RE&S

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

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the "**Board**") of RE&S Holdings Limited (the "**Company**") would like to thank Securities Investors Association (Singapore) ("**SIAS**") for submitting their questions in advance of RE&S Holdings Limited FY2020 Annual General Meeting ("**AGM**") to be held on 26 October 2020.

Please refer to the Appendix hereto for the Company's responses to the questions.

For and on behalf of the Board

Foo Kah Lee

Executive Director and CEO

Date: 26 October 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 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.

The contact person for the Sponsor is Ms. Andrea Chua, Vice President, at 12 Marina Boulevard Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone +65 6878 8888

APPENDIX
RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

<table>
<tr><th>No</th><th>Questions</th><th>Responses</th></tr>
<tr><td colspan="3"></td></tr>
<tr><td>1</td><td colspan="2">As noted in the CEO's statement, the group's revenue decreased by (21.5)% to $110.6 million for the financial year ended 30 June 2020. As with all F&B outlets, the group has been severely impacted by the safe distancing measures put in place to stop the spread of COVID-19.

Prior to the pandemic, when the group announced its 6-month and 9-month results as at 31 December 2019 and 31 March 2020 respectively, the group's revenue showed a decrease of (7.5)% and (9.9)% respectively.

The group's full service restaurants include Kuriya Dining (1 outlet), Ichiban Boshi (13), Ichiban Sushi (10) and Shimbashi Soba (1) while the brands under the quick service concepts include Kuriya Japanese Market (13), Ichiban Bento (9), Idaten Udon (5), Sushi Go (1) and others. The group has also successfully launched its multi-concept food hall '&JOY Dining Hall' in two locations, namely Jurong Point and Great World in FY2020.

As disclosed in Note 4, the revenue by segment shows that the quick services segment has been less affected by COVID-19 given that the stores are able to cater to takeaway orders during the circuit breaker.

The information on each business segment is as follows:

<table>
<tr><th></th><th>2020
$'000</th><th>2019
$'000</th></tr>
<tr><td>Revenue by segment:</td><td></td><td></td></tr>
<tr><td>Restaurants</td><td>72,202</td><td>99,259</td></tr>
<tr><td>Quick services</td><td>38,447</td><td>41,745</td></tr>
<tr><td>Total</td><td>110,649</td><td>141,004</td></tr>
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(Source: company annual report)</td></tr>
<tr><td>(i)</td><td>To help shareholders better understand the performance of the brands in the group, would management consider disclosing the same-store sales figures? The same-store sales figure is a commonly reported performance metric used by F&B operators, such as McDonald's and Yum Brands.</td><td>Our decrease in sales was mainly due to the following reasons:
• Interim closure of outlets at Great World
• Circuit Breaker period where we could not carry out dine-in services
• Closure of outlets

On the other hand, the YOY same store sales for our brands such as Ichiban Boshi and Ichiban Sushi for 1HFY20 (before COVID-19) was -0.8%.</td></tr>
<tr><td></td><td colspan="2">In particular, the group made a major investment to launch its &JOY Dining Hall concept in the financial year, even at the cost of writing off approximately $900,000 in plant and equipment to revamp the Japanese Food Street at Jurong Point to turn it into &JOY Dining Hall.</td></tr>
<tr><td>(ii)</td><td>Has the new &JOY concept met management's expectations?</td><td>We have launched more than 8 concepts within &JOY Dining Hall including a few Japanese partner brands. With &JOY, we also aim to address labour shortage challenges through adopting new-to-market initiatives such as Bring Your Own Device</td></tr>
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		(BYOD). We are seeing good response from the customers and increasing month-on-month sales. The initial performance for the Jurong Point outlet was good but the one at Great World has not reached its optimum performance due to the hit of COVID-19 since its opening in February 2020. We shall continue to inject more marketing efforts to increase brand awareness.
(iii)	What was the investment hurdle rate used in the approval process by management/board for the group's new brands/outlets?	For the established brands, we are looking at 18-24 months; for newer brands, we will need a longer gestation period i.e. 36 months to target the new intended market segment and for new initiatives to take effect.
(iv)	In particular, has management carried out market research to assess consumers' perception of the &JOY brand?	When planning for &JOY, we studied the potential customer profiles, their average spending and overall offerings within the locations to decide the brand mix and price points. We are regularly responding to customer needs through close analysis of sales performance and consistently driving improvements through feedback from the ground. Before we can accurately assess consumers' perception of &JOY through professional market research tools, market penetration of the brand has to be established and we are stepping up efforts on increasing brand awareness.
(v)	Given that &JOY Dining Hall sells local classics, such as coffee, tea, milo and other hot drinks, would it dilute the authenticity of the Japanese dining concept and affect customers' impression of the food hall?	Beverages make up a small percentage of our menu and our intention to offer local selection was to suit the location's customer profiles. Our main brand mix is still made up of Japanese concepts. We are continuously reviewing our menu performance and will make necessary adjustments along the way, if needed.
2	As part of the company's succession plans, Mr. Foo Kah Lee was appointed as executive director and chief executive officer on 1 July 2019, taking over the baton from Mr. Yek Hong Liat John. Mr. Foo is in-charge of strategic planning of the group to drive new initiatives and partnerships to expand business portfolio while improving operational efficiency. Mr. Lim Shyang Zheng was also appointed as executive director and COO on 1 July 2019. Mr. Lim oversees the group's day-to-day business operations and organisational functions which include supply chain and retail operations.	
(i)	Given the new management team and the protracted pandemic, how have the group's long-term growth plans been affected? Will the group be halting all new stores opening until there is greater clarity regarding the pandemic? On the other hand, does management see any silver lining for the group during this challenging period?	We are looking at expanding the Quick Service Restaurant segment as a whole through addition of new concepts or expansion of current concepts and development of ready meals that appeal to customers looking for greater convenience. As for a silver lining, we have seen a surge in delivery demand compared to the past during this challenging period.

