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## Singapore CA Qualification Examination

### INTEGRATIVE BUSINESS SOLUTIONS

# ADVANCE INFORMATION

19 June 2023

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### WARNING

Candidates **must not under any circumstances** contact any similar company or its agents to obtain research data, and they must use **ONLY PUBLICLY AVAILABLE INFORMATION**. Under no circumstances should they seek to use unpublished or private information.

Dear Candidate,

This information package contains the **Advance Information** for the Integrative Business Solutions (IB) module final examination to be held on **19 June 2023**. A checklist of the documents (Exhibits) contained in this information package is provided on the following page. It is your responsibility to ensure that you have received every document listed.

Your task now is to familiarise yourself with this information including analysing the data provided. In addition, you are encouraged to undertake further research to form a holistic picture of the industry and markets in which the case study company is operating, and the general economic and business environment. Diligent preparation is essential for success in the IB Examination. **Guidance on preparing for the IB Examination is covered in your IB Toolkit.**

**The IB examination will be conducted using Cirrus.** Please download this Advance Information to the hard drive on your laptop and print this Advance Information prior to the examination day. Although you will have full access to the hard drive on your laptop during the examination, you are strongly advised to have your notes and other preparatory workings in **hard copy format**, as well as a standalone calculator that complies with the ACRA's regulations.

You will also receive additional information (**Examination Day Documents**) on the case study company on the day of the IB Examination. The Examination Requirements will be included within Cirrus. Follow the instructions in Cirrus to download the Examination Day Documents. You are not allowed to print the Examination Day Documents on the day of examination. The Examination Day Documents complete the case study scenario and set out the requirements for the report that you are required to write. The IB Examination will be an open-book examination of **4 hours 30 minutes** duration. Your formal report will cover four specified areas, one of which will be to write an Executive Summary. Please note that **only your report commentary (including the assumptions made), appendices, and workings entered in Cirrus on the day of the examination will be marked.**

## Shiok Life Group

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Note: Unless otherwise stated, all dollar amounts (\$) are Singapore dollars.

## **Shiok Life Group: History and Background**

Shiok Life Group is a privately owned enterprise whose operations are based entirely in Singapore. Shiok Life Group is the holding company for two wholly-owned independent trading groups:

1. **Shiok Makan:** This subsidiary is a Singapore-based restaurant group with five brands and almost 30 restaurant sites located in the central business district (CBD) and the heartlands; and
2. **Shiok Shop:** This subsidiary is a property management company that owns and manages three retail commercial properties based near major residential areas in the heartlands.

### **Origins**

Edward Nai and Nancy Wong founded the first Shiok Dabao restaurant in 1994 using their personal savings. Shiok Dabao was a takeaway only restaurant, offering affordable chicken, rice and other lunch staples to office workers. Nancy and Edward worked together, taking orders and cooking the food while the customers waited. The Shiok Dabao takeaway was a rapid success, and over the next five years Nancy and Edward opened several new takeaway restaurant sites.

The success of Shiok Dabao led to the company experimenting with a new restaurant chain in 1999 specifically designed to attract younger and more health-conscious consumers. This restaurant chain Shiok Siu Dai comprised a restaurant chain of cafés selling healthy vegetarian meal options and smoothies.

The Shiok Zi Char restaurant chain followed and was opened in 2005 using the recognition and popularity of Shiok Dabao and Shiok Siu Dai brands to expand its consumer base among the dine-in customer market segment. Shiok Zi Char restaurant sites were mostly located in and around Singapore's vibrant CBD.

Buoyed by its commercial success in the CBD, Shiok Life Group decided to expand into the heartlands of Singapore. In 2010, Shiok Life Group acquired Wingaling, a fast-food restaurant specialising in different flavours of chicken wings. This was done

with the help of an interest-free loan offered by Nancy Wong. This loan has never been repaid.

In early 2019, Shiok Life Group was given the opportunity to acquire another fast-food restaurant chain named Roll On. Roll On specialises in Korean rice rolls and operates primarily in the heartlands of Singapore. Shiok Life Group believed that they could expand Roll On quickly. However, this was not long before the beginning of the COVID-19 pandemic which no one foresaw at that time. This investment on Roll On was financed by a loan that was expected to be repaid in five years. Transaction costs of \$50,000 were paid to arrange this loan.

### **Exit strategy**

In 2015, Nancy retired from Shiok Life Group but retained her investment in the company. It was agreed that Edward Nai would continue as CEO of Shiok Life Group for another five years, with a view to selling the business on in 2020, so that both the original founders could release their equity in the company.

Towards the end of 2019, Edward and Nancy began discussions with a Korean conglomerate who was interested in buying out their shareholding. Unfortunately, in 2020, when the negotiations were at a very early stage, the COVID-19 pandemic arrived and the Korean conglomerate put their plans on hold. Edward agreed to stay on at Shiok Life Group as CEO and manage the company through the challenges presented by the pandemic and Edward continues to manage the business as the company recovers from its effects.

