

JAPAN FOODS HOLDING LTD

JAPAN FOODS HOLDING LTD.

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

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2019

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

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

Consolidated statement of comprehensive income

	<----- Group ----->		
	Three months ended 30 June		
	2019	2018	Increase /
	(S\$'000)	(S\$'000)	(Decrease)
			(%)
Revenue	18,092	16,626	8.8
Cost of sales	(2,737)	(2,528)	8.3
Gross profit	15,355	14,098	8.9
Other income	63	97	(35.1)
Interest income from bank	44	26	69.2
Other (loss)/gain	(14)	23	N.M ⁽¹⁾
Selling and distribution expenses	(12,901)	(11,922)	8.2
Administrative expenses	(859)	(896)	(4.1)
Other operating expenses	(331)	(283)	17.0
Lease interest expenses	(217)	-	N.M ⁽¹⁾
Profit from operation	1,140	1,143	(0.3)
Share of results of associated companies	(17)	57	N.M ⁽¹⁾
Share of results of joint venture	(8)	-	N.M ⁽¹⁾
Profit before income tax	1,115	1,200	(7.1)
Income tax expenses	(234)	(234)	-
Total comprehensive income, representing net profit for the period	881	966	(8.8)

Notes:

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

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

The profit before income tax of the Company and its subsidiary corporations (the “Group”) is arrived at after charging / (crediting) the following:

	<----- Group ----->		
	Three months ended 30 June 2019	2018	Increase / (Decrease)
	(S\$'000)	(S\$'000)	(%)
Interest income	(44)	(26)	69.2
Royalty and franchise income	(54)	(61)	(11.5)
Insurance claims	(2)	(2)	Nil
Government grant ⁽¹⁾	-	(19)	N.M. ⁽³⁾
Amortisation of government grant	(2)	(2)	Nil
Other income ⁽²⁾	(5)	(13)	(61.5)
Depreciation of plant and equipment	1,004	1,024	(2.0)
Depreciation of right-of-use assets	3,280	-	N.M. ⁽³⁾
Amortisation of intangible assets	14	15	(6.7)
Plant and equipment written off	24	6	300.0
Currency translation loss/(gain)	14	(23)	N.M. ⁽³⁾

Notes:

- (1) Government grant refers mainly to Temporary Employment Credit Scheme.
- (2) Other income refers mainly to the sales of scrap materials.
- (3) “N.M.” denotes not meaningful.

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

Statement of financial position

	<----- Group ----->		<----- Company----->	
	As at		As at	
	30.06.2019	31.03.2019	30.06.2019	31.03.2019
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
ASSETS				
Current assets				
Cash and bank balances	23,588	22,051	2,657	2,643
Trade receivables	899	995	-	-
Other receivables	29	15	13	4
Inventories	732	682	-	-
Amounts owing from subsidiary corporations	-	-	4,099	4,089
Other current assets	2,659	3,068	37	48
	27,907	26,811	6,806	6,784
Non-current assets				
Plant and equipment	9,768	9,309	7	10
Investment in subsidiary corporations	-	-	5,727	5,727
Investment in associated companies	2,406	2,423	191	191
Investment in joint ventures	92	100	100	100
Loan to an associated company	248	248	248	248
Other investment at amortised cost	753	754	-	-
Intangible assets	374	388	-	-
Right-of-use assets	26,183	-	42	-
Club membership	322	322	322	322
Long-term security deposits	3,817	3,391	-	13
	43,963	16,935	6,637	6,611
Total Assets	71,870	43,746	13,443	13,395
LIABILITIES				
Current liabilities				
Trade payables	1,439	1,367	-	-
Other payables and accruals	7,831	7,226	510	516
Current income tax liabilities	1,239	1,014	7	9
Lease liabilities	13,357	-	42	-
	23,866	9,607	559	525
Non-current liability				
Deferred income tax liabilities	320	320	2	2
Lease liabilities	12,984	-	-	-
	13,304	320	2	2
Total Liabilities	37,170	9,927	561	527
Net assets	34,700	33,819	12,882	12,868
EQUITY				
Share capital	9,522	9,522	9,522	9,522
Treasury shares	(376)	(376)	(376)	(376)
Capital reserves	80	80	80	80
Retained earnings	25,474	24,593	3,656	3,642
Total Equity	34,700	33,819	12,882	12,868

