



ST GROUP

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

RESPONSES TO QUESTIONS FROM SHAREHOLDERS 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**” or “**ST 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. and would like to thank shareholders of the Company (“**Shareholders**”) for submitting their questions in advance of the Company’s AGM.

The Board would like to provide responses to the questions frequently asked by Shareholders in the format as broken down into the key topics as follows:

- A. COVID-19 Impact and Business Performance
- B. Financial and Capital Structure
- C. Business Strategy and Outlook

| A. COVID-19 Impact and Business Performance | |
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| 1. | Can ST Group share and break down by geographical segments: <ul style="list-style-type: none">a. the latest revenue from dine-in service compared against pre-COVID-19 levels?b. the composition of revenue generated from takeaway and food delivery services? |
| | <ul style="list-style-type: none">a. ST Group has two brands that offer mainly dine-in services, namely, “PappaRich” and “IPPUDO”. The revenue generated by these brands vary based on locations within a geographical segment (for example, the revenue generated by an outlet located in the central business district area would be different as compared to an outlet located in a residential suburb) and the restrictions imposed by the respective local authorities. Based on management information as of 30 June 2020, the dine-in revenue for four of the Group’s largest food and beverage (“F&B”) retail outlets had recovered from approximately 10% of pre-COVID-19 level at the height of the pandemic to approximately 72% of pre-COVID-19 level. Currently, the COVID-19 pandemic is largely under control in Australia and New Zealand whereas Malaysia and England are experiencing second waves of the COVID-19 outbreak. The Group’s “PappaRich” and “IPPUDO” outlets are located in Australia and New Zealand, and are able to serve dine-in customers with safe distancing measures in place. |

| | <p>b. The composition of takeaway and food delivery services revenue greatly depends on the state of the COVID-19 pandemic and restrictions imposed in the respective geographical segments. As at 30 June 2020, the Group had seen significantly higher proportion of revenue generated from delivery services in regions affected by movement restriction. The composition of revenue generated from food delivery services for “PappaRich”, “IPPUDO” and “Gong Cha” brands in the respective geographical segment for the month of May 2020 and June 2020 are as follow:</p> <table border="1" data-bbox="320 439 1086 629"> <thead> <tr> <th data-bbox="320 439 424 533"></th> <th data-bbox="424 439 762 533">Geographical segment</th> <th data-bbox="762 439 1086 533">Percentage of food delivery revenue over total revenue</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 533 424 562">(i)</td> <td data-bbox="424 533 762 562">Australia</td> <td data-bbox="762 533 1086 562">39%</td> </tr> <tr> <td data-bbox="320 562 424 591">(ii)</td> <td data-bbox="424 562 762 591">New Zealand</td> <td data-bbox="762 562 1086 591">13%</td> </tr> <tr> <td data-bbox="320 591 424 629">(iii)</td> <td data-bbox="424 591 762 629">United Kingdom</td> <td data-bbox="762 591 1086 629">45%</td> </tr> </tbody> </table> <p>The Group does not have takeaway revenue data readily available and hence is unable to comment on the composition of revenue generated from takeaway.</p> | | Geographical segment | Percentage of food delivery revenue over total revenue | (i) | Australia | 39% | (ii) | New Zealand | 13% | (iii) | United Kingdom | 45% |
|-------|--|--|----------------------|--|-----|-----------|-----|------|-------------|-----|-------|----------------|-----|
| | Geographical segment | Percentage of food delivery revenue over total revenue | | | | | | | | | | | |
| (i) | Australia | 39% | | | | | | | | | | | |
| (ii) | New Zealand | 13% | | | | | | | | | | | |
| (iii) | United Kingdom | 45% | | | | | | | | | | | |
| 2. | <p>The Company has recognised impairment losses on the following investments:</p> <ul style="list-style-type: none"> (i) A\$1,191,484 in STG Confectionery Pty Ltd; (ii) A\$145,221 in STG Confectionery 2 Pty Ltd; (iii) A\$146,485 in STG Entertainment Pty Ltd; and (iv) A\$349,235 in STG Food Industries Malaysia Sdn Bhd <p>What has contributed to the impairment losses above?</p> | | | | | | | | | | | | |
| | <p>Impairment review on investment in subsidiaries as at 30 June 2020 was conducted by the management against the backdrop of the COVID-19 pandemic. As part of the impairment review, the Group had performed cash flow projections to arrive at the recoverable amounts of the abovementioned investments. Impairment losses were recognised for the excess of carrying investment costs over the recoverable amount projected.</p> <p>The COVID-19 pandemic has adversely affected the profitability of these businesses, as they are mainly located in the areas with movement restrictions and/ or recorded high number of COVID-19 cases. As a result, the recoverable amount of these investments were projected to be lower than the carrying investment cost, and the Group had to recognise impairment losses as stated above.</p> | | | | | | | | | | | | |
| 3. | <p>It was noted that “Consultancy and legal fees” has increased from A\$139,528 in 2019 to A\$303,393 in 2020. What has contributed to this increase?</p> | | | | | | | | | | | | |
| | <p>As part of the process of starting up the Group’s “Gong Cha” business in a new jurisdiction in England, the services of professionals were engaged to provide support to the F&B retail outlet and warehouse operations. The increase in consultancy and legal fees was mainly due to the remuneration payable to these professionals.</p> | | | | | | | | | | | | |
| 4. | <p>During the financial year, ST Group has recognised losses on the following items:</p> <ul style="list-style-type: none"> (i) fair value loss of A\$88,120 was recognised on unquoted equity shares of PPR Cockburn in Western Australia; (ii) allowance for impairment of trade receivables of A\$27,388; (iii) bad debt of A\$127,000 on sundry receivable <p>What are these items related to?</p> | | | | | | | | | | | | |
| | <p>Both the “PappaRich” and “NeNe Chicken” franchised outlets located in Cockburn, Western Australia had been adversely impacted by the COVID-19 pandemic and both outlets have ceased operations as at 30 June 2020.</p> <p>ST Group owns 20% interest in PPR Cockburn, which ran the “Papparich” Cockburn outlet, and had recognised a A\$88,120 fair value loss on the carrying amount of this investment as at</p> | | | | | | | | | | | | |

