

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

CLARIFICATION ANNOUNCEMENT ON THE BUSINESS TIMES ARTICLE DATED 2 MARCH 2022

The Board of Directors (the “**Board**”) of RE&S Holdings Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) refers to the Business Times article published on 2 March 2022 titled “Soup Restaurant, Jumbo, ABR show financial strength in weathering pandemic” (the “**Article**”) and wishes to provide clarification with respect to the Article.

The Article indicated that the financial statements of the Group have shown current liabilities exceeding current assets and working capital, if negative, would mean that the company’s current assets are inadequate to pay for its current liabilities.

With reference to the announcement on the unaudited condensed interim financial statement for the half year ended 31 December 2021 (“**1HFY2022 Results**”) on 9 February 2022, an explanation was provided on page 24 of the 1HFY2022 Results in relation to the negative working capital as follows:

“As at 31 December 2021, the Group had a negative working capital of approximately S\$2.2 million due to accounting for lease liabilities. Excluding lease liabilities of approximately S\$20.3 million, the Group had a positive working capital of S\$18.1 million as of 31 December 2021. The Board believes that the Group is able to meet its short-term debt obligations as and when they fall due, as it continues to generate positive cash flows from operations.”

The Company wishes to clarify that:

1. A significant change in lessee accounting became effective for financial periods beginning 1 January 2019 whereby SFRS(I) 16/FRS 116 Leases no longer makes a distinction between operating and finance lease for a lessee. Under this accounting standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. At commencement date of the lease, a lessee will recognise an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) and a liability to make a lease payment (i.e. the lease liability). Despite there being no fundamental change to underlying business activities or cash flows, the new lease accounting requirements would impact many commonly used financial metrics/measures such as the current ratio as current liabilities would increase due to an increase in recognition in the current portion of lease liability.
2. The Board believes the Group is able to meet its short-term debt obligations as and when they fall due, as it continues to generate positive cash flows from operations. The Group generated S\$18.1 million of net cash from operating activities for 1HFY2022 and notably, it declared an interim dividend of 0.85 Singapore cent per share to reward its shareholders during the same period.
3. As at 31 December 2021, the Group’s cash and cash equivalents was at a healthy level of S\$21.5 million with current and non-current bank borrowings of only S\$0.9 million and S\$7.0 million respectively.
4. As working capital is one of the components to derive the Altman Z-score and a negative working capital will inevitably result in a lower score, this computation does not provide a fair representation of the Company’s fundamentals.

The Company has since contacted The Business Times and the publication have made a clarification accordingly on 10 March 2022. The clarification article titled: "RE&S able to meet short-term debt obligations as and when they fall due" can be found at: <https://www.businesstimes.com.sg/companies-markets/res-able-to-meet-short-term-debt-obligations-as-and-when-they-fall-due?close=true>

The Board would like to take this opportunity to assure its stakeholders that it will continue to exercise prudent financial management together with high fiscal discipline to ensure that the Company's financial position remains strong and robust.

For and on behalf of the Board

Foo Kah Lee
Executive Director and CEO

10 March 2022

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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