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

Amount repayable in one year or less, or on demand

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

Amount repayable after one year

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

Details of any collaterals

Nil

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

Consolidated Statement of cash flow

	<----- Group ----->	
	Three months ended 30 June	
	2019	2018
	(\$'000)	(\$'000)
Cash flows from operating activities		
Net Profit	881	966
Adjustments for:		
Income tax expenses	234	234
Depreciation of plant and equipment	1,004	1,024
Depreciation of right-of-use assets	3,280	-
Amortisation of intangible assets	14	15
Plant and equipment written off	24	6
Share of results of associated companies	17	(57)
Share of results of joint venture	8	-
Interest on lease	217	-
Interest income from bank deposits	(44)	(26)
Amortisation of government grants	(2)	(2)
Employee performance shares expenses	-	339
	5,633	2,499
Changes in working capital:		
Inventories	(50)	(16)
Trade and other receivables	87	145
Other current assets	409	(10)
Long-term security deposit	(425)	217
Trade and other payables	679	549
Cash generated from operations	6,333	3,384
Interest income received	39	20
Income tax refund	(9)	-
Net cash generated from operating activities	6,363	3,404
Cash flows from investing activities:		
Additions to plant and equipment	(1,487)	(781)
Additions to intangible assets	-	(86)
Additions to associated company	-	(143)
Redemption of financial assets, held-to-maturity	-	251
Net cash used in investing activities	(1,487)	(759)
Cash flows from financing activity:		
Increase in short-term bank deposits pledged	-	(313)
Repayment of lease liabilities	(3,122)	-
Interest on lease	(217)	-
Net cash used in financing activity	(3,339)	(313)
Net increase in cash and cash equivalents	1,537	2,332
Cash and cash equivalents		
Beginning of financial period	19,511	19,779
End of financial period ⁽¹⁾	21,048	22,111

Note:

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

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

Statement of changes in equity

Group	Share capital (S\$'000)	Treasury shares (S\$'000)	Capital reserves (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
Balance as at 1 April 2019	9,522	(376)	80	24,593	33,819
Total comprehensive income for the period	-	-	-	881	881
Balance as at 30 June 2019	9,522	(376)	80	25,474	34,700
Balance as at 1 April 2018	9,522	(424)	24	24,911	34,033
Performance shares granted	-	283	56	-	339
Total comprehensive income for the period	-	-	-	966	966
Balance as at 30 June 2018	9,522	(141)	80	25,877	35,338
Company	Share capital (S\$'000)	Treasury shares (S\$'000)	Capital reserves (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
Balance as at 1 April 2019	9,522	(376)	80	3,642	12,868
Total comprehensive income for the period	-	-	-	14	14
Balance as at 30 June 2019	9,522	(376)	80	3,656	12,882
Balance as at 1 April 2018	9,522	(424)	24	3,000	12,122
Performance shares granted	-	283	56	-	339
Total comprehensive income for the period	-	-	-	22	22
Balance as at 30 June 2018	9,522	(141)	80	3,022	12,483

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

There were no changes in the Company's share capital between 31 March 2019 and 30 June 2019.

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

As at 30 June 2019, the Company did not have any subsidiary holdings and held 833,100 treasury shares which represented approximately 0.48% of the total issued share capital of the Company ("**Shares**") (excluding treasury shares and subsidiary holdings) comprising 173,602,900 shares. As at 30 June 2018, the Company did not have any subsidiary holdings and held 348,100 treasury shares which represented approximately 0.20% of the total issued Shares (excluding treasury shares and subsidiary holdings) comprising 174,087,900 shares.

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

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

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- 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.**

	Three months ended 30 June 2019
Treasury shares:	
Balance at beginning of financial period	833,100
Transferred on award of PSP Shares	-
Balance at end of financial period	<u>833,100</u>

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

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

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

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

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

Not applicable.

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

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

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

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

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

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SFRS(I) 16 – Leases

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

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

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

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

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

The Group’s net profit after tax will decrease by approximately S\$158,000 for 1Q2020 as a result of adopting SFRS(I) 16. EBITDA is expected to increase by approximately \$3,497,000 as the operating lease payments were included in the EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows will decrease by approximately \$3,339,000 respectively as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Effects of adoption of SFRS(I) 16 on the Group’s financial statement for the three months ended 30 June 2019

Income statement

Items	Previous accounting standard S\$’000	Adoption of new accounting standard S\$’000
Rent expense	5,341	2,002
Depreciation on ROU assets	-	3,280
Imputed interest on leases	-	217
Total	5,341	5,499

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Statement of financial position

Items	Previous accounting standard S\$'000	Adoption of new accounting standard S\$'000
Non-current assets – ROU assets	-	26,183
Non-current liabilities – Lease liabilities	-	12,984
Current liabilities – Lease liabilities	-	13,357

