



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Singapore Kitchen Equipment Limited

Stock code: 5WG

Meeting details:

Date: 29 July 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.

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **F&B industry:** Can management share their insights into the structural changes in the F&B industry in Singapore since the onset of the pandemic? In particular, what are the opportunities and the challenges given the severe headwinds (including manpower shortage) faced by F&B restaurant/outlet operators, the increasing prevalence of cloud and central kitchens, the rapid adoption of food delivery etc?
- (ii) **Cold room systems:** What is the group's competitive advantage in cold room systems? What is the size of the total addressable market?
- (iii) **Manpower shortage:** As noted in the chairman & CEO's statement, the group introduced cross-training for its technical staff to mitigate the manpower crunch. Has the group been able to cross-train and retain its technical team to support its growth strategies?
- (iv) **Supply chain disruption:** Is the group experiencing more severe supply chain disruption in 2022 given that the supply chain has been further disrupted due to lockdowns in China? If so, how is the group mitigating the disruption?
- (v) **Robotic delivery system:** At the AGM, can management share videos of its robotic delivery system in action? How is the group scaling up sales of the robotic delivery system to become the market leader? How "smart" are these robots?

Q2. The trading of the company's share was suspended on 5 August 2021 to allow the group to investigate the 8 payments amounting to \$1.4 million made by the company's majority shareholder, QKE Holdings Pte Ltd ("QKEH") on behalf of the company's main operating subsidiary, Q'son Kitchen Equipment Pte Ltd ("QKE").

In their investigations, Rajah & Tann Singapore ("R&T") found that the CEO, purportedly upon assurance from the former CFO, instructed QKEH to make payments on behalf of QKE to allow the group to conserve cash and to reduce expenses before the intended listing of Singapore Kitchen Equipment Ltd ("SKE") on the Hong Kong Stock Exchange. The expenses would be reimbursed to QKEH after the conclusion of the listing application by SKE.

The executive summary of the fact-finding review by R&T dated 8 June 2022 can be found at: <https://links.sgx.com/FileOpen/SKE%20Executive%20Summary-Appendix%20A.ashx?App=Announcement&FileID=720274>

R&T had noted the authenticity of the transactions although they also discovered documentary alterations purportedly made by the former CFO to “simplify the audit process”. Baker Tilly Consultancy (Singapore) Pte. Ltd. (“Baker Tilly”) was engaged by SKE to review and evaluate the internal controls of the company and prepare an internal audit report. Baker Tilly made various observations of shortfalls in SKE’s internal controls.

R&T further added that although unintended by the executive directors, the natural consequence of QKEH making payments for the transactions on behalf of QKE is that financial statements, which were issued by SKE/QKE during the relevant period, would be inaccurate. In relation to any inaccuracies in SKE’s financial statements, they may be viewed as breaches of section 201(2) of the Companies Act (Cap. 50, Rev. Ed. 2006), as well as SGX Catalist Rules such as Rules 705(1), 705(3)(b), 709A, 719(1), 745 and 1202. If the inaccuracies to the financial statements are found to be material impacting the market for the Company’s securities, there may also be potential liability under section 199 of the Securities and Futures Act (Cap. 289, Rev. Ed. 2006). R&T also noted that their findings are not conclusive nor exhaustive for breaches under the Companies Act, Penal Code and/or the Securities and Futures Act.

On 4 July 2022, the company also announced that the Commercial Affairs Department (the “CAD”) has requested the company’s assistance with an investigation into an offence under the Penal Code.

(i) Can the board provide an update on the status of the investigation?

Rule 406(3) in the SGX Catalist Rulebook states that directors and executive officers should have appropriate experience and expertise to manage the group’s business and the listing rules also require a consideration of the character and integrity of the directors, management and controlling shareholders.

(ii) For the benefit of shareholders, would the nominating committee elaborate further on its assessment and provide the basis that the following directors were assessed to be suitable to remain as directors of the company?