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| | <p>30 June 2020. ST Group had also advanced a total loan of A\$127,000 to PPR Cockburn, and this amount had been deemed irrecoverable as at 30 June 2020.</p> <p>In addition, the Group provided for impairment losses of A\$27,388 on trade receivables from the NeNe Cockburn outlet due to the termination of operations mentioned above.</p> <p>Subsequent to 30 June 2020, the Group had appointed a new franchisee to take over and recommence “PappaRich” operations in Cockburn, to ensure the Group continues to generate supply chain and franchise revenue from this location.</p> |
| 5. | <p>It was reported in the Annual Report that store closures related costs amounted to A\$0.6 million during the year. What brands and in which countries are these store closures pertaining to?</p> |
| | <p>FY2020 had been a challenging year as the unprecedented COVID-19 pandemic took its toll on global economy, especially on the F&B sector. ST Group took the opportunity to consolidate its retail outlets and closed three non-performing Group-owned outlets, namely:</p> <ul style="list-style-type: none"> (i) a “Hokkaido Baked Cheese Tart” outlet in Western Australia, Perth; (ii) a “Hokkaido Baked Cheese Tart” outlet in Auckland, New Zealand; and (iii) a “NeNe Chicken” outlet in Kuala Lumpur, Malaysia <p>The total net book value of the property, plant and equipment written off arising from the closure of these outlets amounted to A\$0.6 million.</p> |
| 6. | <p>Profit for “Supply Chain” segment had decreased from A\$2.2 million in FY2019 to a loss of A\$0.6 million in FY2020. What was the reason behind the decrease and what is the management’s plan going forward?</p> |
| | <p>The COVID-19 pandemic had affected the Group’s “Supply Chain” operations. Orders for “Supply Chain” products had declined due to various COVID-19 restrictions imposed by the respective local authorities and in the meanwhile, there were significant fixed costs incurred in the “Supply Chain” segment such as rental expenses and plant and equipment depreciation. As a result, the “Supply Chain” segment incurred a loss of A\$0.6 million in 2020.</p> <p>The demand for F&B retail outlet has increased since the end of FY2020, as restrictions were eased in most of the key geographical segments that the Group operates in. The management is continually monitoring the latest COVID-19 development and actively managing variable costs.</p> |
| 7. | <p>Despite revenue declining by 15.6% and profit for the year declining by 92.1%, the aggregate remuneration paid to the top five Key Management Personnel had increased by 10.7% from A\$462,743 in FY2019 to A\$512,423 in FY2020. What are the reasons behind this increase?</p> |
| | <p>The Group experienced significant growth in the number of F&B retail outlets in New Zealand and England over the past 2 years. The Key Management Personnel of the Group had spent significantly more time and effort sourcing for new outlets and managing existing outlets, and they had been compensated accordingly for expanding the Group’s network in these geographical segments.</p> <p>The Group does not fully disclose the remuneration of each Key Management Personnel due to the confidentiality and commercial sensitivity relating to remuneration matters.</p> |
| B. Financial and Capital Structure | |
| 8. | <p>What is the budgeted capital expenditure over the next 2-3 years, and how will it be funded?</p> |
| | <p>In the current economic climate, the Group is cautiously optimistic of its expansion plans for the future. The Group views the crisis as an opportunity to secure lower rental rates at prime locations once the business environment fully adapts to the new normal.</p> <p>As at 30 June 2020, the Group had total cash and cash equivalents of A\$8.2 million against total borrowings of A\$1.4 million. The Group expects to fund future capital expenditure with</p> |