Consolidated statement of cash flow

	Previous accounting standard S\$'000	Adoption of new accounting standard S\$'000	Net effect Inflow/(outflow) S\$'000
Cash flows from operating activities			
Net profit	1,039	881	(158)
Depreciation of ROU assets	-	3280	3,280
Imputed interest on leases	-	217	217
Total	1,039	4,378	3,339
Cash flows from financing activities			
Repayment of lease liabilities	-	3,122	(3,122)
Imputed interest on leases	-	217	(217)
Total	-	3,339	(3,339)

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

Earnings per share (“EPS”)

	←----- Group ----->	
	Three months ended 30 June 2019	2018
Earnings attributable to equity holders of the Company (S\$'000)	881	966
Weighted average number of shares used in computation of basic EPS	173,602,900	173,734,054
Basic EPS attributable to equity holders of the Company (cents) ⁽¹⁾	0.51	0.56
Fully diluted EPS attributable to equity holders of the Company (cents) ⁽²⁾	0.51	0.56

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Notes:

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

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

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

Net asset value ("NAV")

	<----- Group ----->		<----- Company ----->	
	As at		As at	
	30 June 2019	31 March 2019	30 June 2019	31 March 2019
NAV per Share (cents)	19.99	19.48	7.42	7.41
Number of Shares used in computation of NAV per Share	173,602,900	173,602,900	173,602,900	173,602,900

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

As at 30 June 2019, the Group had a total of 57 restaurants in operation, comprising 16 "Ajisen Ramen" restaurants, 2 "Karamen" restaurants, 7 "Akimitsu" restaurants, 2 "Fruit Paradise" restaurants, 4 "Konjiki Hototogisu" restaurants, 11 "Menya Musashi" restaurants, 2 "Menzo Butao" restaurants, 5 "Osaka Ohsho" restaurants, 2 "Kagurazaka Saryo" restaurants and 6 restaurants operating under various other brands, namely, "Afuri Ramen", "Curry is Drink", "Japanese Gourmet Town", "Kazokutei", "New ManLee Bak Kut Teh" and "Yonehachi". As at 30 June 2019, the Group had 140,000 members under the royalty program known as JFH Rewards.

As at 30 June 2018, the Group had a total of 51 restaurants in operation, comprising 18 "Ajisen Ramen" restaurants, 2 "Fruit Paradise" restaurants, 1 "Kazokutei" restaurant, 10 "Menya Musashi" restaurants, 5 "Osaka Ohsho" restaurants, 1 "New ManLee Bak Kut Teh" restaurant, 7 "Akimitsu" restaurants and 7 restaurants operating under various other brands, namely, "Japanese Gourmet Town", "Menzo Butao", "Dutch Baby Cafe", "Ginza Kushi Katsu", "Curry is Drink", "Konjiki Hototogisu" and "Yonehachi". As at 30 June 2018, the Group had 20,000 members under the JFH Rewards.

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Review of financial performance for 1Q2020 compared to 1Q2019

Revenue

The Group's revenue increased by S\$1.5 million or 8.8%, from S\$16.6 million in the first quarter from 1 April 2018 to 30 June 2018 ("**1Q2019**"), to S\$18.1 million in the first quarter from 1 April 2019 to 30 June 2019 ("**1Q2020**"). The increase in the Group's revenue was a result of the following:

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

The Group recorded an increase in revenue of S\$3.0 million in 1Q2020, mainly contributed by new restaurants operating under the "Fruit Paradise", "Menzo Butao" and "Konjiki Hototogisu" brands.

The increase in revenue was partially offset by a decrease in revenue due to the closure of restaurants operating under the "Dutch Baby Cafe" and "Ginza Kushi-Katsu" brands, which in aggregate recorded a decrease in revenue of S\$0.4 million in 1Q2020 as compared to 1Q2019.

- (ii) *net decrease in revenue of approximately S\$0.4 million from the restaurants operating under the "Ajisen Ramen" and "Karamen" brand*

The Group's revenue from restaurants operating under the "Ajisen Ramen" and "Karamen Ramen" brands decreased from S\$6.1 million in 1Q2019 to S\$5.7 million in 1Q2020, mainly attributable to: (i) closure of two restaurants at White Sands and Sembawang Shopping Centre in November 2018 and April 2019 respectively and (ii) lower net sales generated from some existing restaurants, partially offset by contributions from two new Karamen restaurants at 111 Somerset and Funan in March 2019 and June 2019 respectively.

