

PRESS RELEASE

RE&S registers net profit of S\$1.4 million for 2Q FY2019

- Marginal impact on revenue despite major enhancement works carried out at Great World City (“GWC”), which saw the closure of three of the Group’s outlets for an interim period
- Net profit increased by 33.1% yoy to S\$1.4 million, due to an absence of one-off IPO expenses incurred in 2Q FY2018
- Going forward, the Group shall continue to grow its share of contribution from the QSR segment while exploring strategic partnerships or joint ventures when opportunities arise

Singapore, 1 February 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 31 December 2018 (“2Q FY2019”) and half year ended 31 December 2018 (“1H FY2019”).

Financial Highlights

S\$’000	2Q FY2019	2Q FY2018	Change (%)	1H FY2019	1H FY2018	Change (%)
Revenue	36,637	36,961	(0.9)	71,883	71,674	0.3
Other operating income	1,000	114	777.2	1,222	273	347.6
Operating expenses ⁽¹⁾	(34,165)	(33,914)	0.7	(68,185)	(67,160)	1.5
Other expenses – Non-operating	(1,400)	(1,233)	13.5	(1,725)	(1,868)	(7.7)
Profit before tax	2,005	1,833	9.4	3,056	2,728	12.0
Profit, net of tax	1,447	1,087	33.1	2,151	1,773	21.3

(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.

Revenue for 2Q FY2019 was S\$36.6 million, a year-on-year (“yoy”) decline of 0.9% compared with the S\$37.0 million revenue recorded in 2Q FY2018. This is despite major enhancement works carried out at GWC, which saw three of the Group’s outlets located at the mall closed for an interim period.

Revenue by Segment

S\$’000	2Q FY2019	2Q FY2018	Change (%)	1H FY2019	1H FY2018	Change (%)
Full-Service Restaurants	26,130	26,404	(1.0)	51,219	51,372	(0.3)
Quick-Service Restaurants, Convenience & Others	10,507	10,557	(0.5)	20,664	20,302	1.8
Total Revenue	36,637	36,961	(0.9)	71,883	71,674	0.3

Specifically, the closure of two Full-Service Restaurants (“FSR”) and one Quick-Service Restaurant in GWC contributed mainly to a 1.0% decline in revenue yoy for the FSR segment and a 0.5% decline in revenue yoy for the *Quick-Service Restaurants, Convenience & Others* (“QSR”) segment respectively.

Other operating income for the quarter was S\$0.9 million higher, due to a one-off compensation received by the Group from the GWC landlord. Accordingly, the Group had plant and equipment of a similar amount written off due to the outlets closed at GWC. All-in-all, the Group expects these three temporary closures to have no material impact on the Group’s financials for the current fiscal year.

The Group's operating expenses for the period, figures were up by 0.7% or S\$0.3 million yoy, to S\$34.2 million. An increase in raw materials costs and tariff hikes in utilities were the key contributing factors.

Other non-operating expenses were S\$1.4 million in 2Q FY2019, an increase of 13.5% from prior corresponding period. As the Group seeks to streamline its business and improve operational efficiencies, there has been an increase in consultancy fees incurred. In addition, an increase in plant and equipment written off following the closure of three outlets at GWC as mentioned above also contributed to the higher figures. These expenses have been partially offset by one-off IPO expenses incurred in 2Q FY2018.

As a result of the above factors and an absence of one-off IPO expenses incurred in 2Q FY2018, the Group reported a net profit after tax of S\$1.4 million for 2Q FY2019, 33.1% higher yoy.

Commenting on the Group's results, Mr. John Yek (葉鴻烈), Executive Director and Chief Executive Officer of RE&S, said, "**The presence of prevailing challenges in the food retail industry has led to weaker performance registered for the period. Going forward, we remain cautiously optimistic in growing our businesses while streamlining operational processes at the Group. Through greater efficiencies derived at our outlets, we seek to improve core performance for the remaining fiscal year to come.**"

Outlook

The challenges in the F&B industry are expected to persist, given weaker consumer sentiments, intensifying competition, and rising costs. Nonetheless, the Group remains committed in growing its businesses through selective stores opening and constant reinvigoration of its brands. Specifically, for the immediate term, the Group's focus shall be on growing its share of contribution from the QSR segment. Beyond the retail scene in Singapore and Malaysia, strategic partnerships or joint ventures will also be explored when opportunities arise.

Great World City

In connection with major enhancement works carried out at GWC, the Group expects a further closure of two additional outlets in Q4 FY2019. Support has already been received from the landlord in relation to the fixed assets to be written off for these affected outlets. Management expects the loss in revenue resulting from these interim closures to be mitigated by new outlets opened.

Going forward, the Group has committed to re-open new outlets at GWC in early 2020 upon the mall's projected completion of enhancement works. Together with the new and improved facilities, the target opening of the Great World MRT Station is expected to add vibrancy to the mall.

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About RE&S Holdings Limited

Established in 1988, RE&S is a 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 a Central Kitchen in Tai Seng, a procurement office in Japan, and more than 70 F&B outlets. Its portfolio comprises 20 distinct brands which cover the full spectrum of the Japanese dining segment, 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.

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 “**SGX-ST**”). The Sponsor has not independently verified the contents of this Press Release.*

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