

Issuer: ABR Holdings Limited

Security: ABR Holdings Limited

Meeting details:

Date: 24 April 2017

Time: 10:00H

Venue: 41 Tampines Street 92, #03-00 ABR Building, Singapore 528881

Company Description

ABR Holdings Limited, together with its subsidiaries, manufactures ice creams in Singapore, Malaysia, and rest of Asia. The company operates through Restaurants and Confectionery, and Others segments. It also operates ice cream parlors cum restaurants, pubs, and other specialty restaurants, as well as cafés, snack bars, and cafeterias. In addition, the company manages a portfolio of food and beverage brands, including Swensen's, Hello Kitty Orchid Garden, Earle Swensen's, Yogen Fruz, Season Café, and Tip Top. Further, it provides services for the manufacture of ice cream and related products; and manages, obtains, and exploits industrial and intellectual rights with respect to the ice cream, fast food, and restaurant business. Additionally, the company is involved in processing, supply, warehousing, and distribution activities; manufacture and retail of food products, including bread, cakes, and confectioneries; and commission agent activities. ABR Holdings Limited was founded in 1978 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=533)

Q1. Amidst an uncertain economic environment, the group continues to be profitable and delivered a credible performance in FY2016 (page 2 of the annual report - Message from the Executive Chairman and Managing Director). Revenue increased by 3.5% to S103.9 million while profit attributable to owners of the company was \$5.4 million.

The group has been an excellent F&B operator for decades and have demonstrated its ability to meet the needs of the customers.

- a) **Can management elaborate further on the partnership with food delivery services such as Foodpanda? What is the group's strategy with regard to such partnerships? Is the group able to capture its fair share of value in such tie-up?**
- b) **Having operated the new Hello Kitty café since May 2016, has the performance met management's projections? Are there plans to increase the number of cafes in Singapore or in the region?**

As announced on 18 January 2017, the group has proposed to acquire the Chilli Padi Group. The principal business of the target companies includes providing catering services for various events (including tea receptions, weddings, seminars, high-end functions and large scale corporate events), operating restaurants and cafeterias and providing confinement products.

- c) **How synergistic is catering to the group's current F&B operations?**

Q2. In 2014, the company sought shareholders' approval to undertake a diversification of the businesses of the company and its subsidiaries to include the Property Business as an additional core business of the group. The "property business" comprises businesses relating to residential, commercial, industrial and hospitality property development, redevelopment, sale, lease, management and/or investment and other ancillary or complementary property-related activities.

On 3 July 2016, the group announced the proposed purchase of property in Yarraville, Victoria, Australia for A\$19 million. The contract was subsequently terminated in August 2016 following the group's review of the due diligence results.

- a) **As the proposed acquisition in Yarraville was the first since the group has diversified into the property business, can management share what are the key learning points from that? Has the group refined its strategy for the new property business?**
- b) **Can management help shareholders understand what are the key markets and the key segments that the group is looking at?**

Q3. In the Report on Corporate Governance (page 22), the group stated the following:

Two out of the seven Directors are independent and the Board recognises that this is not in accordance with the Code's guidelines that Independent Directors should make up at least one-third of the Board.

Guideline 2.2 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore further states that:

2.2 The independent directors should make up at least half of the Board where:

- (i) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person;*
- (ii) the Chairman and the CEO are immediate family members;*
- (iii) the Chairman is part of the management team; or*
- (iv) the Chairman is not an independent director.*

The board and the nominating committee should note that the Code required the company to have independent directors make up at least half of the board (and not just one-third).

- a) **Has the company deviated from Guideline 2.2 of the Code as well?**
- b) **Would the nominating committee and the board relook into the board composition?**

In view of the long tenured directors, the board has weighed the need for board refreshment against the long tenure and determined the relative benefit to retain the long tenured directors.

- c) **Would the board share its deliberations with shareholders?**