- a. Ms Chua Chwee Choo (currently executive director and chief executive officer); and**
- b. Mr Lee Chong Hoe (currently executive director)**

As disclosed on page 37, notwithstanding the 8 payment transactions, the board has received assurance from the CEO and the CFO that, to the best of their knowledge, the financial records have been properly maintained and the financial statements give a true and fair view of the group’s operations and finances.

(iii) How can shareholders be assured that the group’s financial statements were prepared in accordance with the relevant Act and financial reporting standards?

Q3. The disclosure on remuneration of directors for FY2020 and FY2021 is shown below:

A breakdown of the Directors' remuneration for FY2020 is as follows:

Name	Remuneration Band						Total %	
	Disclosable Amount Below S\$250,000 (\$S)	S\$250,000 to S\$500,000	Above S\$500,000	Salary %	Bonus %	Other Benefits %		Directors' Fees + %
Chua Chwee Choo		✓		72.3	7.9	19.8	0	100
Lee Chong Hoe		✓		72.5	8.0	19.5	0	100
Tan Bee Kiew	55,000			0	0	0	100	100
Ng How Hwan, Kevin	40,000			0	0	0	100	100
Lui Hin Weng Samuel	40,000			0	0	0	100	100

Note:

+ The Directors' Fees for the Independent Non-Executive Directors are subject to approval by shareholders at the forthcoming Annual General Meeting.

The annual aggregate amount of the total remuneration paid to the Directors of the Company in FY2020 is approximately **S\$630,124**.

A breakdown of the Directors' remuneration for FY2021 is as follows:

Directors' Remuneration FY2021

Name	Remuneration Band						Total %	
	Disclosable Amount Below S\$250,000 (\$S)	S\$250,000 to S\$500,000	Above S\$500,000	Salary %	Bonus %	Other Benefits %		Directors' Fees + %
Chua Chwee Choo		✓		82.1		17.9		100
Lee Chong Hoe		✓		78.6		21.4		100
Lim Chee San	17,045						100	100
Ang Chiang Meng	18,409						100	100
Choo Kok Kiong Alvin	13,636						100	100
Tan Bee Kiew	39,583						100	100
Ng How Hwan Kevin	33,333						100	100
Lui Hin Weng Samuel	24,561						100	100

+ The Directors' Fees for the Independent Non-Executive Directors are subject to approval by shareholders at the forthcoming Annual General Meeting.

The annual aggregate amount of the total remuneration paid to the Directors of the Company in FY2021 is approximately **S\$997,000**.

(Source: company annual reports; emphasis added)

For FY2020, if the annual aggregate amount of total remuneration paid to the directors was \$630,124 (see above; left), then the two executive directors would have received \$495,124, with the independent directors getting \$135,000. The company indicated that both executive directors received remuneration in the \$250,000 to \$500,000 band in FY2020. If so, the minimum total remuneration for the two executive directors would be \$500,000, above \$495,124 as calculated.

- (i) **Can the board/remuneration committee confirm if the aggregate amount of remuneration paid to the directors in FY2020 was \$630,124 (highlighted in red above)? If not, what was the actual amount?**

The directors received "Other benefits" amounting to 18-21% of the total remuneration in both years.

- (ii) **What is the nature of such benefits and the basis for giving these "other benefits" to the executive directors?**

In addition, in Note 21 (page 106; Profit before taxation), it can be seen that the two executive directors were paid \$850,729 (the sum of \$783,300 and \$67,429) which is a 34% increase from the remuneration paid to them in FY2020.

Staff costs

Directors of the Company:

Directors' fees	146,567	135,000
Directors' remuneration other than fees		
- Salaries and other related costs	783,300	600,761
- Contributions to defined contribution plan	67,429	29,363
	997,296	765,124

(Source: company annual report)

- (iii) **Given that no bonus was given to the executive directors in FY2021, would the higher remuneration be the result of a (base) salary adjustment for the executive directors? If so, how does the remuneration committee justify the upward adjustment given the weak operating performance, the challenging market environment, the involvement of the executive directors in the 8 transactions and the \$0.7 million increase in professional (legal, consultancy and special audit) fees?**
- (iv) **Has the board considered “clawing” back the additional professional fees from QKEH and/or the executive directors involved to hold them accountable?**

^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>)