### **Diversification into commercial real estate**

After the experience of the pandemic, Shiok Life Group decided to diversify to reduce the overall risk of the business. It formed a new subsidiary company named Shiok Shop, through which it bought, managed and rented out retail property.

Shiok Life Group's rationale for this new direction was that:

- Shiok Life was already familiar with the administration, operation and market rates for commercial properties through Shiok Makan.

- Diversifying into commercial real estate through Shiock Shop allowed Shiock Life Group to benefit from synergy between its two subsidiaries.
- Economic recovery in Singapore was expected in 2022, so demand for commercial property was expected to rise, making it a favourable rental market for commercial building owners.

### **Favourable commercial property market**

Demand for commercial property fell in 2020 but rebounded strongly in 2021, with a transacted volume totalling \$12.8 billion.

With the recent rise in global interest rates, interest rates in Singapore are expected to increase as well in the near future. Shiock Life Group therefore decided to purchase a building sooner rather than later in order to:

- Lock in what they expect to be lower interest rates.
- While the commercial property cycle had risen from the bottom of the market, it is believed that over the longer-term current prices still provide good value.

Shiock Life Group debated between purchasing office or retail spaces. It ultimately decided to purchase retail spaces, reasoning that:

- Retail spaces would be cheaper to buy than office and shophouse spaces, due to the limited supply of the latter.
- Working from home is becoming the norm, so there is lower demand for office spaces.
- Vacancy rates are narrowing more quickly for retail spaces than for office spaces.
- Rents are picking up faster for retail spaces.
- Retail rents are expected to move at an upward trend as demand picks up, with the government becoming more efficient at handling the pandemic leading to positive consumer sentiment.

**END OF EXHIBIT 1**

## Ownership, management and governance of Shiok Life Group

The founders of Shiok Life Group, Edward Nai and Nancy Wong own the majority of shares in the company. Edward has 51% share of the business as a result of buying out some of the other shareholders, and Nancy has a 30% share. An employee share scheme is also in place where loyal employees are awarded shares in the company on completion of ten years' service with the Group. This scheme owns 5% of the shares in the company. The remaining shares (14%) are owned by family and friends of Edward and Nancy.

### Governance

The company is governed by Shiok Life Group board of directors as follows:

Name	Title	Profile
Mr Edward Nai	Chief Executive Officer (CEO)	Edward Nai is the founder, and majority owner of Shiok Life Group. Edward now acts as CEO of the company. In this role, Edward oversees all operations, and the managing directors of the different divisions, and the Shiok Shop subsidiary report directly to Edward.
Mrs Shermaine Lin	Chief Financial Officer (CFO)	Shermaine has worked for Shiok Life for over 15 years. Shermaine joined the company in 2008 as a newly qualified chartered accountant, and initially worked in the accounting department helping to prepare the management accounts and financial reports. Shermaine rose to the role of Chief Accountant and became CFO in 2018.
Mr Sanjay Pruthi	Chief Information Officer (CIO)	Sanjay is an Indian citizen who came to Singapore as a student, to study at the Singapore Institute of Technology. Sanjay joined Shiok Life as CIO in 2019, having previously worked as an IT consultant for a large international firm.

Name	Title	Profile
Ms Michelle Lee	Chief Legal Officer (CLO)	Michelle joined Shiok Life as head of compliance in 1998. She has worked for the company ever since and was appointed as CLO when the position was created in 2019. Michelle is responsible for ensuring compliance with all regulations relating to the operations of the company and oversees the negotiations relating to the buying and selling of properties and leases.
Michael Chung	Chief Human Resources Officer (CHRO)	Michael joined Shiok Life as a human resources officer in 2014, and quickly became respected by Edward Nai. He was promoted to CHRO in 2016. Prior to this, Michael worked in the HR department of a supermarket group. Michael is responsible for all employee-related issues, including recruitment, training, benefits and employment contracts.

All members of the Board are executive directors. Edward does not see the need for non-executive directors in a private company. Nancy Wong retired from the business in 2015 and is not involved in the management, although Nancy retains her shareholding, and she meets Edward informally from time to time, to discuss the strategy and performance of the company.

Each of the differently branded restaurant chains is treated as a separate division and is headed by a managing director. Shiok Shop is a separate subsidiary with its own managing director. The managing directors of the restaurant chains and the managing director of the Shiok Shop subsidiary report directly to Edward Nai, CEO.

