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

Issuer: RE&S Holdings Limited

Stock code: 1G1

Meeting details:
Date: 26 October 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 CEO's statement, the group's revenue decreased by (21.5)% to $110.6 million for the financial year ended 30 June 2020. As with all F&B outlets, the group has been severely impacted by the safe distancing measures put in place to stop the spread of COVID-19.

Prior to the pandemic, when the group announced its 6-month and 9-month results as at 31 December 2019 and 31 March 2020 respectively, the group's revenue showed a decrease of (7.5)% and (9.9)% respectively.

The group's full service restaurants include Kuriya Dining (1 outlet), Ichiban Boshi (13), Ichiban Sushi (10) and Shimbashi Soba (1) while the brands under the quick service concepts include Kuriya Japanese Market (13), Ichiban Bento (9), Idaten Udon (5), Sushi Go (1) and others. The group has also successfully launched its multi-concept food hall '&JOY Dining Hall' in two locations, namely Jurong Point and Great World in FY2020.

As disclosed in Note 4, the revenue by segment shows that the quick services segment has been less affected by COVID-19 given that the stores are able to cater to takeaway orders during the circuit breaker.

The information on each business segment is as follows:

	2020	2019
	$'000	$'000
Revenue by segment:		
Restaurants	72,202	99,259
Quick services	38,447	41,745
Total	110,649	141,004

(Source: company annual report)

(i) **To help shareholders better understand the performance of the brands in the group, would management consider disclosing the same-store sales figures?** The same-store sales figure is a commonly reported performance metric used by F&B operators, such as McDonald's and Yum Brands.

In particular, the group made a major investment to launch its &JOY Dining Hall concept in the financial year, even at the cost of writing off approximately $900,000 in plant and equipment to revamp the Japanese Food Street at Jurong Point to turn it into &JOY Dining Hall.

(ii) **Has the new &JOY concept met management's expectations?**

(iii) **What was the investment hurdle rate used in the approval process by management/board for the group's new brands/outlets?**

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(iv) **In particular, has management carried out market research to assess consumers' perception of the &JOY brand?**

(v) **Given that &JOY Dining Hall sells local classics, such as coffee, tea, milo and other hot drinks, would it dilute the authenticity of the Japanese dining concept and affect customers' impression of the food hall?**

Q2. As part of the company's succession plans, Mr. Foo Kah Lee was appointed as executive director and chief executive officer on 1 July 2019, taking over the baton from Mr. Yek Hong Liat John. Mr. Foo is in-charge of strategic planning of the group to drive new initiatives and partnerships to expand business portfolio while improving operational efficiency.

Mr. Lim Shyang Zheng was also appointed as executive director and COO on 1 July 2019. Mr. Lim oversees the group's day-to-day business operations and organisational functions which include supply chain and retail operations.

(i) **Given the new management team and the protracted pandemic, how have the group's long-term growth plans been affected? Will the group be halting all new stores opening until there is greater clarity regarding the pandemic? On the other hand, does management see any silver lining for the group during this challenging period?**

(ii) **In particular, has management had the time to rethink its business model (including optimal store format, size, layout, manpower requirements, kitchen design and food preparation) in response to the new operating environment?**

(iii) **Can management also elaborate further on the improvements made to the group's operations as a result of leveraging the central kitchen?**

(iv) **Has the company evaluated the use of "cloud kitchens"?**

(v) **What are management's main priorities in the quick service concepts for the next 12-18 months?**

(vi) **Would management help to size the addressable market for its 'Ready-to-Eat' products? What is the group's target audience for this new segment?**

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Q3. As noted in the board statement in the Sustainability report, amidst this difficult period, the group is leveraging its existing infrastructure and redeploying its resources to build on the takeaway and delivery businesses.

The upsurge in demand of takeaway services (especially during the circuit breaker period) resulting in the group's overall plastic usage to increase from 180MT in FY2019 to approximately 235MT in FY2020 (page 38). This is a significant increase considering that the circuit breaker was implemented for just 3 months in FY2020, from April to June 2020.

The group has stated that it is committed to continually seek new and innovative ways to reduce the environmental impact of its products and services while maintaining the highest levels of quality. The group's responsible environmental practices include:

- using certified biodegradable paper packaging for some bento boxes, as well as reusable chopsticks and delivery containers
- converted to using reusable chopstick for all outlets (with the exception of take-away kiosks and outlets without seating)
- no plastic straws provided unless the customer requests for it
- Bring Your Own Bag ("BYOB") scheme in which a $0.10 off total bill discount at one of the brands

At the moment, there are 8 out of 80 types of plastic packaging that the group uses which are biodegradable. The group has also noted that it currently does not track its packaging footprint but it will explore viable "green" packaging solutions through engagement with suppliers who are environmentally friendly.

(i) **Given the surge in the use of plastic packaging, is the group on a fast-track to source for more biodegradable products?** The more extensive use of biodegradable products could appeal to the younger generation that is more conscious of their impact on the environment.

(ii) **How does the group balance the environment impact and the additional costs of choosing "greener" options?**

(iii) With the increased demand in takeaway service, the group has not set a target for its plastic usage. **Would it be feasible to consider setting a target for the group's plastic/packaging usage based on number of meals/customers served?**

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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)