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| | <p>internal resources and, if necessary, to increase borrowings by taking advantage of the low borrowing costs in the current market.</p> <p>In FY2021, the Group expects to incur capital expenditure of A\$2.8 million to set up 6 Group-owned outlets. Due to the uncertainty caused by COVID-19 pandemic, the Group is unable to comment on the expansion plan beyond FY2021.</p> <p>Based on the Group's cash position as at 30 June 2020, the Group has sufficient cash to fund these capital expenditures internally.</p> |
| 9. | <p>One of the subsidiaries of ST Group, Gong Cha Limited, did not fulfil certain loan covenants during the year. What are the plans for this breach of loan covenants?</p> |
| | <p>The lender has not demanded repayment of the borrowings. The Group is in the process of seeking a waiver for this breach of loan covenant from the lender and thus far there is nothing to suggest that the waiver will not be granted.</p> |
| <p>C. Business Strategy and Outlook</p> | |
| 10. | <p>ST Group operates multiple F&B brands in both Australia and New Zealand. Why is there only one single brand (i.e. NeNe Chicken) in Malaysia despite the Company's plan of allocating S\$0.6 million net proceeds from its initial public offer towards establishing a new central kitchen and corporate office in Malaysia?</p> |
| | <p>The Group holds exclusive license rights to the "NeNe Chicken" brand in Malaysia. As for the other established F&B brands that the Group currently operates in Australia, New Zealand and England, namely "PappaRich", "NeNe Chicken", "Hokkaido Baked Cheese Tart", "Gong Cha" and "IPPUDO", there are existing brand owners or master license holders operating these brands in Malaysia. As a result, the Group is unable to operate these brands in Malaysia.</p> <p>The Group is always on the lookout to expand its brands portfolio in all the geographical segments that it operates in, provided that these business opportunities meet the Group's stringent criteria for brand selection.</p> <p>The Company is continually assessing the feasibility of establishing a new central kitchen and corporate office in Malaysia in light of the COVID-19 pandemic, and will update Shareholders as and when there are material developments.</p> |
| 11. | <p>"Gong Cha" and "NeNe Chicken" brand had demonstrated strong growth over the last five years. What are the positive trends that contributed to this growth?</p> |
| | <p>The Group has an experienced management team that is able to identify new trends and adapt to changing consumer preferences.</p> <p>The Group secured the master franchise for "NeNe Chicken" in Australia in 2014 in response to the growing prominence of the Korean Wave, also known as Hallyu. The management team is continually fine-tuning the "NeNe Chicken" menu to cater to local preferences, which has been instrumental to the positive growth of "NeNe Chicken" in Australia.</p> <p>The Group also identified an opportunity in the bubble tea scene in New Zealand, and brought the "Gong Cha" brand to New Zealand in 2015. Bubble tea has been well received by the local community in New Zealand and the Group is currently the market leader in the bubble tea scene with 17 outlets in New Zealand as at 30 June 2020.</p> |
| 12. | <p>The number of "Hokkaido Baked Cheese Tart" brand outlets had declined from a peak of 18 outlets to 15 outlets at 30 June 2020. What is the reason behind such decrease?</p> |
| | <p>Over the past two years, the Group created two new in-house brands specialising in pastry products, namely "PAFU" and "KURIMU". The Group's strategy going forward is to consolidate the pastry outlets and cross-sell all pastry products ("Hokkaido Baked Cheese Tarts", "PAFU"</p> |

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| | and “KURIMU”) across these brands’ outlets, as the Group is able to leverage on synergies of these three brands. |
| 13. | It was noted in the Annual Report that the Group had increased the number of outlets from 116 outlets as at 30 June 2020 to 121 outlets as at 17 September 2020. It was further noted that the Group had 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. Which brands contributed to the increase of these 12 outlets? |
| | <p>The fundamentals of the Group remain strong and it will adopt a cautious approach to its business expansion strategies in the near future, while remaining on the lookout for potential opportunities to take advantage of favourable leases for potential new outlets.</p> <p>The “PappaRich” brand has fared well with its sub-franchisees in Australia and three additional sub-franchised outlets are slated to open by December 2020. The Group has also committed to opening a Group-owned outlet under the “Go Noodle House” brand in a popular shopping centre in the state of Victoria, Australia.</p> <p>In addition, the Group is expecting new outlets opening for IPPUDO, Gong Cha, KURIMU and NeNe Chicken brands by December 2020.</p> |

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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