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

The Group's revenue from restaurants operating under the "Menya Musashi" brand decreased from S\$3.8 million in 1Q2019 to S\$3.7 million in 1Q2020, mainly attributable to lower net sales generated from some existing restaurants, partially offset by contribution from a new Menya Musashi restaurant in Chinatown Point.

- (iv) *net decrease in revenue of S\$0.1 million from the restaurants operating under the "Osaka Ohsho" brand*

The Group's revenue from restaurants operating under the "Osaka Ohsho" brand decreased from S\$1.8 million in 1Q2019 to S\$1.7 million in 1Q2020, mainly attributable to lower net sales generated from some existing restaurants.

- (v) *net decrease in revenue of approximately S\$0.4 million from the restaurants operating under the "Shitamachi Tendon Akitmitsu" brands*

The Group's revenue from restaurants operating under the "Shitamachi Tendon Akimitsu" brand decreased from S\$2.2 million in 1Q2019 to S\$1.8 million in 1Q2020 attributable to lower net sales generated from some existing restaurants.

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(vi) impact of JFH Reward

The reward points known as \$J earned by members (net of expired points of approximately S\$0.1 million) under JFH Rewards amounted to S\$0.3 million in 1Q2020 compared to S\$0.2 million in 1Q2019. In accordance with the relevant accounting standard, such amount was deducted from the corresponding revenue recognised during the respective financial periods.

Gross profit

The Group's gross profit increased by S\$1.3 million or 8.9%, from approximately S\$14.1 million in 1Q2019 to approximately S\$15.4 million in 1Q2020, in line with higher revenue achieved. The Group maintained its overall gross profit margin at 84.9% in 1Q2020, as compared to 84.8% in 1Q2019.

Other income

The Group's other income decreased by S\$34,000 or 35.1% from approximately S\$97,000 in 1Q2019 to approximately S\$63,000 in 1Q2020 as there was no government grant in 1Q2020 as compared to S\$19,000 in 1Q2019 and sales of scrap materials in 1Q2020 was also lower than in 1Q2019.

Interest income from bank

The Group's interest income from bank increased by S\$18,000 or 69.2% from approximately S\$26,000 in 1Q2019 to approximately S\$44,000 in 1Q2020, due mainly to higher interest rates on cash deposits placed with the banks.

Other (loss)/gain

The Group recognised other loss of approximately S\$14,000 in 1Q2020 as compared to other gain of approximately S\$23,000 in 1Q2019. The other (loss)/gain mainly relates to foreign exchange gains and losses during the relevant periods.

Selling and distribution expenses

The Group's selling and distribution expenses increased by S\$1.0 million or 8.2% from S\$11.9 million in 1Q2019 to S\$12.9 million in 1Q2020 mainly due to: (i) higher manpower cost, utilities and online delivery fees, in line with the higher revenue achieved and an increase in the number of restaurants in operation during 1Q2020; and (ii) higher rental charges and depreciation of ROU assets in line with an increase in the number of restaurants in operation.

Administrative expenses

The Group's administrative expenses decreased by S\$37,000 or 4.1% from S\$896,000 in 1Q2019 to S\$859,000 in 1Q2020 due to lower travelling expenses and other administrative expenses.

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Other operating expenses

The Group's other operating expenses increased by S\$48,000 or 17.0% from S\$283,000 in 1Q2019 to S\$331,000 in 1Q2020 due to higher royalty expenses in line with more brands and restaurants in operation in 1Q2020.

Lease interest expenses

Lease interest expenses relate to imputed interest on operating leases amounting to S\$0.2 million in 1Q2020. Please refer to Paragraph 5 above for the effects of adoption of SFRS(I) 16.

Share of results of associated and joint venture companies

The Group's share of results of associated and joint venture companies was a loss of S\$25,000 in 1Q2020. This was due to: (i) certain "Menya Musashi" brand restaurants operated by an associated company in Hong Kong incurring losses as a result of intense competition; (ii) write-off of equipment and reinstatement expenses arising from the closure of a "Menya Musashi" brand restaurant in June 2019 upon expiry of lease; (iii) certain "Menya Musashi" brand restaurants operated by an associated company in China recording losses, and (iv) share of start-up expenses of a joint venture company.

Income tax expenses

The income tax expenses of the Group remained approximately the same at S\$0.2 million in 1Q2020 as compared to 1Q2019.

Net profit

As a result of the reasons mentioned above, the Group's net profit attributable to equity holders of the Company decreased by approximately S\$0.1 million or 8.8% from S\$1.0 million in 1Q2019 to S\$0.9 million in 1Q2020.

