



ST GROUP

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(Incorporated in the Republic of Singapore on 11 January 2018)
(Company Registration No: 201801590R)

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RELATION TO THE ANNUAL GENERAL MEETING TO BE HELD ON 20 NOVEMBER 2020

The board of directors (the “**Board**”) of ST Group Food Industries Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the notice of annual general meeting (“**AGM**”) released by the Company on 5 November 2020 in relation to the Company’s AGM to be held by electronic means on 20 November 2020 at 9.30 a.m.

The Board would like to provide responses to questions from the Securities Investors Association (Singapore) (“**SIAS**”) ahead of the AGM as follow:

1. SIAS Question

As shown in the corporate profile, 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.

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.

The details could be found in the Company’s September 2020 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?

Company's Response

- (i) The Group currently operates in four key geographical segments, namely Australia, New Zealand, Malaysia and England, United Kingdom. Australia and New Zealand operations, which contributed to 93.3% of the Group's total revenue in FY2020, are the Group's key markets. The COVID-19 pandemic is largely under control in Australia and New Zealand, whereas Malaysia and England are currently experiencing second waves of the COVID-19 outbreak.

The Group's operation teams in the respective key geographical segments are continually keeping themselves abreast of the latest COVID-19 measures imposed by the respective government authorities. One of the key initiatives implemented by the Group is to formulate and update COVID-19 safe management plans to provide Group-owned outlets and franchisees with guidelines on business continuity plan under the restrictions imposed by various jurisdictions that the Group operates in. These measures include, but are not limited to, setting up contact tracing system for dine-in customers, providing dine-in limit updates to customers and implementing measures to prepare for and respond to suspected or confirmed cases of COVID-19 in the Group's food and beverage ("F&B") retail outlets. These measures ensure that the Group is able to reduce the adverse impact to the Group's outlet dine-in revenue.

- (ii) In New Zealand, the Group had focused on its "Gong Cha" and "IPPUDO" operations in Auckland in the past, and have only recently expanded its "Gong Cha" brand to other major cities such as Christchurch and Wellington. The Group believes that there is still room to grow for both "Gong Cha" and "IPPUDO" in the New Zealand market and the Group is actively looking for suitable franchisees to expand its business. The Group is currently the market leader in the bubble tea scene in New Zealand, and is determined to remain in this position.

In England, United Kingdom, the Group is currently operating a total of three "Gong Cha" outlets in the cities of Manchester and Liverpool. The Group is encouraged by the feedback from the local community thus far and is looking to expand "Gong Cha" to other major cities in England once there is clarity on the economy in view of the COVID-19 pandemic. Similar to New Zealand, the Group's aim is to increase the popularity of the bubble tea drink in England.

- (iii) It is the Group's intention to continue the expansion of its outlets network in Australia, as well as other key geographical areas. In Australia, the Group continues to be on the lookout for new F&B brands to offer to its customers, whereas in the other key geographical areas that it is currently operating in, the Group intends to place more emphasis on growing the market of its existing brands.
- (iv) The utilisation rate of the Group's central kitchen and warehouse is estimated to be approximately between 65% and 70% prior to the impact brought on by the COVID-19 pandemic.

During the height of COVID-19 outbreak in the State of Victoria, Australia, the utilisation rate of the Group's central kitchen and warehouse dropped to approximately 15% to 20%. The central kitchen and warehouse operations in Melbourne has recovered to pre-COVID-19 levels recently as restrictions were eased in most parts of Australia and New Zealand.

- (v) Currently the Group has F&B retail outlet presence in major cities of all states in Australia, with the exception of Tasmania. The Group will continue to assess the Australia market, and will seek to expand to other cities if the right opportunities arise.
- (vi) The Group has a dedicated operations team for each of the F&B brand located outside of Australia, helmed by the respective general managers. The general managers are responsible for the monitoring of day-to-day operations, and report to the Executive Chairman and Chief Executive Officer on a daily basis. The advancement of technology has facilitated communication between the Group's head office in Melbourne and the respective operations outside of Australia.

2. SIAS Question

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?

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, 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?

Company's Response

- (i) As the Group is not a subject of the ongoing winding-up petitions against its joint venture partner, it is not privy to the details of the petitions. The Company will continue to provide further details to its shareholders and potential investors as and when there are any material developments.
- (ii) The Group has the ability to direct and control the activities of PAPL including its operating, financing and investing activities such as the following:
 - a. power to run the day-to-day operations of the "PappaRich" brand in Australia and the procurement of "PappaRich" products from the Group's central kitchen in Melbourne without interference from its joint venture partners;
 - b. power to plan future expansion, and the right to open new Group-owned outlets and source for new franchisees under the "PappaRich" brand in Australia; and
 - c. power to enter into financing arrangements with financial institutions in the name of PAPL, if necessary.
- (iii) Yes, PAPL has been generating positive cash flows from its operations historically, with the exception of FY2020 due to the ongoing COVID-19 pandemic. The board of directors of PAPL has assessed the financial statements of PAPL and is satisfied that PAPL will be able to pay its debts as and when they fall due.
- (iv) The Group is not privy to the financial standing of PappaRich Group Sdn Bhd as it is not part of the Group.
- (v) As mentioned in the Company's announcement dated 8 July 2020 and the responses in (ii) to (iv) above, the Group believes that the petitions against its joint venture partner has minimal impact, if any, to the Group's operations and pace of growth of PAPL in Australia.
- (vi) As mentioned in the Company's announcement dated 8 July 2020, the Board is of the view that the winding-up petitions are not expected to have any impact on the business and operations of PAPL. The Group will continue to hold the exclusive rights to the "PappaRich" brand in Australia and New Zealand, pursuant to the terms of the master franchise agreement entered into by PAPL with Roti Roti International Sdn Bhd on 28 September 2011, including the right to use the "PappaRich" trade mark in Australia and New Zealand.

3. SIAS Question

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?

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?

Company's Response

- (i) Yes, the NC has reviewed and is satisfied with the skills and competencies offered by the current Board members. All Board members have differentiating skillsets and business experiences which enhances the decision-making process and offer valuable insights to the Group's operations and future direction.
- (ii) The NC is of the opinion that the Group's current Board size of five members is appropriate, taking into account the nature and scope of the Group's operations and business requirements. Hence, the NC does not currently envisage a need to commence a search for new directors in the near future.

If required, the NC will engage professional firms and seek recommendations from the Group's corporate advisors or business contacts to identify candidates that are not personally known to directors.

BY ORDER OF THE BOARD

Saw Tatt Ghee
Executive Chairman and Chief Executive Officer
19 November 2020

This announcement has been prepared by ST Group Food Industries Holdings Limited (the "Company") and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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