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

Issuer: No Signboard Holdings Ltd.

Security: No Signboard Holdings Ltd.

Meeting details:
Date: 31 January 2019
Time: 9.00 a.m.
Venue: No Signboard Seafood, The Central @ Clarke Quay, 6 Eu Tong Sen Street #04-63, Singapore 059817

Company Description

No Signboard Holdings Ltd., an investment holding company, manages and operates food and beverage outlets in Singapore. The company operates a chain of seafood restaurants under the No Signboard Seafood brand that serve various seafood cuisine prepared in Chinese and Singapore styles. It owns and operates three restaurants, as well as operates one restaurant under a franchise agreement. The company also produces, promotes, and distributes beer under the Draft Denmark brand; and distributes various third party brands of beer, as well as operates as an OEM beer supplier for third party brands. In addition, it produces and distributes ready meals through a network of vending machines. Further, the company engages in leasing financial intangible assets, such as patents, trademarks, brand names, etc. The company was founded in 1981 and is based in Singapore. No Signboard Holdings Ltd. is a subsidiary of GuGong Pte. Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1G6)

1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

(i) **New businesses (Hawker and Little Sheep Hotpot): With two Hawker outlets and a Little Sheep Hotpot restaurant already in operation for several months, what are the key insights gleaned from the running of these quick service restaurants? Have the outlets performed up to management's projection?**

(ii) **Mom's Touch: Has the group selected a site for the Korean fried chicken and burger chain?**

(iii) **Diversification strategy: With the beer business underperforming and requiring management's attention and focus, would the rapid expansion of the three quick service brands in such a short period of time over-extend the management team? How does management ensure that food safety and food quality standards are maintained, and that its service staff are well-trained?**

(iv) **China:** While the group currently does not have any No Signboard restaurant in China, the group is looking to bring its casual dining concept to China. **What is the market entry strategy and which key cities have been identified? What is the track record and experience of the senior management team in starting and running a F&B outlet in China?**

2. The Beer business has underperformed since the acquisition in June 2017. Following an extensive review, management took the "proactive and decisive action" to rationalise and restructure the business.

The chairman has disclosed that the first step was to acquire the remaining 20% stake in Danish Breweries Pte. Ltd. ("Danish Breweries") in June 2018 from the former minority shareholder in order to secure full control over the beer business.

(i) **Would management elaborate further why it is prudent to "invest" $400,000 more to acquire the 20% stake when the beer business has clearly underperformed?**

(ii) **Would the group not have control over the strategic, operational and financial matters given its 80% stake?**

The group acquired the initial 80% of the issued share capital of Danish Breweries for a cash consideration of S$1.78 million on 2 June 2017. For the subsequent purchase of the 20% stake, as shown in the company's announcement dated 18 June 2018, the consideration was "*determined after arm's length negotiations and by reference to the value of the company's acquisition of 80% of Danish Breweries in 2017*." However, the book value and net tangible asset value of the target shares were approximately negative $(460,706) as at 31 March 2018.

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(iii) **Given that the beer business has underperformed and that there is a carrying value of $3.4 million in goodwill in Danish Breweries based on the initial acquisition (which has since been written off), was it prudent for management to reference the original acquisition price (set in June 2017) in determining the purchase price for the balance 20%?**

(iv) **Did the audit committee review and approve the transaction to purchase the balance 20% for $400,000?**

(v) **What was the level of commercial due diligence carried out by management prior to the acquisition of the 20% stake? Did the audit committee consider if an independent valuation by an independent valuer should be carried out?**

(vi) **How much more capital will the group be committing to the beer business?**

(vii) **Has the board evaluated if the beer business, being so different from the core F&B business, is potentially outside the circle of competence of the current management team?**

(viii) In the annual report, it was mentioned that Mr Arthur Quek was recruited to lead the group's efforts in repositioning the beer business on 18 June 2018. On 13 Jan 2019, the company announced the cessation of Mr Quek as Executive vice president – Beer business. **Would the restructuring be further affected by the cessation of key management?**

3. In the annual report, the company has identified several key management personnel to help drive the group's business forward. As mentioned above, Mr Arthur Quek was tasked to assist in the rebranding and developing the beer business. Mr Eric Er, with his vast experience in running fast food outlets, was appointed to lead the team in expanding the group's new casual dining brand, Hawker.

