Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: RE&S Holdings Limited

Security: RE&S Holdings Limited

Meeting details:
Date: 24 October 2018
Time: 10.00 .m.
Venue: 32 Tai Seng Street, #07-01 RE&S Building, Singapore 533972

Company Description

RE&S Holdings Limited operates as a concept owner and operator of F&B outlets in Singapore and Malaysia that provides authentic Japanese cuisine and dining experiences. It operates in two segments, Full-Service Restaurants; and Quick-Service Restaurants, Convenience and Others. The Full-Service Restaurants segment caters to customers seeking the full dining experience where they may sit down to have their meals and are provided with table service. This segment comprises a total of 34 full-service restaurants in Singapore and 5 full-service restaurants in Malaysia. The Quick-Service Restaurants, Convenience and Others segment caters to customers seeking a quicker meal experience and/or in which they may order their meals for take-away. It also manufactures and supplies Japanese food products, such as bento and onigiri (Japanese rice balls) to third party businesses in Singapore. This segment operates 9 quick-service restaurants, 16 food kiosks, a Japanese bakery, and 12 food retail outlets. The company was founded in 1988 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1G1)

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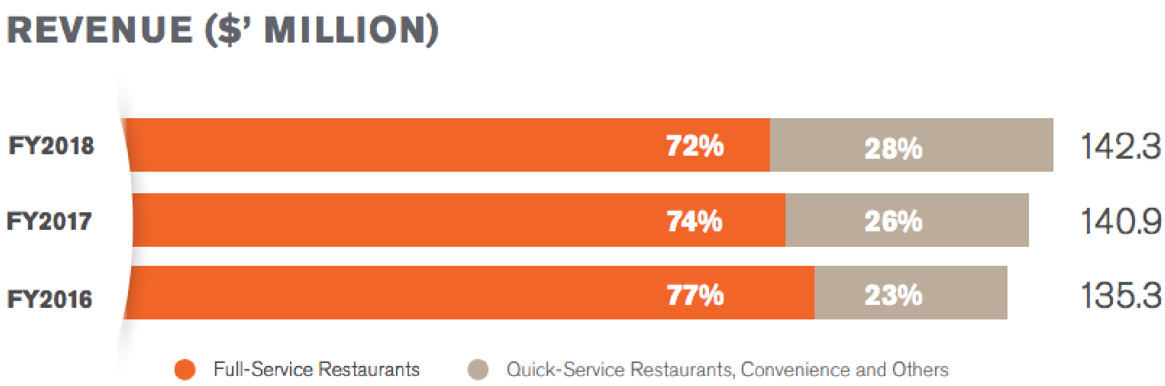
1. As noted in the CEO's statement, the group's revenue increased by 1% to $142.3 million, boosted by the 10.8% year-on-year increase in revenue from the Quick Service Restaurants, Convenience and Others ("QSR") segment, while revenue from the Full-Service Restaurants ("FSR") slipped 2.4%. The group added 10 new stores in the QSR segment and 4 stores in the FSR segment. The CEO further added that the group will "actively manage its brand portfolio and network to optimize performance…. in line with our business strategy to grow the QSR segment" (page 5 of the annual report).

(i) **Can management help shareholders understand if there are significant differences in the net profit margin from the QSR segment and from the FSR segment?**

The revenue split between the FSR and QSR segments is shown on page 20 of the annual report and reproduced below:



(Source: Company annual report)

(ii) **Going forward, does management have a targeted revenue split between QSR and FSR given that management's focus is in growing the QSR segment?**

(iii) **Has management evaluated if opening a new F&B store in a mall with an existing outlet will lead to significant cannibalisation of revenue?**

(iv) **How does management work with malls to secure/renew the best units for its new outlets given that many other F&B operators would be eyeing these prime units?**

(v) The cost of goods sold has decreased to 27.5% of revenue in FY2018, down from 28.1% of revenue in the previous year. **Can management help shareholders understand if this was due to better sourcing, less food wastage or more stringent portioning of its food items?**

(vi) **What is the current utilisation rate of the central kitchen?**

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(vii) **How is the group riding on the growth of third party food delivery services to tap into a segment of consumers beyond the reach of its current physical network of stores?**

(viii) **Will the group continue to focus solely on Japanese cuisine and dining experiences? Has the board evaluated the opportunities in other types of cuisines that may be synergistic with the group's current operations?**

2. The chairman has also stated that the group is looking to expand its geographical footprint in the region through acquisitions, joint ventures and/or strategic alliances with parties which can add value to the existing businesses or facilitate its entry into related or complementary business areas (page 3).

(i) **Malaysia:** The group has scaled back its operations in Malaysia with the closure of 3 restaurants in FY2016 and currently operates 5 outlets in Malaysia. Revenue derived from outside of Singapore has dropped from S$10.0 million in FY2015 to $6.03 million in FY2017. **What is the revenue derived from the Malaysia operations in FY2018? What are management's near-term growth plans for this market?**

(ii) **Southeast Asia: Has the group made significant progress in finetuning its regional expansion plans? What is management's strategy to compete with the incumbents in a new market?**

(iii) **Consumer preference:** No doubt the group has a diverse portfolio of 20 distinct brands covering the full spectrum of Japanese dining, the group and its brands may still be perceived as a Singapore-company if it ventures to a new market in Southeast Asia. **How can the group's brands convince consumers that they are getting an authentic Japanese experience given its roots in Singapore?**

3. The board currently comprises five directors of whom two are executive directors and three are independent directors. The directors are respected individuals from diverse backgrounds with core competencies in accounting or finance, business and management, real estate, industry knowledge, strategic planning expertise and customer-based experience (page 27).

(i) **Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified gaps, if any, in skills or competencies that could be addressed in future director appointments?** For instance, the appointment of an additional director with experience in F&B operations/logistics especially in overseas markets could help the group's expansion.

(ii) **In providing entrepreneurial leadership, what guidance has the board given to management to address the low growth rate?**

(iii) While the board directors are respected individuals from diverse background, the directors' demographics are largely similar. In addition, all three key

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management personnel (who are not directors nor the CEO) are also male, in the age group of 35-60 years old. **Has the NC considered potential candidates (especially as independent directors) who can further increase the diversity on the board in terms of gender and F&B-related experience (such as food safety, logistics, supply chain, marketing and perhaps even FMCG)?**

Additional Comment: The company has not included a Sustainability Report in its annual report. Under the SGX guidelines for sustainability reporting that was introduced in 2016, companies have up to 12 months from the end of the financial year to publish their first report, starting with any financial year ending on or after 31 December 2017. **Would the company be releasing a Sustainability Report in due course to help shareholders better understand the group's environmental, social and governance (ESG) efforts?**