Review of financial position as at 30 June 2019

Current assets

The Group's total current assets increased by S\$1.1 million, from approximately S\$26.8 million as at 31 March 2019 to S\$27.9 million as at 30 June 2019.

This was mainly a result of increases in cash and cash equivalents of S\$1.5 million and inventories of S\$50,000 which were partially offset by a decrease in trade receivables of S\$0.1 million and short-term deposits of S\$0.4 million.

Non-current assets

The Group's total non-current assets increased by S\$27.0 million, from S\$16.9 million as at 31 March 2019 to S\$43.9 million as at 30 June 2019.

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This was due to (i) an increase in net book value of plant and equipment of S\$0.4 million, (ii) an increase in long-term security deposits of S\$0.4 million; and (iii) an increase in ROU assets of S\$26.2 million arising from the adoption of SFRS (I) 16. Please refer to Paragraph 5 above for the effects of adoption of SFRS(I) 16.

Current liabilities

The Group's total current liabilities increased by S\$14.3 million, from S\$9.6 million as at 31 March 2019 to S\$23.9 million as at 30 June 2019, mainly due to higher trade payables and accruals of S\$0.7 million, higher tax liabilities of S\$0.2 million and the recognition of current portion of lease liabilities amounting to S\$13.4 million arising from the adoption of SFRS (I) 16.

Non-current liabilities

The Group's total non-current liabilities increased by S\$13.0 million, from S\$0.3 million as at 31 March 2019 to S\$13.3 million as at 30 June 2019, due to the recognition of the long-term portion of lease liabilities of S\$13.0 million arising from the adoption of SFRS (I) 16.

Shareholders' equity

The Group's shareholders' equity increased by S\$0.9 million, from approximately S\$33.8 million as at 31 March 2019 to approximately S\$34.7 million as at 30 June 2019, due to the net profit achieved by the Group in 1Q2020 of approximately S\$0.9 million.

Review of cash flow management for 1Q2020

The Group's net cash generated from operating activities in 1Q2020 was approximately S\$6.3 million. This was mainly due to operating profit before working capital changes of approximately S\$5.6 million and net working capital inflow of approximately S\$0.7 million.

The Group's net cash used in investing activities in 1Q2020 was approximately S\$1.5 million mainly due to renovation cost and purchase of equipment for the Group's new restaurants.

The Group's net cash used in financing activities in 1Q2020 was approximately S\$3.3 million due to repayment of lease liabilities of approximately S\$3.1 million and interest on lease of approximately S\$0.2 million.

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

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

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

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The operating environment in the local food and beverage industry is expected to remain challenging in the next 12 months mainly due to intense competition, tight labour supply, rising business costs and uncertain economic outlook.

The Group will continue to focus its efforts in controlling raw material costs, improving operational efficiency via streamlining of work processes and technology and practising good restaurant portfolio management taking into account market demand and individual outlet's profitability.

In January 2019, the Group secured a new franchise brand, "Afuri Ramen" which is known for its yuzu-flavoured broth, from Kanagawa Prefecture in Japan. The first restaurant commenced operations on 28 June 2019 and has been well received by customers.

On 29 January 2019, the Company and Minor Food Group (Singapore) Pte. Ltd. ("**MS**") established a joint venture to conduct the business of franchising and operating existing restaurant brands owned by the Company and MS in Japan, Thailand and the People's Republic of China. The Company and MS is actively planning and making preparations to set up restaurant operations in Japan.

As at 30 June 2019, the Group's associated companies operated 6 restaurants in Hong Kong, 11 restaurants in China and 1 restaurant in Indonesia under the "Menya Musashi" brand.

The Group has adopted SFRS(I)16 relating to leases effective for financial year beginning 1 April 2019. The Group expects that the adoption of the new standard will result in increases in total assets and total liabilities and EBITDA and a decrease in the Group's net profit. Please refer to Paragraph 5 above for the effects of adoption of SFRS(I) 16.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No.

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

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

No

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

Not applicable.

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(d) Date payable

Not applicable.

(e) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect and the reasons(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 half year and full year results.

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

The Company did not obtain any general mandate from its shareholders in respect of any interested person transaction.

14. Confirmation by the board of directors pursuant to Rule 705(5) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst ("Catalist Rules")

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

On behalf of the board of Directors

Takahashi Kenichi
Executive Chairman and CEO

Eugene Wong Hin Sun
Non-Executive Vice Chairman

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

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

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BY ORDER OF THE BOARD

Takahashi Kenichi
Executive Chairman and CEO

2 August 2019

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