



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Singapore Kitchen Equipment Limited

Security: Singapore Kitchen Equipment Limited

Meeting details:

Date: 25 April 2019

Time: 4.00 p.m.

Venue: 115A Commonwealth Drive, #01-30 Tanglin Halt Industrial Estate, Singapore 149596

Company Description

Singapore Kitchen Equipment Limited is a Singapore-based investment holding company. The Company offers commercial and industrial kitchen solutions. The Company operates through two segments: fabrication and distribution business, which sells and manufactures standard and customized kitchen systems, as well as kitchen equipment to food and beverage and hospitality services industries, and maintenance and servicing business, which provides preventive maintenance works and repairs on kitchen equipment to ensure that they are in good working condition and functioning properly. The Company offers its services in Singapore and overseas, within the private and public sectors, including central kitchens, restaurants, integrated resorts, hotels and government agencies. It is engaged in offering design and consultancy services, equipment fabrication, installation and distribution. Its subsidiaries include Q'son International Pte. Ltd. and Q'son Kitchen Equipment Pte Ltd.

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

1. The group achieved a higher revenue of \$33.6 million, mainly due to increases from the fabrication and distribution business segment. The group's gross margin increased by 11.1% to \$11.0 million.

However, profit for the year slipped to \$680,000 from \$1.3 million a year ago, mainly due to the additional charges of \$1.66 million in listing expenses. As disclosed by the group, excluding the dual listing expenses, the group would have recorded a net profit of \$2.35 million.

Following the announcement on 17 January 2018 by the company that it would be seeking a dual primary listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the company submitted an application to the SEHK on 22 June 2018. On 31 June 2018, the company announced that its application for the proposed SEHK listing has lapsed on 23 December 2018.

The company submitted a renewed application to the SEHK on 20 February 2019.

- (i) Would the board elaborate further on the reason(s) that the company's application to the SEHK lapsed without getting SEHK's approval for the dual listing? Did the company seek an extension during the first application?**
- (ii) With more than \$1.66 million spent on the dual listing application, how much more costs will be incurred to seek the dual primary listing on the GEM of HKEX?**
- (iii) Were the group's operations affected by the additional work required for the HKEX's application?**
- (iv) Can the board/management help shareholders understand the benefits of getting listed on the HKEX when Singapore accounts for 98% of the group revenue? Has the company evaluated other sources of funding?**
- (v) Please help shareholders understand in greater detail how the SEHK listing would help the group's growth plans.**

2. The "Net realisable value of inventories" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 34). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 31 December 2018, approximately 95% of the group's inventories comprise finished goods such as kitchen equipment and spare parts, amounting to \$3,946,868.

The carrying amount of inventories (\$3,946,868) is approximately a quarter of the group's total equity.

- (i) Can management help shareholders understand the obsolescence risk of its finished goods? Are finished goods customised for individual customers?**
- (ii) What is the average holding period/age of its finished goods?**
- (iii) What are the operational benefits of holding such a large quantity of finished goods, relative to the cost of sales (\$17.1 million in FY2018)?**
- (iv) As the company has plans to venture upstream to manufacture its own kitchen products, what guidance has the board given to management to better manage its inventories?**

3. The attendance of directors at board and board committee meetings are shown in the table below.

The number of Board and Board Committees meetings held and attended by each Director during the financial year ended 31 December 2018 ("FY2018") is set out below:

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Tay-Tan Bee Kiew Eileen	6	6	4	4	1	1	1	1
Chua Chwee Choo	6	6	4	4*	1	1*	1	1*
Lee Chong Hoe	6	6	4	4*	1	1*	1	1*
Wong Hin Sun, Eugene [^]	6	1	4	1	1	1	1	1
Ng How Hwan, Kevin	6	6	4	4	1	1	1	1
Lui Hin Weng Samuel [#]	6	4	4	3	1	-	1	-

* By invitation

[^] Resigned as Director on 26 April 2018

[#] Appointed as Director on 18 May 2018

(Source: Company annual report)

As seen from the table above, the executive directors attend the board committee meetings are invitees. Chua Chwee Choo and Lee Chong Hoe are the co-founders and the ultimate controlling shareholders of the company. Chua Chwee Choo is the spouse of Lee Chong Hoe.

- (i) Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**
- (ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are**

related to or affect the executive directors? Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.

- (iv) Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?**

In the Corporate governance report, the company has stated that the independent directors, when necessary, will have discussions amongst themselves without the presence of the management. The audit committee has also met with the internal and external auditors without the presence of management at least annually, to discuss any problems and concerns they may have.

- (v) Would board committee meetings be the more appropriate setting for such discussion?** This would ensure that board deliberations and decisions are minuted formally.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Singapore%20Kitchen%20Equipment%20Ltd&cid=6446,4564>

The company's response could be found here:

https://sias.org.sg/media/qareport/SKE_Response%20to%20SIAS%202018.pdf