		1H	1H	
	FY2020 S\$'000	FY2019 S\$'000		FY2020 S\$'000	FY2019 S\$'000	
Full-Service Restaurants	22,999	26,130	(12.0%)	45,758	51,219	(10.7%)
Quick-Service Restaurants, Convenience and Others	11,039	10,507	5.1%	20,720	20,664	0.3%
	<u>34,038</u>	<u>36,637</u>		<u>66,478</u>	<u>71,883</u>	

Revenue

The Group's revenue decreased by 7.1%, or approximately S\$2.6 million, from S\$36.6 million in 2Q FY2019 to S\$34.0 million in 2Q FY2020.

Revenue from Full Service Restaurants ("FSR") segment declined by 12.0% or S\$3.1 million, from S\$26.1 million in 2Q FY2019 to S\$23.0 million in 2Q FY2020. This was mainly attributed to the interim closure of FSR outlets at Great World (previously known as "Great World City") due to the mall enhancement works since FY2019 and revamping of certain food concepts at Jurong Point for conversion into outlets under the Quick-Service Restaurants, Convenience and Others ("QSR") segment in 2Q FY2020.

The revenue for QSR segment increased by 5.1% or approximately S\$0.5 million, from S\$10.5 million in 2Q FY2019 to S\$11.0 million in 2Q FY2020 mainly due to the opening of revamped outlets at Jurong Point in 2Q FY2020, partially offset by the absence of revenue from the QSR outlets at Great World as these remained closed in 2Q FY2020.

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 27.4% of total revenue for 2Q FY2020 and 2Q FY2019 respectively.

Other operating income

Other operating income decreased by 86.0% or S\$0.9 million, from S\$1.0 million in 2Q FY2019 to S\$0.1 million in 2Q FY2020. This was mainly due to compensation received from landlord for the Group's plant and equipment written off for its three outlets at Great World in relation to the major enhancement works of the mall in 2Q FY2019. The compensation amounted to approximately S\$1.0 million.

Employee benefits expense

Employee benefits expense remained constant at approximately S\$12.2 million for 2Q FY2020 and 2Q FY2019 and as a proportion to revenue, employee benefits expense increased from 33.5% for 2Q FY2019 to 35.9% for 2Q FY2020. The increase was mainly due to continued payment of salaries despite the interim closure of the Group's outlets at Great World and Jurong Point.

Operating lease expenses

Operating lease expenses decreased by 93.9% or approximately S\$6.0 million, from S\$6.4 million in 2Q FY2019 to S\$0.4 million in 2Q FY2020, mainly due to adoption of SFRS(I)16, where operating leases are accounted for as a "Right-of-use asset" and depreciated accordingly, with the expenses recognised as "Depreciation expense".

Utilities expense

Utilities expenses decreased by 12.8% or approximately S\$0.1 million, from S\$1.1 million in 2Q FY2019 to S\$1.0 million in 2Q FY2020. As a proportion of total revenue, utilities expenses remained relatively constant at 2.9% and 3.1% in 2Q FY2020 and 2Q FY2019 respectively.

Consolidated Statement of Comprehensive Income (cont'd)
2Q FY2020 compared to 2Q FY2019 (cont'd)

Depreciation expense

Depreciation expense increased by 245.3% or approximately S\$5.0 million, from S\$2.0 million in 2Q FY2019 to S\$7.0 million in 2Q FY2020, mainly due to adoption of SFRS(I)16, where operating leases are 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\$2.0 million in 2Q FY2019 to S\$1.7 million in 2Q FY2020, mainly due to interim closure of outlets for revamp of certain food concepts at Jurong Point. These outlets have since re-opened in October 2019.

Other operating expenses

Other operating expenses increased by 14.0% or approximately S\$0.3 million, from S\$2.3 million in 2Q FY2019 to S\$2.6 million in 2Q FY2020. This was mainly attributed to an increase in commission of S\$0.1 million which were mainly paid to food delivery companies, increases in marketing expenses and general supplies such as crockery and utensils of S\$0.2 million due to expenses incurred from the opening of revamped outlets at Jurong Point in October 2019.