**END OF EXHIBIT 2**



## **Information About ShioK Life Group Restaurant Chains**

### **Overview**

At 31 March 2022, the ShioK Makan group operates five restaurant chains in Singapore as follows:

#### *ShioK Dabao*

The ShioK Dabao restaurant chain operates seven takeaway restaurant sites aimed at providing lunchtime meals for office workers. The menu is based around chicken and rice dishes. Four of the ShioK Dabao restaurant sites are located in the CBD, while three of the more recent restaurant sites were opened in the Singaporean heartlands residential districts, alongside existing restaurant sites belonging to other ShioK branded restaurant chains, for example, in shopping malls.

#### *ShioK Siu Dai*

The ShioK Siu Dai restaurant chain is a restaurant chain of seven cafés aimed specifically to attract a young professional clientele with its modern design and menu. These cafés sell healthy vegetarian meals, in addition to the traditional chicken dishes served in the ShioK Dabao restaurant chain. The ShioK Siu Dai restaurant chain also sells fruit smoothies. In terms of price, the ShioK Siu Dai provides more expensive meals than the ShioK Dabao to a more affluent market segment. As with ShioK Dabao, four of ShioK Siu Dai's sites are located in the CBD, with three located in ShioK clusters in the heartlands.

#### *ShioK Zi Char*

The ShioK Zi Char is a dining-in restaurant chain. It was based on the popular meals served in the ShioK Dabao takeaway restaurants, but customers enjoy the dining-in experience with waiter service, rather than eating a takeaway at home. All five ShioK Zi Char restaurant sites are based in the CBD.

#### *Wingaling*

Wingaling, acquired in 2010, is a fast-food restaurant that specialises in chicken wings. A variety of different flavours is available. There is one large Wingaling

restaurant site in the CBD, but all five of the other Wingaling restaurant sites are based in the Singapore's residential heartlands.

### *Roll On*

Roll On is a restaurant chain that specialises in Korean rice rolls and operates primarily in the Singaporean residential heartlands. These restaurants operate as buffet style sit in restaurants. The business was acquired as a going concern in 2019 when the founders wished to retire. At the acquisition date there were only two sites. Two more sites were opened prior to the pandemic. The company had planned three more sites, but these have been put on hold due to the pandemic.

### **Pandemic**

The COVID-19 virus hit Singapore in early 2020. In response, the government introduced the circuit breaker regulations on 3 April. Among other rules, all dining establishments were prohibited from operating dining in services. Restaurants were allowed to offer takeaway and delivery services. Most workplaces were also closed with employees being required to work from home. These restrictions lasted until the middle of June 2020 when restrictions on restaurants were gradually lifted. Thanks to the Delta and Omicron variants of the virus appearing in 2021, additional lockdowns occurred between 16 May and 31 June 2021 and again between 23 July and 9 August 2021. Restrictions were again lifted using a phased approach after each of these lockdowns, meaning that restaurants could not open immediately.

Unsurprisingly, Shioik Life Group's businesses in the CBD were affected severely. Daily customers and restaurant receipts fell by between 80%-90% at each site, during the height of the circuit breaker period. This left each restaurant struggling to cover rent and other overheads and to pay for labour costs which could not be reduced.

In an effort to reduce costs, Shioik Life Group was forced to downsize its operations, shuttering most of the Shioik restaurant sites in the CBD.

The Shioik Zi Char restaurants were particularly badly hit as these were based primarily in the CBD. Edward Nai made the difficult decision to close many of the Shioik Zi Char restaurant sites permanently in 2020 as the impact was too great.

The Wingaling and Roll On restaurant sites continued to perform well, however - and in some cases even outperformed pre-COVID days - because they were located primarily in residential areas, where they benefited from office workers who were mandated to work from home. As Wingaling and Roll On are fast-food restaurant sites, they performed the best out of all food and beverage industry services in 2020.

### **Move into food deliveries**

Like many other dine-in establishments struggling under the pandemic, Shiok Makan was quick to ensure that all of its remaining restaurant sites partnered with large food delivery service platforms like GrabFood and Foodpanda in order to remain solvent.

This enabled Shiok Makan to continue serving some of its regular customers during the circuit breaker period. It also gained new customers through promotions offered on the delivery platforms. At the height of the circuit breaker measures, roughly 45% of Shiok Makan's revenue came from online orders.

However, added charges like commission fees, which could be as high as 30% of billing, affected Shiok Life Group's profit margins, which were already lean.

Three new delivery-only kitchens were opened in the residential heartlands in January 2022. Locations were selected to accommodate larger kitchens with staging areas for pick-up, from which delivery personnel can easily reach customers in residential areas.

### **Sustainability**

Recently, the Board has acknowledged the need to operate in a more sustainable fashion, particularly in the takeaway and delivery services, which are considerable users of single-use plastic. There has also been concern over packaging being disposed of in recycling bins when it contains food waste, as this contaminates other waste after which it cannot be recycled.

In response, the Board has initiated internal conversations with managers with the objective of introducing new sustainability initiatives to address concerns from some stakeholders that Shiok Life Group could improve its environmental, social and governance record.

