



Securities Investors Association (Singapore)

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Issuer: Soup Restaurant Group Limited

Security: Soup Restaurant Group Limited

Meeting details:

Date: 26 April 2019

Time: 9.00 a.m.

Venue: 150 Kampong Ampat #04-01, KA Centre, Singapore 368324

Company Description

Soup Restaurant Group Limited is a Singapore-based investment holding company. The Company operates restaurant in Chinatown focused on herbal soups and home-cooked dishes. The Company's segments include restaurants and food processing, distribution and procurement services segments. The restaurants segment sells food and beverage products to the general public through restaurant outlets. The food processing, distribution and procurement services segment processes, distributes and procures food and beverage products for sale to the operations of restaurants segment and to third parties. Its brands include Soup Restaurant, CAFE O and POT LUCK. At the Company's Soup Restaurant, it offers Chinatown heritage dishes, such as samsui ginger chicken, steamed minced pork and herbal soups. Its CAFE O is a coffee shop, which offers drinks and dishes, such as kopi O, teh tarik, nasi lemak and roti prata. Its POT LUCK offers zichar dishes in claypots prepared on the spot over charcoal fires.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5KI)

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

- (i) **Same store sales:** The group performed better with profit improving by 20.3% as revenue increased by 8.1% to \$43.9 million in the financial year. A new outlet was also opened at the re-furbished Century Square. **Would the company consider disclosing same store sales performance so that shareholders get a better understanding of the operational performance?**
- (ii) **Outlets and Brands:** With the opening of a new concept, SAMSUI, at JEWEL Changi Airport on 17 April 2019 (not included in the financial year ended 31 December 2018), the group now has 19 restaurant outlets in Singapore and Malaysia, along with 2 franchised outlets in Indonesia.

Would management elaborate further on the growth strategy of the group? Are there plans to further increase the number of outlets to reap more economies of scale? In addition, could the company also discuss in greater detail the plans for the different brands in the group? What are the plans for the other brands, such as TEAHOUSE, CAFE O, POT LUCK and SAMSUI? Has the group developed a coherent brand strategy?

To help shareholders understand the group better, please share the business model.

- (iii) **Ready-meals:** Revenue from the supply of ready meals increased by \$0.7 million in the financial year. **Are there plans to further grow this sub-segment into one of the core businesses of the group? What was the utilisation of the central kitchen in Changi Prison Complex?**
- (iv) **Catering kitchen:** What was the capital expenditure for the new catering kitchen located at Enabling Village? What is the capacity for this new kitchen? Is the second Samsui Kitchen fully operational and running at full capacity since its opening more than 5 months ago? **Would the two Samsui Kitchens be used primarily to serve the beneficiaries of various nursing homes and voluntary welfare organisations all over Singapore?**
- (v) **Sustainability:** The group published its sustainability report on pages 21 to 35 of the annual report and included 8 material factors, including Food Safety and Hygiene, Occupational Health and Safety and Energy and Water Conservation. **Would the board help shareholders understand how the material factors identified in the Sustainability Report are integrated into the company's strategy?**

2. The group has attributed the increase in revenue to online delivery services, which has been extended to all the brands and outlets.

- (i) **Can management confirm that online delivery services accounted for \$2.8 million of its revenue, or a 6.4% share?**

- (ii) **What is the group’s strategy to collaborate with the food delivery service providers to capture more value for shareholders?** While food delivery service providers help to increase sales and improve the utilisation, hefty commissions have to be paid to these food delivery service providers as well. **How does management ensure that the tie-up is beneficial to the group?**
- (iii) **Has the company reviewed if the offering of food delivery services led to any cannibalisation of sales from the outlets?**
- (iv) **How does management ensure that the service standard in the outlets (e.g. waiting time, food quality and availability of dishes) is not affected especially during the peak hours?**
- (v) **Has management analysed how it could cross-sell the group’s other brands to its food delivery customers?**

3. The board comprises of six members, of which three are independent, namely Professor Cham Tao Soon, Mr Chua Koh Ming and Mr Saw Meng Tee.

All three independent directors were appointed a few months prior to the company’s IPO on 28 May 2007. Professor Cham Tao Soon was appointed on 14 May 2007 while Mr Chua Koh Ming and Mr Saw Meng Tee were each appointed on 23 March 2007.

All three independent directors have served on the board for approximately 12 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, 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.

- (i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) The company has stated that the search and nomination process for new directors, if any, is “through contacts and recommendations”. **Can the board help shareholders recall if it has appointed an independent director since its listing? Has the NC evaluated if the use of a professional search firm for independent directors may enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**



- (iii) Has the nominating committee 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?**

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