Based on the company's announcements, Mr Eric Er resigned with effect from 31 December 2018 to "pursue other interest". Mr Er was appointed on 8 March 2018. Mr Quek joined on 18 June 2018 and resigned on 13 January 2019 to "pursue other interest".

In addition, Mr Soong Wee Choo was appointed as the Chief Financial Officer on 1 May 2017 and resigned on 1 February 2018 to "pursue personal interests".

(i) **Would the nominating committee (NC) help shareholders understand if it had looked into the quick turnover of key personnel who were tasked to drive the new businesses?**

(ii) **As the scope and responsibilities of the NC include identifying, reviewing and recommending candidates for nomination for appointment of senior executive staff, has the NC examined its systems and processes?**

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(iii) **How does the NC and the CEO ensure that the group recruits capable key management personnel who fit in well with the group's culture and are committed to help the group achieve long term shareholder value?**

[*The following question was posted to the company following the review of the 2017 annual report. As the company has not responded nor clarified in the annual report, the question is updated and reposted.*]

4. As disclosed in the Offer Document dated 23 November 2017, the company entered into separate Service Agreements with Mr Lim Yong Sim and Ms Lim Lay Hoon that took effect from the listing date. Pursuant to the terms of their respective Service Agreements, Mr Lim and Ms Lim are entitled to a monthly salary of S$60,000 and S$30,000 respectively, as well as an annual wage supplement equivalent to one month of their respective monthly salaries.

It was also disclosed that:

> *Had the Service Agreements been in existence for FY2016, the aggregate remuneration paid to our Executive Directors would have been approximately S$1.6 million instead of S$0.4 million and our profit before tax and profit for the year attributable to owners of the Company would have been S$8.2 million and S$6.8 million (instead of S$9.4 million and S$7.8 million) respectively. (page 135 of the Offer Document)*

As disclosed in Note 6 (page 71 – Other related parties transactions), the remuneration of directors and other members of key management amounted to $2.134 million in FY2018, up from $547,573. The increase in remuneration contrasts starkly with the net loss after tax of $(2.4) million suffered by the group in the financial year.

(i) **Can the remuneration committee (RC) help shareholders understand how the roles and responsibilities of Mr Lim Yong Sim and Ms Lim Lay Hoon have changed after listing, given that the remuneration will increase multiple folds under the Service Agreement?** Based on the illustration shown in the Offer Document, the FY2016 remuneration of Mr Lim and Ms Lim would increase from $0.4 million to $1.6 million.

(ii) **Can shareholders also understand from the RC if the remuneration of the directors has been benchmarked against suitable peers?** A proper benchmark would consider the profitability of the group, the scope of the operations, the size and complexity of the business, as some of the key factors.

(iii) **As the executive directors are also entitled to a discretionary bonus, can the RC explain to shareholders how they will assess the quantum of the discretionary bonus and if it is tied to any performance indicator?**

Lastly, on 6 November 2017, just prior to the listing, the company's then shareholders approved a share scheme known as the No Signboard Performance Share Plan (PSP) and a share option scheme known as the No Signboard Employee Share Option Scheme (ESOS). **Can the RC help shareholders understand why the PSP and the ESOS were adopted**

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just prior to the listing? Would the company be asking shareholders for a vote to endorse or to re-adopt the PSP and ESOS?

A copy of the questions for the Annual Report for the financial year ended 30 September 2017 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=No%20Signboard%20Holdings%20Ltd

The company's response could be found here: -----