## **Strategic risks**

In December 2022, the Board of Shioh Life Group identified the following key strategic risks faced by Shioh Makan:

1. The re-emergence of another COVID-19 or another serious pandemic leading to future bans on dining-in.
2. Disruptions to the supply chain leaving the restaurants unable to source the required ingredients, particularly chicken.
3. Inflation leading to higher costs of food and energy. It may not be possible to fully pass these higher costs onto customers.
4. Changing social attitudes to sustainable business leading to customers moving away from Shioh Makan restaurants.

**END OF EXHIBIT 3**

**Shiok Life Group management accounts for the years ended 31  
March 2022, 31 March 2021 and 31 March 2020**

**Statement of Profit and Loss for year ended 31 March**

	Notes	2022 \$'000	2021 \$'000	2020 \$'000
<b><u>Shiok Makan</u></b>				
Revenue	1	95,723	82,906	93,446
<b>Cost of sales:</b>				
Food		(29,319)	(25,618)	(28,875)
Beverages		(2,966)	(3,412)	(3,412)
Staff costs		(18,822)	(18,561)	(18,561)
Cost of deliveries/ commission		(4,456)	(4,753)	-
<b>Total cost of sales</b>		<b>(55,563)</b>	<b>(52,344)</b>	<b>(50,848)</b>
<b>Gross Profit</b>		<b>40,160</b>	<b>30,562</b>	<b>42,598</b>
<b>Other operating costs</b>				
Amortisation of right of use asset		(3,547)	(3,990)	(3,991)
Utilities		(2,283)	(1,826)	(2,283)
Depreciation		(4,577)	(3,767)	(3,724)
Insurance		(625)	(584)	(557)
Marketing		(14,333)	(14,700)	(12,250)
<b>Total other operating costs</b>		<b>(25,365)</b>	<b>(24,867)</b>	<b>(22,805)</b>
Other operating income - government grants		120	-	-
<b>Profit before interest and tax</b>		<b>14,915</b>	<b>5,695</b>	<b>19,793</b>
<b><u>Shiok Shop</u></b>				
Rental income		368	-	-
Operating costs		(52)	-	-
<b>Profit before interest and tax</b>		<b>316</b>	<b>-</b>	<b>-</b>

## Statement of Profit and Loss for year ended 31 March (continued)

### Shiok Life Group (consolidated)

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Group profit before interest and tax</b>	15,231	5,695	19,793
Finance charges	<u>(6,423)</u>	<u>(4,279)</u>	<u>(3,365)</u>
<b>Group profit before tax</b>	<b>8,808</b>	<b>1,416</b>	<b>16,428</b>
Tax	<u>(1,497)</u>	<u>(241)</u>	<u>(2,792)</u>
<b>Group profit after tax</b>	<b>7,311</b>	<b>1,175</b>	<b>13,636</b>
Dividends	<u>-</u>	<u>(1,089)</u>	<u>(6,000)</u>
<b>Transfer to retained profit</b>	<b><u>7,311</u></b>	<b><u>86</u></b>	<b><u>7,636</u></b>

**Shiok Life Group**  
**Consolidated Statement of Financial Position as at 31 March**

	Notes	2022 \$'000	2021 \$'000	2020 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	2	49,567	39,827	42,354
Right of use assets	3	33,377	31,924	35,914
Software development		1,254	300	12
Investment properties	4	18,400	-	-
<b>Total non-current assets</b>		<b>102,598</b>	<b>72,051</b>	<b>78,280</b>
<b>Current assets</b>				
Inventory		485	546	618
Trade receivables		525	544	610
Cash		61	3,414	2,325
<b>Total current assets</b>		<b>1,071</b>	<b>4,504</b>	<b>3,553</b>
<b>Total assets</b>		<b>103,669</b>	<b>76,555</b>	<b>81,833</b>
<b>Equity</b>				
Share capital (ordinary \$1 shares)		1,000	1,000	1,000
Retained profits		40,321	33,010	32,924
<b>Total equity</b>		<b>41,321</b>	<b>34,010</b>	<b>33,924</b>
<b>Current liabilities</b>				
Trade payables		2,583	2,746	3,087
Amounts due under leases: current portion		2,530	2,530	3,591
Bank overdraft		75	-	-
Taxation		1,497	2,476	3,908
<b>Total current liabilities</b>		<b>6,685</b>	<b>7,752</b>	<b>10,586</b>
<b>Long-term liabilities</b>				
Loan from founder: interest free	5	1,000	1,000	1,000
Loan to acquire Roll On	5	4,000	4,000	4,000
Bank loan to finance properties	5	18,400	-	-
Amounts due under leases		32,263	29,793	32,323
<b>Total long-term liabilities</b>		<b>55,663</b>	<b>34,793</b>	<b>37,323</b>
<b>Total equity and liabilities</b>		<b>103,669</b>	<b>76,555</b>	<b>81,833</b>

