Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Natural Cool Holdings Limited

Stock code: 5IF

Meeting details:
Date: 28 April 2022
Time: 10.00 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.

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Q1. The theme of the 2021 annual report is "Focus on transformation". As a recognised leader in air-conditioning, the group has diversified to paint and coatings, property and food and beverages.

The group acquired 51% of Nam Fang Co Pte Ltd, a plumbing and sanitary services company, and 51% of iFocus Pte Ltd, a communications product development and engineering company with experience in developing train-borne communications systems, estate monitoring systems and internet of things application design and manufacturing, on 28 December 2021 and 27 January 2022 respectively.

In the relatively new food division, the group, through SFB Holdings Pte. Ltd., acquired the assets of Sin Hong Huat Foodstuffs Manufacturing to produce and sell steamed muffins even as SFB wrote-off its soybean beverages business due to the underperformance, with all assets and goodwill related to this business being written-off.

Loss for the group was $(5.9) million in FY20201 after recognising impairment losses of $(4.6) million on the property, plant and equipment of investment and F&B Divisions. A $(0.6) million in fair value loss in SPHomes Pte. Ltd was recognised due to underperformance.

For FY2021, in the investment, paint and coatings and F&B segments, reportable segment profit/(loss) were $(5.3) million, $134,000 and $(1.3) million respectively. In FY2020, all three segments reported losses of between $(163,000) and $(470,000).

Accumulated losses have increased to $(31.4) million as at 31 December 2021.

(i) **Would the board help shareholders better understand management's approach to the group's transformation/diversification and how it can help stem the losses in the new businesses?**

(ii) **How are the investments into F&B and IoT (and other services) aligned to the company's main competency in air-conditioning and mechanical ventilation and what is the level of commercial due diligence carried out by the board on these new ventures prior to the board approval?**

(iii) **How has the board protected and enhanced long-term shareholder value? How effective has the board in providing leadership and setting the strategic direction for management? Has this led to value creation for shareholders?**

(iv) **Does the board consider it timely to halt the group's investments and carry out a strategic review to finetune its capital allocation/diversification strategy going forward?**

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Q2. In the financial review, the increase in rental expenses by $0.4 million was mainly due to a "*sub-let penalty fee charged by government agency*" in respect of the group's property at 87 Defu Lane 10.

The property was acquired by the group in 2017 for $17.5 million after the transfer was approved by the Housing and Development Board.

(i) **Can the audit and risk committee (ARC) help shareholders better understand the circumstances that led to the "sub-let penalty fee" charged by the government agency, presumably HDB? Has the cause or causes of the sub-letting lapse been investigated and mitigating actions taken to avoid future lapses?**

(ii) **Is the penalty a one-off fine by HDB? Is the rent for 87 Defu Land 10 affected/adjusted?**

(iii) **What is the current use of 87 Defu Lane 10, other than housing the group's airconditioning and engineering business?**

(iv) **How much of the space is used by the group and sub-leased to third-parties? Did the group exceed the sub-lease limit set by HDB?**

(v) **What was the level of involvement and oversight by senior management in the management/leasing of the group's properties? What is the level of oversight of the ARC on the group operations?**

(vi) **Given the sub-letting lapse and the penalty that was imposed, would the ARC be carrying out a comprehensive review of the group's risk assessment and internal controls systems to assure shareholders that the group's operations are in line with government regulations and relevant laws?**

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Q3. The attendance of directors at board and board committee meetings are shown in the table below:

	Board	ARC	NC	RC
Number of Meetings Held	4	2	2	1
Name of Director	**Number of Meetings Attended**			
Goh Teck Sia	4	2	2	1
Tsng Joo Peng	4	2*	1*	1*
Choy Bing Choong	4	2*	1*	1*
Lau Lee Hua	4	2	2	1
Tan Siew Bin Ronnie(1)	3	1	0	0
Mahtani Bhagwandas(2)	1	1	1	1

Notes:–
* By Invitation
(1) Mr Tan Siew Bin Ronnie was appointed as Independent Director with effect from 28 July 2021, hence he could only attend three (3) Board meetings and one (1) ARC meeting held after his appointment date.
(2) Mr Mahtani Bhagwandas retired as Independent Director of the Company on 28 April 2021 at the conclusion of the AGM.

(Source: company annual report)

As seen in the table above, the executive directors (being the Group chief executive officer and Group chief operating officer) attend the board committee meetings by invitation. It would appear the board committee meetings are attended by all directors, making them the same as board meetings.

Can the board help shareholders understand the following:

(i) **Is it a board approved practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**

Such board committee meetings would have included agenda items on interested person transactions, performance assessment, remuneration of the executive directors and on the audit/financial reporting/internal controls of the group. **What is the board's governance structure and "Chinese walls" that are put in place at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors?**

(ii) **Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings?**

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(iii) **Are the independent directors able to conduct the board committee meetings without the executive directors in attendance?**

(iv) **Are the committees able to make decisions objectively and independently?**

^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

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^ 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)