Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: ST Group Food Industries Holdings Limited

Stock code: DRX

Meeting details:
Date: 20 November 2020
Time: 9.30 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 shown in the corporate profile (page 2), the group holds the exclusive franchise and licence rights to a diversified portfolio of six brands – "PappaRich", "NeNe Chicken", "Gong Cha", "Hokkaido Baked Cheese Tart", "IPPUDO" and "iDarts" – in various territories. The group has also developed two proprietary concepts, "PAFU" and "KURIMU".

(i) **Can management provide shareholders with an update of the ground sentiments in the major cities the group operates in? In addition, how is the group impacted by the city-specific safe distancing measures implemented by the different governments?**

The breakdown of revenue by business segments and by geographical segments is shown on page 9 of the annual report (reproduced below).

INCOME STATEMENT	2020 A$'000	2019 A$'000
Revenue	44,010	52,145
Other income	4,317	1,458
Revenue by Business Segments		
Food & beverage retails	33,089	35,049
Supply chain	6,108	9,505
Franchising revenue	4,426	7,109
Others	387	482
Total	**44,010**	**52,145**
Revenue by Geographical Segments		
Australia	33,014	43,723
New Zealand	8,031	5,053
Malaysia	1,791	3,272
United Kingdom	1,174	97
Total	**44,010**	**52,145**

(Source: company annual report)

The chairman and CEO has stated that, as at 17 September 2020, the group has signed contracts to open a total of seven group-owned and sub-franchised/sub-licensed outlets across Australia, Malaysia and New Zealand by December 2020 (page 12).

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The details could be found in the company's September 2020 presentation (as follows):

Expected Opening	Brand	Location	City / State	Country	Business Type
October 2020	Ippudo	Sylvia Park	Auckland	New Zealand	Company Owned
	PappaRich	Indooroopilly	Queensland	Australia	Sub-franchised
November 2020	PappaRich	M-City	Melbourne	Australia	Sub-franchised
	NeNe Chicken	M-City	Melbourne	Australia	Sub-franchised
	Gong Cha	Summerville	Auckland	New Zealand	Sub-franchised
	GO Noodle House	Chadstone Shopping Centre	Melbourne	Australia	Company Owned
December 2020	PappaRich	Highpoint	Melbourne	Australia	Sub-franchised
	NeNe Chicken	IOI City Mall	Selangor	Malaysia	Company Owned

(Source: company presentation)

Despite the pandemic, the group achieved higher sales in New Zealand and United Kingdom, boosted by new outlets opened in FY2020 and FY2019. The number of outlets in New Zealand and United Kingdom increased from 15 to 23, and from 1 to 2 respectively. In the UK, the group has 2 Gong Cha outlets that contributed A$1.14 million in revenue in FY2020, up from A$97,000 in FY2019.

(ii) **Can the company provide shareholders with a holistic overview of the group's growth plans in New Zealand and in the United Kingdom?**

In addition, the number of outlets in Australia has decreased from 82 in FY2019 to 81 in FY2020.

(iii) **Can management clarify if the group is more focused on growing other key markets and would be slowing down its expansion in Australia (specifically Melbourne)?**

(iv) **What is the utilisation rate of the central kitchen in Melbourne?**

(v) **Are there plans to expand to other cities in Australia?**

(vi) **Given the closure of national borders to stop the spread of COVID-19, how is the group managing its operations that span 4 countries in different time zones with over 120 outlets?**

Q2. On 8 July 2020, the company announced that its joint venture partner in relation to Papparich Australia Pty Ltd ("PAPL") has received winding-up petitions by two parties in the High Court of Malaya. It was further disclosed that the petitions were set to be heard on 21 September 2020 and 3 November 2020.

(i) **Would management provide shareholders with an update on the winding-up petitions against its joint venture partner?**

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In Note 2(w) (Summary of significant accounting policies: Critical judgements in applying the entity's accounting policies), it was noted that the group has accounted for its 50% stake in Papparich Australia Pty Ltd as its subsidiary and consolidated the subsidiary's financial statements into the group.

Management has assessed and concluded as such, on the basis that the group has the ability to direct and control the relevant activities of Papparich Australia Pty Ltd, including but are not limited to operating, financing and investing activities.

(ii) **Can management elaborate further on the level of control of the Australia subsidiary, Papparich Australia Pty Ltd ("PAPL")?**

(iii) **Does PAPL have sufficient working capital to support its operations and growth?**

(iv) **What is the current financial standing of Papparich Group Sdn Bhd?**

(v) **Have the petitions against the joint venture partner affected the group's operations and pace of growth of PAPL in Australia?**

(vi) **Has the board carried out scenario planning and determined how the group's operations would be affected in the worst-case scenario?**

Q3. The board comprises two executive directors, namely the executive chairman and CEO, and the executive director and chief administrative officer (CAO), and three independent and non-executive directors.

The biographies of the directors can be found on pages 14 and 15 of the annual report. In particular, the independent directors are Mr. Chan Wee Kiang (also lead independent director), Mr. Peter Sim Swee Yam and Mr. Yap Zhi Chau. The independent directors have formal training in accounting, finance and law and have years of business/professional experience in apparel/garment, in law and in accounting.

None of the directors appear to have extensive experience in the key geographical markets of the group.

(i) **Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

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On page 26, the NC has stated that it will seek candidates from a wide pool of individuals not limited to persons known to the directors directly and it is empowered to engage professional search firms to aid in this process. The group has also disclosed that it has adopted a Board Diversity Policy (page 23).

(ii) **Can the NC elaborate further on the search and nomination process for directors, especially independent directors of the board? How does the NC identify candidates that are not personally known to directors?**

^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)