

SINGAPORE KITCHEN EQUIPMENT LIMITED

(Company Registration No.: 201312671M)
(Incorporated in Singapore)

RESPONSE TO QUERIES BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the “Board”) of Singapore Kitchen Equipment Limited (the “Company”) wishes to announce the following in response to the queries raised by Securities Investors Association (Singapore) (“SIAS”) on 25 April 2019.

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?**

Company’s Response:

According to Rule 12.07 of the GEM Listing Rules, if a listing application remains outstanding for more than 6 months after the date of the date of the application form, a new listing application must be resubmitted to the SEHK. The Company submitted its first listing application on 22 June 2018. As 6 months had passed from application date, the listing application automatically lapsed on 23 December 2018.

The Company was notified by the SEHK on 24 December 2018. The six-month timetable is automatic pursuant to Rule 12.07 of the GEM Listing Rules.

- (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?**

Company’s Response:

S\$1.66 million is the amount charged to the income statement in FY 2018. If the Company is listed on the HKEX in FY 2019, a further amount of approximately S\$1.61 million is to be charged to the income statement in FY 2019.

- (iii) **Were the group’s operations affected by the additional work required for the HKEX’s application?**

Company’s Response:

The Group’s operations were not affected by the additional work.

- (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?**

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Company's Response:

SKE has plans to move upstream into manufacturing of one core product and to expand operations overseas, namely HK and PRC. The listing in HKEX will give the Company the much needed funds and exposure to the markets in these areas. After reviewing other sources of funding, the board/management decided on the listing as the most attractive and viable option.

Please help shareholders understand in greater detail how the SEHK listing would help the group's growth plans.

Company's Response:

As mentioned in (iv).

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?**

Company's Response:

Finished goods consist of equipment purchased from suppliers and equipment fabricated to customers' specific requirements. Purchased equipment are at low risk of obsolescence as the suppliers provide product warranty of 2-3 years.

- (ii) **What is the average holding period/age of its finished goods?**

Company's Response:

83 days

- (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)?**

Company's Response:

(a) The finished goods included equipment received in the last quarter of 2018, which are meant for delivery in January and February 2019. These indent goods have a production and transit duration of 8 to 12 weeks.

(b) The average holding period of 83 days is not excessive.

- (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?**

Company's Response:

The Board had advised the management to look into technology to manage the inventories.

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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?

Company's Response:

Yes, usual practice. However, they were requested to leave when their presence were not appropriate.

- (ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?

Company's Response:

Executive Directors were invited to attend the board committee meetings to brief the board committee on matters relating to amongst others, Group's business, operations to enable the board committees to address matters which may require their expertise or perspective for a better decision-making process.

- (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.

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Company's Response:

Executive directors attended the board committee meetings for the purpose mentioned in (ii) above. However, the Executive Directors have abstained from all deliberations and voting in respect of their performance assessment and remuneration. Audit/financial reporting/internal controls of the group were discussed between the board committee together with the external and/or internal auditors. Where required, board committee will seek clarifications from the Executive Directors. The remuneration committee deliberate and recommend payouts to staff. The Executive Directors are bound by their Service Agreements, contents of which were deliberated and recommended by the members of the nominating committee.

- (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?**

Company's Response:

Executive directors will only participate when their views/clarifications and feedback are required by the board committee.

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.**

Company's Response:

The Audit Committee met with the internal and external auditors without the presence of the Executive Directors and management to discuss any problems and concerns they may have. The Audit Committee has direct access to the internal and external auditors. All committees and board meetings are minuted formally.

By Order of the Board

Chua Chwee Choo
Executive Director and Chief Executive Officer

7 May 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Eric Wong (Director, Investment Banking) CIMB Bank Berhad, Singapore Branch at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623 at telephone: +65 6337 5115.