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

Issuer: ABR Holdings Limited

Stock code: 533

Meeting details:
Date: 12 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the message from the executive chairman and managing director, the group continues to be challenged by intensified competition and higher operating costs. While revenue slipped by 3% to $121.1 million, profit before tax dropped from $3.99 million in FY2018 to $3.00 million in FY2019, a drop of 25%.



(Source: company annual report)

(i) On 4 November 2019, the group announced that it had entered into an agreement for the renewal of the Swensen's franchise license for a further period of 20 years. **Are there changes to the terms of the franchise license?**

On pages 6 to 13, the company provided shareholders with a qualitative review of the group's operations in FY2019, broken down by the different brands.

(ii) **In future annual reports, would the board/management consider showing the performance of each brand in the group's portfolio?** The board can also consider including same-store sales to help shareholders understand the performance of each of its brands.

(iii) **What is the group's online/delivery strategy? How does the group leverage third-party food delivery service providers in a mutually beneficial manner?** It was in the news lately that third-party food delivery service providers take a hefty cut for its deliveries.

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(iv) **In addition, how successful is the group at monetising the Swensen's membership base?** The group successfully grew the membership base by 30% in FY2019.

(v) **Other than "intense competition" (which is true for any F&B brand), can the board elaborate further on the specific factors affecting the profitability of the group? How is management addressing the issues?**

Q2. The group successfully acquired a land plot of approximately 19,603 square metres located in Bintan, Indonesia in FY2019 via its wholly-owned subsidiary PT ABR Bintan Investments.

The group has also invested more than $18 million into property development via two associated companies, Goodwill Influx Sdn. Bhd. (20%) and Sering Manis Sdn. Bhd. (19%).

It also has a joint venture company, ABR CCH Land Sdn. Bhd. where the group holds an effective stake of 49%.

In the update to shareholders, management disclosed that "plans for development are underway for some of our property investments. (page 3)"

(i) The group has formally diversified into property development as a core business and has committed significant amounts of capital to it. **Would management provide shareholders with a comprehensive overview of the progress made in the development projects?**

(ii) **In particular, what are the development projects that are being planned/launched by the group?**

(iii) **What is the level of influence and control of the strategic direction of the associated companies and joint venture company?**

(iv) **Given the challenges in the main F&B business, does management have the additional bandwidth to drive property development projects in Indonesia and Malaysia?** It is noted that F&B profits has dropped significantly in the last two financial years.

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Q3. Based on the Report on Corporate Governance, the board has stated that it is "committed to maintaining good standards of corporate governance to promote corporate transparency and to enhance shareholder value" (page 30).

Principle 2 of the Code of Corporate Governance 2018 provides that:

> *The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

As disclosed, only two out of the seven directors on the board are deemed independent. These two independent directors, namely Mr Lim Jen Howe and Mr Quek Mong Hua, have served on the board since 2003. Accordingly, each of the independent directors has served on the board for approximately 17 years.

The company has not met the Guideline 2.1 of the 2012 CG Code that independent directors make up at least one-third of the board. As the chairman is not independent, the Code further states that independent directors should make up at least half of the board (Guideline 2.2).

(i) **Given that the board composition falls short of the level of independence required by the code, and that the two independent directors have each served on the board for more than 9 years, can the board help shareholders understand how the current practices demonstrate that the company is "committed to maintaining good standards of corporate governance to promote corporate transparency and to enhance shareholder value"?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(ii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(iii) **What are the company's near-term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)