## Notes to the management accounts for the year ended 31 March

### 1. Segmental analysis of revenue: Shiok Makan

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Shiok Dabao	9,566	7,972	12,264
Shiok Siu Dai	17,936	14,947	22,995
Shiok Zi Char	14,782	13,576	24,329
Wingaling	16,419	15,637	16,435
Roll On	16,423	14,930	17,423
Food delivery	20,597	15,844	-
<b>Total revenue</b>	<b>95,723</b>	<b>82,906</b>	<b>93,446</b>

### 2. Carrying value of property, plant and equipment

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Land and buildings	7,136	7,334	7,532
Leasehold improvements	32,673	25,450	26,727
Fixtures, fittings and furniture	9,066	6,593	7,840
Motor vehicles	692	450	255
<b>Total</b>	<b>49,567</b>	<b>39,827</b>	<b>42,354</b>

Note: Property, plant and equipment is carried at cost less accumulated depreciation.

### 3. Right of use assets

Most of the restaurants operate in leased premises. Leases are typically entered into for periods of between five and ten years. At the start of the lease agreement, a liability representing the present value of future lease payments is recognised. At the same time, a corresponding asset is recognised, described as right of use assets. This asset is amortised over the lease period.

Payments under lease agreements are separated into interest and repayment of lease obligations.



#### **4. Investment properties**

Investment properties are initially recorded at cost. The group has adopted the fair value method where any changes in value will be recognised in the statement of profit and loss. No depreciation is accounted for using this method. The renting out of properties began during December 2021.

#### **5. Debt finance**

There are four areas where ShioK Life Group utilises debts as part of its financing strategy.

- a) **Founder loan:** The loan from the founder was made by Nancy Wong to finance the acquisition of the Wingaling restaurant chain. It becomes repayable when agreed between Nancy Wong and the Board. No interest is charged on the loan.
  
- b) **CFF Bank loan:** A bank loan of \$4 million was taken out during the year 2019 from CFF bank to finance the acquisition of Roll On. This loan carries interest at an annual rate of 10%. The loan is repayable on 1 April 2024. The loan is secured by a first fixed charge on the group's head office building.
  
- c) **HKMM Bank loan:** A further bank loan of \$18.4 million was taken out in December 2021 from HKMM Bank to finance the acquisition of the investment properties. This loan carries interest at an annual rate of 10% and is secured by a mortgage on the properties. It is repayable in December 2031.
  
- d) **Bank overdraft:** The overdraft facility of up to \$8 million provided by HKMM Bank was negotiated to assist the group during the recovery from the pandemic. Interest is charged at an annual rate of 15% per annum. It is secured by a floating charge over the assets of the Group. It is repayable on demand.

**END OF EXHIBIT 4**

## **Article from Singapore Business News: Shiok Life Group: Recovering from the Pandemic?**

### **Overview**

*When COVID-19 struck in 2020, the food and beverage industry was hit particularly badly. We caught up with legendary food and beverage industry entrepreneur Edward Nai to find out how the recovery is going in his Shiok Life Group.*

“2020 is a year I would rather forget!” says Edward, as I ask him to think back to the COVID-19 pandemic. “We had to close our dine in restaurants during the circuit breaker period. Even when the circuit breaker ended, footfall in the CBD was never anything like it had been, as many office workers continued to work from home. The level of tourism was virtually zero and people were tightening their belts. Many of our restaurants were in the CBD, so you can imagine, there were a few sleepless nights!”

Shiok Life Group took a decision to close four out of seven restaurants in the Shiok Zi Char restaurant chain as their leases had expired. These restaurants were located in the CBD where things were particularly bad. Also, Shiok Life Group decided to lease more space for the delivery kitchens.

### ***The green shoots of recovery***

By 2021, the food and beverage industry sector began to show recovery. Crowd control measures began to be eased and eventually lifted, particularly for vaccinated individuals. Consumer sentiment grew more positive and dine-in business gradually picked up for Shiok Life Group, although e-commerce still accounted for roughly 30% of its restaurant revenue.

Many major competitors exited, leaving a void in their wake as the sector settled. This opened up opportunities for the business survivors such as Shiok Life Group. Prime restaurant locations became available at lower rents, and there was a bigger supply of labour. Demand for takeaways and delivery food continued to grow steadily.

With dine-in business gradually recovering and work-from-home becoming more commonplace, Shiok Life Group reopened some of its Shiok brands with larger capacity kitchens in residential areas further out from the CBD. It focused on quality, value, cleanliness and staff training in order to create engaging and memorable customer experiences.

Shiok Life Group also continued to create and offer attractive bundles through its online portal, drumming up takeaway and delivery business without putting added pressure on dine-in capacity.

“Just as everyone thought that the challenges of the pandemic were behind us, the year 2022 brought new challenges.”