Other expenses – Non-operating

Other expenses – non-operating decreased by 44.6% or approximately S\$0.6 million, from S\$1.4 million in 2Q FY2019 to S\$0.8 million in 2Q FY2020. This was mainly attributed to plant and equipment written off of approximately S\$0.9 million from the interim closure of Great World outlets in 2Q FY2019, partially offset by increase in professional fees of approximately S\$0.3 million in 2Q FY2020, of which were mainly design fees incurred in relation to the revamping of outlets at Jurong Point.

Finance costs

Finance costs increased by approximately S\$0.8 million, from S\$0.1 million in 2Q FY2019 to S\$0.9 million in 2Q 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 2Q FY2020 and 2Q FY2019.

Loss before tax

The Group recorded a loss before tax of S\$48,000 in 2Q FY2020, largely attributable to revamping of certain food concepts at Jurong Point and the interim closure of outlets at Great World.

Income tax expense

Income tax expense decreased by 61.5% or approximately S\$0.3 million, from S\$0.6 million in 2Q FY2019 to S\$0.3 million in 2Q FY2020.

Profit net of income tax

As a result of the foregoing, the Group recorded a loss after tax of S\$0.3 million in 2Q FY2020.

1H FY2020 compared to 1H FY2019

Revenue

The Group's revenue declined by 7.5% or approximately S\$5.4 million, from S\$71.9 million in 1H FY2019 to S\$66.5 million in 1H FY2020.

Revenue from Full Service Restaurants segment declined by 10.7% or approximately S\$5.5 million, from S\$51.2 million in 2Q FY2019 to S\$45.8 million in 2Q FY2020. This was mainly attributed to the interim closure of Great World outlets due to the mall enhancement works since FY2019 and revamping of certain food concepts at Jurong Point in 1Q FY2020. The revamped outlets have since re-opened in October 2019 as outlets under the QSR segment.

Revenue from QSR segment remained stable at approximately S\$20.7 million in 1H FY2020 and 1H FY2019 respectively.

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 27.2% of total revenue for 1H FY2020 and 1H FY2019 respectively.

Other operating income

Other operating income decreased by 65.7% or approximately S\$0.8 million from S\$1.2 million in 1H FY2019 to S\$0.4 million in 1H FY2020. This was mainly due to compensation received from landlord for the Group's plant and equipment written off for its three outlets at Great World in relation to major enhancement works of the mall since FY2019. The compensation received amounted to approximately S\$1.0 million.

Employee benefits expense

Employee benefits expense increased by 8.4% or approximately S\$2.1 million, from S\$24.7 million in 1H FY2019 to S\$26.8 million in 1H FY2020. Employee benefits expense in 1H FY2020 included a share-based

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

Employee benefits expense (cont'd)

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 1H FY2020 would have decreased by 2.3% or approximately S\$0.5 million and as a proportion to revenue, employee benefits expense increased from 34.4% for 1H FY2019 to 36.3% for 1H FY2020. The increase was mainly due to continued payment of salaries despite the interim closure of the Group's outlets at Jurong Point and Great World.

Operating lease expense

Operating lease expenses decreased by 95.0% or approximately S\$12.3 million, from S\$12.9 million in 1H FY2019 to S\$0.6 million in 1H FY2020, mainly due to adoption of SFRS(I)16, where operating leases are accounted for as a "Right-of-use asset" and depreciated accordingly, with the expenses recognised as "Depreciation expense".

Utilities expenses

Utilities expenses decreased by 9.9% or approximately S\$0.2 million from S\$2.2 million in 1H FY2019 to S\$2.0 million in 1H FY2020. As a proportion of total revenue, utilities expenses remained relatively constant at 3.0% and 3.1% in 1H FY2020 and 1H FY2019 respectively.

