



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Kitchen Culture Holdings Ltd.

Stock code: 5TI

Meeting details:

Date: 18 March 2022

Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the corporate profile, following a strategic business review in March 2020, the company obtained shareholders' approval to diversify into (i) trading of medical and related supplies business and (ii) artificial intelligence, machine learning and data science business.

The company acquired a 30% equity stake in OOWAY Technology Pte. Ltd. on 12 October 2020. It then "started working" with Anhui Health Box Technology Co., Ltd. to distribute the world's first masks that can effectively inactivate the Covid-19 virus using copper oxide non-woven fabric with microbial inactivation characteristics as the main material of the mask in mid-2021.

The company's subsidiary, KHL Marketing Asia-Pacific Pte Ltd ("KHL"), has received a statutory demand in relation to alleged outstanding rental arrears for \$1.77 million and a winding up application filed by the landlord, Kim Hup Lee & Co. KHL has filed an application in the High Court to place itself under judicial management.

- (i) What is the strategic value of KHL to the group given that "the kitchen business has been losing money for the last 8 years" (page 14)? Would the company be committing more capital to the business?**
- (ii) What is the outcome of the 16 March hearing relating to the winding up application and the JM application?**
- (iii) What are the possible options for the board to maximise the value of KHL for shareholders?**
- (iv) Please update shareholders on the progress made in medical supplies business, i.e sale and distribution of copper oxide non-woven fabric face masks from Anhui Health Box Technology.**
- (v) Similarly, since the acquisition of a 30% stake in OOWAY Technology in October 2020, what progress has the associated company made? While the acquisition consideration was \$23.9 million, the company has recognised an impairment loss of \$2.2 million and the share of results of OOWAY was a loss of \$(909,642) in FY2021. (See Qn 2)**
- (vi) With just a 27.65% interest in OOWAY (diluted from 30%), what is the level of influence and oversight in the associated company? Is the company a passive investor in OOWAY after investing \$23.9 million?**
- (vii) For the benefit of new and long-standing shareholders, please provide a holistic overview of the group's strategies and priorities, including operational milestones, roadmap and capital allocation.**
- (viii) When will the company be submitting its proposal to SGX-ST to resume the trading of its shares?**

Q2. In the chairperson's statement, it was stated that the board conducted a comprehensive review of the company's existing problems and management has been actively implementing the corporate governance reform. A new corporate governance structure has been established to "ma[k]e up" for the original shortcomings of the company. However, the auditors have issued a disclaimer of opinion on the audited financial statements of the company and the group for the financial year ended 30 June 2021.

The bases for disclaimer of opinion are:

- Notice of compliance issued by SGX RegCo
- Investment in associated company
- Receipt of bank confirmations
- Going concern

- (i) **Has the board, in particular the audit committee (AC), facilitated the external auditor in the audit of the financial statements? Why was the auditor not given a receipt of bank confirmations?**

The auditor has stated that the company did not perform a valuation and purchase price allocation (PPA) to determine the fair value of the OOWAY, and to assess if goodwill needs to be recognised upon the acquisition. In addition, the auditors were not given sufficient appropriate audit evidence on the \$909,642 share of loss of OOWAY in the financial year. The independent auditor was also not given sufficient appropriate audit evidence over the key inputs and assumptions in the valuation assessment which led to a \$2.2 million impairment loss.

Despite the chairperson's claim that the company has established a new corporate governance structure, it appears that the company's corporate governance (including internal controls) is still a work-in-progress.

- (ii) **With regard to the issues highlighted by the independent auditor relating to OOWAY, could the AC/board explain (a) why a PPA was not carried out, (b) why the auditor was not given sufficient appropriate audit evidence on the P&L of OOWAY, and (c) why management's estimates of the projected transaction volume and revenue growth were not provided to the independent auditor?**
- (iii) **What was the level of involvement by the AC members, especially the AC chairman, in the audit of the financial statement?**
- (iv) **How will the AC/board be addressing the disclaimer of opinion by the independent auditor?**
- (v) **Has the AC been effective at discharging its duties?**

- (vi) **Would the directors, especially the AC members, help shareholders understand the basis of their opinion (page 69 of the annual report; reproduced below) given the significance of the matters described by the independent auditor in the Disclaimer of Opinion (pages 72-76)?**

The directors present their statement to the members together with the audited financial statements of the Group and statement of changes in equity of the Company for the financial year ended 30 June 2021 and the statement of financial position of the Company as at 30 June 2021.

In the opinion of the directors,

- (a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on the pages 79 to 139 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2021 and the changes in equity of the Company and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, based on the assumptions and measures undertaken as described in Note 2 of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Q3. At the AGM scheduled to be held on 18 March 2022, five of the directors will be seeking their re-election.

The company had stated in July 2021 that it will procure Mr Lim Wee Li's resignation as a director of the company following the termination of his employment. Based on the directors' statement dated 3 March 2022, Mr Lim Wee Li remains a director of the company (page 69).

- (i) **Can the board clarify the status of Mr Lim Wee Li as a director of the company?**

Information on the five directors seeking their re-election can be found on pages 52 to 68 of the annual report.

- (ii) **Can the board/chairperson help shareholders understand if Mdm Hao Dongting's effectiveness as a chairperson would be impaired given that her country of principal residence is China while all the travel restrictions are still in place?**
- (iii) **How familiar is the chairperson with business practices, corporate governance standards and best practices of a Singapore listed company?**
- (iv) **Has the chairperson completed the training in the roles and responsibilities of a listed director in Singapore as prescribed by the SGX-ST?**

- (v) **With all due respect, would the chairperson be effective in her role given that she is a first-time director of a listed company in Singapore and that she resides in China?** This is an especially challenging time for the company as its main subsidiary is facing a winding-up/JM application in the Singapore courts.
- (vi) **Can the company confirm if four of the directors are first-time directors of a listed company in Singapore?**
- (vii) **Would the board have the necessary breadth and experience as directors of listed companies, especially as the company is in a transition and going through a challenging period?**
- (viii) **What is the search and nomination process for directors, especially independent directors?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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