### ***Emerging challenges***

Russia’s invasion of Ukraine in February 2022 continues to have far-reaching consequences for the world’s food supply to supermarkets, food producers and to restaurants. Because Russia is one of the world’s top three oil producers, fuel prices increased by as much as 30%. This had a major impact on Shiok Life Group’s logistical and transportation costs, particularly the cost of meal delivery.

Shiok Life Group is also seeing higher costs and delays on the import of some food ingredients and other supplies, due to sanctions and tighter supply of foodstuffs from Russia and Ukraine, which are among the world’s top exporters of grain and edible oil, both of which are key ingredients in many food products.

These have impacted Shiok Life Group’s operating margins. In response, Shiok Life Group inevitably had to pass on some of these costs to its customers by making small adjustments to delivery fees, portion sizes, recipes and menus. The company also sought alternative suppliers in or close to Singapore.

Malaysia announced a ban on the export of live chicken starting in June 2022. Since one-third of Singapore’s chicken is imported from Malaysia, this has had a direct impact on the cost and supply of chicken. Fresh chicken is a key ingredient for some of Shiok Life Group’s restaurant chains, but not all. Shiok Life Group has produced a number of strategies to adapt to this situation, such as switching to frozen chicken

where possible, adding other local favourite dishes such as fried pork chops to the menu, and reducing the portions of chicken in the poached chicken rice.

***Risks in post-pandemic food and beverage industry***

The potential for further lockdowns could once again impact the dine-in segment, especially around the CBD. To address this risk, Shiok Life Group continued to interact closely with its customers online. This included maintaining a regular presence with a strong brand voice on social media, maintaining targeted digital marketing activities like lucky draws and digital customer loyalty programmes and continuing to create attractive and timely bundles. For example, the launch of festival specials for takeaway and delivery customers through its online ordering portal.

“I had thought that at this time of my life, I would be taking things a little easier now” Edward says wistfully. “Sadly, fate seems to have other ideas!”

*(July 2022)*

**END OF EXHIBIT 5**

**Email from Edward Nai concerning an issue with the supply of chicken to Shiock Life Group restaurants**

**To:** Shermaine Lin, CFO  
**From:** Edward Nai, CEO  
**Subject:** Live chicken shortages  
**Date:** 2 March 2023

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Hi Shermaine, I hope you are well.

As you know, since June 2022 we have had operational issues caused by the ban of live chicken exports by Malaysia. Our main supplier sources chicken from Malaysia, but since the ban, this supplier is no longer able to meet our demand to our many restaurants.

We have tried a number of alternatives: defrosting frozen chicken, reducing the amount of chicken ingredients used, and replacing some chicken dishes with alternatives, such as pork.

However, feedback from the restaurants and customers has not been positive in the main. Many customers have expressed disappointment with the alternative dishes. In particular, Wingaling is suffering as chicken wings are of course its main dish.

We need to start thinking about possible alternatives as soon as possible.

Best wishes,

Edward.

**END OF EXHIBIT 6**

**Briefing paper regarding customer data collection**

**To:** ShioK Life Group Board  
**From:** Sanjay Pruthi, CIO  
**Subject:** Group investment in data collection and analytics  
**Date:** 10 March 2023

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This briefing paper outlines the progress made to date in relation to our investment in customer data collection and analytics. I will elaborate and explain further at the next board meeting, where I am keen to gather your views on future developments.

**Digitalisation**

Digital adoption has proven to be a major driver for recovery in Singapore's food and beverage industry sector, especially for those operating in the CBD and tourism-related areas, where recovery has been slower.

In 2020, ShioK Life Group decided to accelerate its digital transformation journey and digitise different aspects of its operations. The digital goals are as follows:

- Implement an online ordering system for its ShioK Makan brands;
- Implement secure digital payment solutions online and in all restaurant sites;
- Streamline the customer experience by setting up online accounts;
- Streamline and digitise key operational functions such as customer data analytics; and
- Establish takeaway and delivery options.

However, the high cost of adoption was a concern to ShioK Life Group. Like thousands of other food service companies in Singapore, ShioK Life Group applied for several government grants.

**Online ordering and digital payment**

ShioK Life Group applied for the Productivity Solutions Grant programme under the Digital / Online Ordering and Payment, Online Food Delivery and Data Mining and Analytics segment, and was granted 80% funding to take up SmartWeb.

Using SmartWeb, which is powered by artificial intelligence (AI) algorithms and data analytics, Shiok Life Group was able to set up an online ordering and payment portal.

This online sale portal provides a unique, personalised ordering experience to all Shiok Life Group customers who are looking to order delivery without paying the premiums of larger food delivery platforms. Shiok dishes from all the Shiok chains can be ordered online. Each Shiok Life Group customer can create their own online account that makes the experience more personal to them and as it retains their order history which speeds up repeat ordering.