(ii)	In particular, has management had the time to rethink its business model (including optimal store format, size, layout, manpower requirements, kitchen design and food preparation) in response to the new operating environment?	Refining our business model in response to the everchanging operating environment is an ongoing process.
(iii)	Can management also elaborate further on the improvements made to the group's operations as a result of leveraging the central kitchen?	Our newer concepts including our recent &JOY Dining Hall are developed with the aim in mind to leverage the central kitchen reducing manpower reliance at the outlets. We still need time to build up the volumes in order to see bigger benefits from the mass production. Accordingly, we will look to expand our Quick Service Restaurant segment to optimize the efficiency in the long run.
(iv)	Has the company evaluated the use of "cloud kitchens"?	We have been actively exploring business opportunities and available options, including "cloud kitchens". Key factors of consideration are return on investment and scalability. Until this point, we have not come across a suitable opportunity to potentially operate a profitable "cloud kitchen".
(v)	What are management's main priorities in the quick service concepts for the next 12-18 months?	As mentioned in our response to Question 2(i), we are looking at expanding the Quick Service Restaurant segment through addition of new concepts or expansion of existing concepts and development of ready meals that appeal to customers looking for greater convenience.
(vi)	Would management help to size the addressable market for its 'Ready-to-Eat' products? What is the group's target audience for this new segment?	In the current situation, dine-in capacity in general has been greatly affected by social distancing measures resulting in higher demand on food delivery platforms. We see 'Ready-to-eat' (RTE) products, together with Ready Meals, as an extension of our Quick Service Restaurant segment to enhance our takeaway offering. Hence it would not be meaningful to size the RTE market in isolation. We are looking to target consumers whose intention is to get quick and convenient food with restaurant-quality taste at good value suited for takeaway or online delivery.
3	As noted in the board statement in the Sustainability report, amidst this difficult period, the group is leveraging its existing infrastructure and redeploying its resources to build on the takeaway and delivery businesses. The upsurge in demand of takeaway services (especially during the circuit breaker period) resulting in the group's overall plastic usage to increase from 180MT in FY2019 to approximately 235MT in FY2020 (page 38). This is a significant increase considering that the circuit breaker was implemented for just 3 months in FY2020, from April to June 2020. The group has stated that it is committed to continually seek new and innovative ways to reduce the environmental impact of its products and services while maintaining the highest levels of quality. The group's responsible environmental practices include:	

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<tr><td></td><td colspan="2">• using certified biodegradable paper packaging for some bento boxes, as well as reusable chopsticks and delivery containers
• converted to using reusable chopstick for all outlets (with the exception of takeaway kiosks and outlets without seating)
• no plastic straws provided unless the customer requests for it
• Bring Your Own Bag (“BYOB”) scheme in which a $0.10 off total bill discount at one of the brands

At the moment, there are 8 out of 80 types of plastic packaging that the group uses which are biodegradable. The group has also noted that it currently does not track its packaging footprint but it will explore viable “green” packaging solutions through engagement with suppliers who are environmentally friendly.</td></tr>
<tr><td>(i)</td><td>Given the surge in the use of plastic packaging, is the group on a fast-track to source for more biodegradable products? The more extensive use of biodegradable products could appeal to the younger generation that is more conscious of their impact on the environment.</td><td>It has been an ongoing consideration for us to explore alternatives to plastic packaging but recent studies have shown that paper products produce a larger carbon footprint than single-use plastics. In Singapore, where incineration is the main form of solid waste management, bio-degradability would have less benefits.

As such, we believe that the long-term solution lies in actively reducing the use of packaging and this requires an initiative on the consumers’ part. For example, bringing their own recyclable wares to create a bigger difference on a long term, sustainable basis.</td></tr>
<tr><td>(ii)</td><td>How does the group balance the environment impact and the additional costs of choosing “greener” options?</td><td>There are opportunities to adopt or switch to “greener” options without incurring significant additional costs. This would involve streamlining our packaging options for better efficiency across the organization.</td></tr>
<tr><td>(iii)</td><td>With the increased demand in takeaway service, the group has not set a target for its plastic usage. Would it be feasible to consider setting a target for the group’s plastic/packaging usage based on number of meals/customers served?</td><td>We are seeking the expertise of external consultants to actively review our packaging options, taking into account the increased use of packaging due to higher takeaway and delivery meals. Rather than looking at the number of meals/customers served, we are prioritizing to replace those SKUs of the highest usage.</td></tr>
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