Depreciation expense

Depreciation expense increased by 230.4% or approximately S\$9.7 million, from S\$4.2 million in 1H FY2019 to S\$13.9 million in 1H FY2020, mainly due to adoption of SFRS(I)16, where operating leases are 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\$4.2 million in 1H FY2020 to S\$3.5 million in 1H FY2019, mainly due to interim closure of outlets for revamp of certain food concepts at Jurong Point and Great World. Jurong Point outlets have since reopened in October 2019.

Other operating expenses

Other operating expenses increased by 9.2% or approximately S\$0.4 million, from S\$4.6 million in 1H FY2019 to S\$5.0 million in 1H FY2020. This was mainly attributed to an increase in commission of S\$0.3 million which were mainly paid to food delivery companies, increases in marketing expenses and general supplies such as crockery and utensils of S\$0.1 million due to expenses incurred from the opening of revamped outlets at Jurong Point in October 2019.

Other expenses – Non-operating

Other expenses – non-operating increased by 20.9% or approximately S\$0.4 million, from S\$1.7 million in 1H FY2019 to S\$2.1 million in 1H FY2020. This was mainly attributed to increase in professional fees of approximately S\$0.2 million in 2Q FY2020, of which were mainly design fees in relation to the revamping of outlets at Jurong Point.

Finance costs

Finance costs increased by approximately S\$1.6 million, from S\$0.1 million in 1H FY2019 to S\$1.7 million in 1H 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 1H FY2020 and 1H FY2019.

Loss before tax

The Group recorded a loss before tax of S\$3.6 million in 1H 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 certain food concepts at Jurong Point of approximately S\$0.9 million.

Income tax expense

Income tax expense decreased by 70.9% or approximately S\$0.6 million, from S\$0.9 million in 1H FY2019 to S\$0.3 million in 1H FY2020.

Profit net of income tax

As a result of the foregoing, the Group recorded a loss after tax of S\$3.9 million in 1H 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 31 December 2019 and 30 June 2019.

Non-current assets

The Group's non-current assets increased by S\$78.9 million from S\$36.7 million as at 30 June 2019 to S\$115.6 million as at 31 December 2019 mainly due to (i) an increase in other assets, non-current of S\$1.1 million; (ii) an increase in the right-of-use assets of S\$79.1 million, offset by a decrease in property, plant and equipment of S\$1.3 million.

The decrease in property, plant and equipment was mainly due to the write off of renovation and fixtures for the revamping of outlets at Jurong Point and depreciation of S\$4.4 million, partially offset by an addition of assets of S\$3.1 million. Right-of-use assets increased by S\$79.1 million largely arising from the adoption of the SFRS(I) 16 on 1 July 2019. Other assets, non-current increased by S\$1.1 million mainly due to the reclassification of refundable rental deposits placed with the lessors, from other assets, current following the renewal of existing leases.

Current assets

The Group's current assets decreased by S\$3.8 million from S\$27.5 million as at 30 June 2019 to S\$23.7 million as at 31 December 2019. This was mainly due to (i) a decrease in cash and cash equivalents of S\$3.3 million; (ii) a decrease in trade and other receivables, current of S\$1.2 million; (iii) a decrease in other assets, current of S\$0.2 million partially offset by (iv) an increase in inventories of S\$0.9 million

The decrease in cash and cash equivalents was mainly due to the capital expenditures incurred for the revamp of certain food concepts at Jurong Point and absence of sales proceeds resulting from the interim closure of these outlets in the period. The decrease in other assets, current was mainly due to the reclassification of refundable rental deposits placed with lessors, to other assets, non-current following the renewal of existing leases. The decrease in trade and other receivables, current was mainly due to a decrease in amount owing from credit card companies and the absence of compensation from landlord for the disrupted operations arising from the Great World's mall revamp. The increase in inventories was mainly due to the increase in purchase of raw materials.