### **Capturing and analysing consumer data**

To better understand consumer behaviour and uncover cross-selling opportunities, Shiok Life Group also invested in AI products designed to analyse customer preferences such as taste, low-calorie options, vegan, cage-free, plant based meals, and more, based on the SmartWeb platform.

This investment was partially funded by an Enterprise Development Grant from the Singapore government, under the category of 'Innovation and Productivity – Automation.'

### **Exclusive promotions**

Customer data has been a key driver for growth in the delivery chain, enabling businesses to create better promotions according to the preferences of different customer segments.

By offering more attractive bundles and cheaper prices on their own portal compared to GrabFood and Foodpanda, Shiok Life Group was able to establish a solid takeaway business apart from the delivery giants, avoiding some of their high commission fees.

I look forward to discussing future developments with you in due course.

Sanjay

**END OF EXHIBIT 7**

## **Blog written by Green Action Singapore**

As the world grapples with the challenges of climate change, much attention has been paid to the transport and energy sectors, which are often considered to be public enemy number one when it comes to the environment. While such attention is warranted, there are other industries that also cause great harm to the environment. One of these is the food and beverage (F&B) industry which certainly needs to change its ways in many respects.

The first issue is the packaging used on the increasing volumes of takeaway and delivered food. Since the pandemic, demand for takeaway foods and food deliveries has ballooned. These are often packaged using single use plastics. The delivery of the food increases carbon emissions. The growth of the takeaway industry has been a big negative as far as the planet is concerned.

Another issue is food waste. The total amount of food waste generated in 2021 in Singapore was 817,000 tonnes, which is 23% higher than the previous year. Clearly food waste is not morally acceptable when there are many people throughout the world who are hungry. Much of the food waste occurs in plastic food packaging from takeaways, and this contaminates other recyclables in the blue recycling bins, reducing the amount of other waste that can be recycled.

While food deliveries and takeaways may offer convenience to consumers and more profits to the restaurant owners, we believe people should consider these negative environmental impacts. So next time you are thinking about ordering a takeaway, perhaps you should think again!

*(Posted 1 September 2022)*

**END OF EXHIBIT 8**



## **Shiok Life Group: Board meeting minutes relating to Project Phoenix**

**Date:** 10 September 2022

**Present:** Mr Edward Nai (CEO), Mrs Shermaine Lin (CFO), Mr Sanjay Pruthi (CIO), Ms Michelle Lee (CLO)

**Apologies:** Michael Chung (CHRO)

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### ***Extract from board minutes....***

#### **Project Phoenix**

Mrs Shermaine Lin presented:

“I need to advise you of a (hopefully) temporary issue we face with funding in the near future. To preserve confidentiality, I would appreciate if this can be referred to as Project Phoenix going forwards.

Over the next twelve to twenty months, Shiok Life Group is facing a near ‘perfect storm’ of circumstances:

- The founder loan of \$1 million, which has no fixed date of repayment, is likely to be recalled by Nancy Wong.
- The yield on the Shiok Shop property portfolio is likely to continue to be poor – The March 2022 management accounts show a year-to-date net operating income profit before interest and tax of \$316,000. This is before we pay 10% on the \$18.4m loan we have for financing the properties. In future years we will achieve a full year’s rental income rather than the four months achieved in the current year, so the situation is not quite as severe.
- Our operating costs are set to increase again. The Russian invasion of Ukraine continues to drive up cost increases in fuel, grain and other food commodities. Our costs for these items could increase by as much as 25% in the 2023/24 year.
- General inflation is currently running generally at 7% so we will struggle to put our prices up by more than this if we are to remain competitive.

- As at 31 March 2022, the group current ratio is 0.16. Current liabilities include an overdraft of \$75,000. We are regularly drawing down on our overdraft facility and based on my forecast, we will fully utilise it by 31 March 2023. The facility is repayable on demand, and the bank has asked us to pay it off in the next 12 months. We currently cannot afford to do so.

I firmly believe however this is not an insurmountable issue. The future is bright if we can overcome this immediate liquidity issue. The restaurant yields are forecast to improve into the future, and inflation is forecast to reduce in the medium-term.

### **Financial risk**

However, unless the Shiok Life Group addresses this urgent financial risk, it is likely that the severity of the current liquidity crisis may result in Shiok Life Group ceasing to trade before the restaurant sector has had a chance to fully recovery from the impact of COVID-19.

Therefore, urgent action must be taken to refinance Shiok Life Group existing debt from its short-term maturity profile to a long-term maturity profile and delay upcoming loan repayments.”

In response to Mrs Lin’s presentation, the Board issued the following statement.

### **Project Phoenix objective**

In response to the temporary funding issue, the Board of Shiok Life Group will set up a project team (“Project Phoenix”) to urgently address this.

