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Stock code: 43A

Meeting details:

Date: 28 June 2023

Time: 1.30 p.m.

Venue: <<live webcast>>

Q1. As disclosed in the annual report, the group currently operates two foodcourts/coffeeshops, a chicken rice restaurant under the “Sing Swee Kee” brand name, one food kiosk under the “Sing Swee Kee Express” brand name and four chicken rice stalls in food courts.

In FY2022, the group generated its entire revenue from the F&B segment. Revenue increased by 19% to \$7.11 million in FY2022 from \$5.96 million in FY2021.

For the financial year, the group incurred a net loss of \$6.43 million, after losing \$10.42 million in the previous financial year. Accumulated losses, at the company level, have now increased to \$(16.58) million as at 31 December 2022.

- (i) **Rental income from food stalls:** The segment generated revenue of \$585,000 (2021: \$509,000). **What are the plans to increase the group’s network of foodcourts and coffeeshops? How do high inflation and high interest rates affect the group’s growth plans?**
- (ii) **Franchise fee and royalty income:** Total franchise fee and royalty income amounted to just \$29,000 in FY2022 (2021: \$51,000). The group has entered into a franchise agreement to expand its chicken rice brand, SING SWEE KEE, and Hainanese-styled coffee brand, Raffles Coffee & Toast, into China in 2023. **Can management quantify the potential of its franchising business, especially in China? Can the company elaborate on the experience and track record of management in branding and franchising? What is management’s level of confidence in the brands, i.e. SING SWEE KEE and Raffles Coffee & Toast?**
- (iii) **Impairment of goodwill:** Following the impairment testing, the group recognised a full impairment loss of \$(3.905) million for the goodwill relating to the Hao Kou Wei Group cash-generating unit (“CGU”). **What are the underlying factors, if any, in the business/environment that led to the impairment of goodwill of \$3.905 million? Would the board, especially the independent directors, be reviewing the board approval process relating to acquisitions? Did the company overpay for the acquisition given that the goodwill has been fully written off just years after the acquisition?**

- (iv) **Disclaimer of opinion:** In addition, as the basis for disclaimer of opinion in the independent auditor's report, the auditors have stated that they were unable to obtain sufficient appropriate audit evidence with respect to the cash flow forecasts used and the key estimates and assumptions applied in the value-in-use calculations to arrive at the recoverable amount of the non-financial assets (which includes goodwill amounting to \$3.905 million). **Can the audit committee (AC) help shareholders better understand how they have facilitated the audit?** The independent auditors have stated that they were unable to determine whether the impairment loss in relation to goodwill of \$3.905 million recognised as at 31 December 2022 is appropriate. **What audit evidence was required by the independent auditors and how did the AC work with management to provide the auditors with the audit evidence? How will the AC be resolving this and other issues highlighted by the auditors in their disclaimer of opinion?**

Q2. On 13 June 2023, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2022 following the finalisation of audit.

The announcement on the unaudited financial results was first released via SGXNet on 1 March 2023. The announcement of material differences came nearly 3.5 months after the company first announced the unaudited financial statements.

Following the finalisation of audit, loss for the year jumped from \$(2.1) million to \$(6.4) million, an increase of over \$4.3 million. Retained earnings of \$0.9 million turned into accumulated losses of \$(3.4) million.

Some of the reasons for the changes include:

- reversion of other income arising from a rebate from a gas supplier and recognising it as a deferred income
- (due to omission) impairment loss on goodwill recognised from the acquisition of Hao Kou Wei Group amounting to \$3.91 million and an impairment loss on property, plant and equipment amounting to \$0.27 million
- reclassification of part of the lease liabilities from current liabilities to noncurrent liabilities
- adjustment to the interest rates applied in the computation of lease liabilities

This is the third time in four years that the company reported material variances between the unaudited and audited financial statements, i.e. for FY2022, FY2021 and FY2019.

- (i) Can the AC help shareholders better understand the underlying reasons for the material variances, such as the omission of the goodwill impairment in the unaudited financial statements?**
- (ii) What are the challenges faced by the company's finance and accounting staff in meeting the Singapore Financial Reporting Standards (International) (SFRS(I))?**
- (iii) What role did the AC play in the preparation of the financial statements? Was it adequate?**
- (iv) How can shareholders be assured that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (v) What changes have been made/will be made to the group's financial reporting systems and processes?**
- (vi) To ensure a fair, orderly and transparent market, has the board evaluated the need to suspend the trading of the shares of the company until it improves its financial reporting and internal controls to ensure the integrity of the financial statements?**

Q3. The attendance of directors at board and board committee meetings is shown on page 29 of the annual report.

Table 1.5 - Attendance of Directors at Company Meetings								
Name of Director	Board		ARC		NC		RC	
	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
Zhang Rongxuan	6	1 ⁽³⁾	4	-	1	-	1	-
Pang Pok	6	6	4	-	1	-	1	-
Chong Eng Wee	6	6	4	4	1	1	1	1
Chan Chun Kit ⁽¹⁾	2	2	1	1	1	1	1	1
Lim Kee Way Irwin	6	6	4	4	1	1	1	1
Lim Chee San ⁽²⁾	2	2	1	1	-	-	-	-

(Source: company annual report)

Note 3 states the following:

While Mr. Zhang Rongxuan had been unable to attend most of the board meetings during FY2022, he had conveyed his views/instructions to Mr. Dou Le, the Administration Manager of Wish Hospitality Holdings Pte Ltd., for Mr. Dou Le to attend these meetings for and on his behalf, including providing updates for and on his behalf, so that he may be adequately represented at these meetings.

- (i) **Would the board help shareholders better understand the reasons that Mr. Zhang Rongxuan had been *unable* to attend most of the board meetings?**
- (ii) **Given that directors can also attend board meetings through means of video conference or other forms of telecommunication, are there valid underlying reasons for Mr. Zhang Rongxuan to miss the board meetings?**
- (iii) **Given that Mr. Zhang Rongxuan is the non-executive chairman of the board, how effective has the director been given that he has only attended 1 out of 6 board meetings?**
- (iv) **In addition, has the effectiveness of the board been impaired as a result?**

Under the disclosure related to Provision 4.5 of the Code of corporate governance 2018 (Code), the nominating committee (NC) noted that all the directors have been able to devote themselves to the company's affairs, notwithstanding their other commitments.

- (v) **Would the NC elaborate further on how it had assessed the commitment of Mr. Zhang Rongxuan as a director and as the board chairman?**
- (vi) **Would the NC disclose the key findings of the formal annual assessment of the effectiveness of the board and individual directors?**
- (vii) **Would Mr. Zhang Rongxuan be committing himself to attend the board meetings in person? How can the company secretary and the company work together with the board to improve the attendance of directors at board meetings?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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