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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: No Signboard Holdings Ltd

Stock code: 1G6

Meeting details:
Date: 29 May 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. In the chairman's statement, shareholders were updated on the strategic and operational achievements in 2019, such as the launch of new brands (Mom's Touch Chicken and Burgers) and the overseas expansion (NSB Kitchen concept in Shanghai). Little was said about the financial performance of the group other than a brief mention of the revenue contribution from each segment (seafood restaurant, beer and other restaurants).

A comparison of the AR2018 and AR2019 is shown below:

AR2018

Financial Performance

The Group's revenue increased by 8.6% to S$26.5 million in FY2018 as we recorded a full year revenue for the Beer Business. The Group recorded a net loss after tax of S$2.4 million in FY 2018 which was attributed to the recording of one-off items including IPO expenses of S$1.1 million and the impairment of goodwill, intangible assets and plant and equipment of S$4.3 million. Had the one-off items been excluded, the Group would have produced a net profit after tax attributable to equity holders of S$3.0 million for FY2018.

The Group's gross profit margin in FY2018 was 66.1% as compared to 75.7% in FY2017, as a result of the new product mix arising from the acquired Beer Business and the introduction of budget friendly menu items with lower gross profit margins in the Restaurant Business.

With the increased in headcounts as well as the additional compliance costs incurred as a listed company and expansion of the Group's operations and businesses, our profit margins have been further affected.

AR2019

Year in Review

Our seafood restaurant business has continued to be a pillar of strength, contributing 68.6% of our revenue base. Our beer business generated around 19.6% while the other restaurant business delivered 11.8% of revenue. Overall, our Group registered S$25.5 million in revenue for FY2019.

We will continue to focus on our core strategy of exploring suitable opportunities to strengthen our competitive edge in our existing business as well as expanding our restaurant business both in Singapore and overseas.

(Source: company annual reports)

The first mention of the group's revenue and profits can only be found on page 10 (Financial highlights) and even then, the group showed the "Normalised net profit" and "Normalised net profit margin" which excludes "one-off" items, such as IPO expenses and impairment of goodwill, intangible assets, other assets and plant and equipment.

In the financial review (page 12; see extract shown below), the company once again avoided showing shareholders the bottomline. It gave a "Net profit before tax" figure which **excludes** "other corporate and one-off expenses".

> ***Net profit before tax***
>
> *Although the Group reported a net loss attributed to shareholders of S$4.9 million for FY2019, the seafood restaurant business remained profitable registering a net profit before tax of S$4.3 million for FY2019. As this is the first year of operations for the other restaurants, this segment posted a net loss before tax of S$2.1 million in FY2019. Net loss before tax for the beer business came in at S$1.7 million in FY2019 on the back of lower revenue from beer sales. Overall, the Group registered a net profit before tax of S$0.5 million before accounting for other corporate and one-off expenses* [emphasis added].

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The loss for the year (amounting to $(4.85) million) can only be found on page 50 in the "Consolidated statement of profit or loss and other comprehensive income".

In the past two years, loss attributable to owners of the company amounted to $(4.85) million in 2019 and $(2.32) million in 2018.

(i) **Would the chairman consider giving shareholders a balanced and candid overview of the achievements and challenges faced by the group so that shareholders get a true and fair view of the progress made by the group in the year?**

(ii) **Would the independent directors review and improve the quality of communication with shareholders (especially the level of candour) in the annual report moving forward?**

(iii) **Has the sponsor reviewed if the level of clarity (especially on the financial performance of the group) in the annual report meets the SGX guidelines or best practices for listed companies?**

Q2. Principle 3 of the Code of Corporate Governance 2012 calls for a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business.

As noted in the Corporate Governance report, Mr Sam Lim is the executive chairman of the board and also the CEO of the company.

The company has deviated from Guideline 3.1 as the board is of the view that "accountability and independence have not been compromised despite the chairman and CEO being the same person" (page 20).

(i) **Has the board evaluated the pros and cons of separating the roles of the chairman and CEO? If not, would the board be evaluating if the separation of the roles of the chairman and CEO may benefit the group, especially given the findings of the independent review that was directed by SGX Regco?**

Q3. Due to the pandemic and the measures put in place to control the spread of COVID-19, the group's restaurants and outlets are limited to takeaway and online delivery orders, without dine-in sales (page 110 – Event after reporting period).

Management has stated that the current key priority is to preserve cash to support working capital requirements until COVID-19 situation improves. The group is also

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conscientiously managing its costs and is taking measured steps on various cost-cutting and cost control measures.

(i) **What was the level of investment for the new No Signboard Seafood restaurant in Shanghai? What was the budgeted pay-back period used by management in its investment thesis?**

While the group opened a second Little Sheep Hotpot outlet and a second Mom's Touch outlet at the end of 2019, the group closed down its Hawker QSR outlets due to unfavourable market response.

(ii) **Has management suspended all new investments in the Hawker brand to focus on franchised brands?**

(iii) **With the current situation, is the group suspending all of its expansion plans (even with the franchised brands)?**

(iv) **Has the board/management had time to review how the pandemic might permanently affect the business model of operating restaurants? What changes would be made to the group's operating model to cater to the "new normal"?**

^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)