Non-Current Liabilities

The Group's non-current liabilities increased by S\$64.8 million from S\$12.2 million as at 30 June 2019 to S\$77.0 million as at 31 December 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\$17.4 million from S\$13.8 million as at 30 June 2019 to S\$31.2 million as at 31 December 2019. This was mainly attributable to (i) an increase in lease liabilities of S\$18.7 million arising from the adoption of SFRS(I) 16; partially offset by (ii) a decrease in other payable of S\$0.7 million and (iii) a decrease in the provision for income tax of S\$0.7 million.

The Group's negative working capital as at 31 December 2019 was mainly due to the adoption of SFRS(I) 16 on 1 July 2019 where Lease liabilities were accounted as both current liabilities and non-current liabilities and its corresponding entry in lease assets was accounted as non-current assets. Excluding the effects of SFRS(I) 16, the Group's net working capital as at 31 December 2019 was S\$11.3 million.

Consolidated Statements of Cash Flows

The Group's net cash flows generated from operating activities was S\$7.3 million in 2Q FY2020, mainly due to operating cash flows before changes in the working capital of S\$7.9 million, net working capital inflows of S\$0.3 million and income taxes paid of S\$0.9 million. The net working capital inflows were mainly due to (i) an increase in inventories of S\$0.5 million; (ii) an increase in trade and other receivables, current of S\$0.2 million; (iii) a decrease in trade payables of S\$0.6 million; and partially offset by (iv) a decrease in other assets, current of \$1.7 million.

The Group's net cash flows used in investing activities was S\$3.8 million in 2Q FY2020, mainly attributable to (i) the purchase of plant and equipment amounting to S\$3.0 million in relation to the revamping of certain food concepts at Jurong Point and (ii) an increase in other assets, non-current of S\$0.8 million.

The Group's net cash flows used in financing activities was S\$7.6 million in 2Q FY2020, mainly due to (i) repayment of bank borrowings of S\$0.2 million; (ii) lease payment of S\$4.9 million; (iii) interest portion of the lease liabilities of S\$0.8 million paid and (iv) final dividends for FY2019 of \$1.6 million paid to the shareholders.

As a result, cash and cash equivalents decreased by S\$4.0 million in 2Q FY2020.

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

Not applicable as no specific forecast or a prospect statement has been issued previously.

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 changing dynamics of the F&B industry such as increasing consumers' demands for online food delivery services and stringent requirements on the recruitment of foreign labour are expected to strain F&B operators, negatively affecting the revenue of full-service restaurants, and also likely resulting in higher operational costs. Nonetheless, the Group remains committed in staying relevant to the industry by exploring new service channels to secure its current market share and adopting technologies for both FSR and QSR segments to mitigate the operational challenges.

In addition, unforeseen circumstances such as the 2019 Coronavirus would significantly impact our business in general. The Group will cautiously control the business operating costs and may consider re-evaluating its major project commitments. The Group has adopted measures by referencing to guidelines from Ministry of Health and other government agencies, to protect our employees and customers against the virus.

Following the changes in SGX Listing Rules, SGX will only apply quarterly reporting requirements for companies associated with higher risks. Under the new approach, a company will have to report its financials on a quarterly basis if:

- It has received a disclaimer of opinion, adverse opinion or qualified opinion from its auditors on its latest financial statements;
- Its auditors have expressed a material uncertainty relating to going concern on its latest financial statements; or
- SGX RegCo has regulatory concerns with the company, for example if it has had material disclosure breaches or where it faces issues that have material financial impact.

The Group is pleased that it does not fall into the above criteria to perform quarterly reporting. The Group will cease its quarterly reporting and adopt semi-annual reporting with effect from 1 July 2020 (Financial Year 2021) to focus on a long-term perspective on growth.

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) Record 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 its full year results.

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	7,000	-
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	11,880	-

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 7(H) 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 Q2 FY2020 and 1H FY2020 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 : 10 February 2020

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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