The objective of Project Phoenix will be to refinance the existing debt and equity in Shiok Life Group to increase its debt maturity profile and raise additional equity capital to fund the short-term gap in working capital.

Mrs Shermaine Lin will work with Ms Michelle Lee on Project Phoenix and will forward a proposal for the Board to consider in this matter in due course.

**END OF EXHIBIT 9**

## Confidential memorandum relating to Project Phoenix

**To:** Finance team, Shiok Life Group  
**From:** Mrs Shermaine Lin, CFO  
**Subject:** Project Phoenix  
**Date:** 10 October 2022

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Dear Shiok Life Group finance team,

Further to the September board meeting, we need to prepare a recommendation for a financial restructuring to take place given the looming liquidity crisis we discussed at the team meeting last week. For planning purposes, we will assume the restructuring takes place in August 2023.

The below gives you some background and information to help prepare such a recommendation.

### **Options considered and rejected by the Board:**

- **Selling some investment property:** This is not at all desirable given our long-term strategic direction.
- **Obtaining additional new debt finance:** The current Shiok Shop loan contains within it a covenant which prohibits this. We have approached the bank and they are keen to maintain this requirement, noting we will be in technical default with immediate repayment required should we breach this covenant.

### **Group failure and liquidation (for comparison)**

If the group were to fail (as a benchmark for comparison) and subsequently liquidate its assets to pay its liabilities, the following information is relevant:

- The book value of investment properties equals their approximate market value, although we may have to sell at 90% of market value to ensure a sale in a reasonable timescale.
- Fixtures, fittings, furniture and motor vehicles are likely to have a market value of 60% of their book value.

- Leasehold improvements include changes to properties that would need to be reversed to return the property to its original condition, so unfortunately around 90% of leasehold improvements would be scrapped for \$nil. The remainder could be sold for perhaps 50% of their net book value (including, for example, some cooling equipment).
- Lease contracts include early exit clauses whereby 25% of the remaining lease creditors become instantly payable, and the group would hand back the properties to the landlord.
- Software development costs would effectively be worthless.
- The market value of other non-current assets (excluding head office property – see below) is likely to be around 75% of their book value.
- Inventory includes food stocks which we may struggle to sell on, so it is prudent to assume we would only receive 50% of the book value of inventory.
- Receivables would realise approximately 95% of their book value due to potential bad debts.
- HKMM Bank have provided us with:
  - A property loan of \$18.4 million for Shiok Shop: This contains a first fixed charge over land and buildings in the Shiok Shop division.
  - An \$8 million overdraft facility: This is secured by a floating charge over the assets of the group.
- CFF Bank provided us with the finance for Roll On, with a first fixed charge over head office property (which could be sold for its book value of \$3 million).
- Nancy Wong provided us with the \$1 million ‘founder loan’ – repayable on demand. This is unsecured.
- It will be assumed for the purposes of the calculation of liquidation that any tax owed is treated as an unsecured creditor. While this is not strictly true, the value would not be material to our calculations.
- Cash included with other assets and is used to settle costs of liquidation and amounts due to creditors.
- All asset realisable values stated above are net of disposal costs.

## **Restructuring proposal**

I believe the looming liquidity crisis can be averted by a combination of the following actions:

- Debt for equity swaps
- Rescheduling some of the existing debt
- Partial repayment of some debts as full and final settlement.

Terms need to be acceptable to all parties for the restructuring proposal to go ahead.

I would like the project team to work with me to detail a proposal along these lines.

I look forward to working with you on this important project. Any questions, please ask.

Best regards,

Shermaine

**END OF EXHIBIT 10**

**Suggestions for further research**

The following resources may be useful when beginning your research into the case study company. As always, the caveat is to read everything with a healthy dose of scepticism and apply professional judgment. Just because an article is on this list, does not give it legitimacy or relevance. All links were active as at 18 April 2023.

**Exhibit 1**

<https://www.singstat.gov.sg/data-for-businesses/know-my-industry-food-and-beverage-services>

<https://www.straitstimes.com/singapore/jobs/singapore-eateries-get-creative-to-cope-with-new-normal>

**Exhibit 5**

<https://www.businesstimes.com.sg/opinion-features/columns/fb-sector-has-evolved-over-course-2020>

<https://www.channelnewsasia.com/business/ukraine-invasion-logistics-food-businesses-singapore-squeeze-petrol-supply-costs-2572786>

<https://www.theguardian.com/world/2022/jun/01/like-mcdonalds-with-no-burgers-singapore-faces-chicken-shortage-as-malaysia-bans-export>

**Exhibit 7**

<https://sbr.com.sg/food-beverage/exclusive/singapores-fb-industry-banks-digitalisation-survive-circuit-breaker>

**Exhibit 8**

<https://www.greenisthenewblack.com/fb-sustainability-council-singapore/>

**END OF EXHIBIT 11**

**END OF ADVANCE INFORMATION**