

OLD CHANG KEE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number 200416190W)

**RESPONSES TO QUESTIONS IN CONNECTION WITH THE ANNUAL GENERAL MEETING TO BE HELD ON
28 JULY 2021**

The Board of Directors (the “**Board**”) of Old Chang Kee Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank all shareholders of the Company (“**Shareholders**”) who submitted their questions in advance of the Company’s Annual General Meeting which will be convened and held by way of electronic means on Wednesday, 28 July 2021 at 2.00 p.m.

We trust that Shareholders will understand that because of the overlapping questions received, we will not be responding to each and every question individually.

The substantial and relevant questions received from Shareholders and the Securities Investors Association (Singapore), and the corresponding responses from the Company are as set out below:

1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters?

1.1 Retail: Can management help shareholders understand the reasons for more outlets (as at 31 March 2021) given the challenges in the retail segment? What is the impact of Covid-19 on the local and overseas operations and what changes have the group made to its retail strategy? Are there changes to the store format and its product range?

Answer:

Leases for new outlets are typically negotiated several months in advance of the actual lease commencement date. For the financial year ended 31 March 2021 (“**FY2021**”), many of the leases for new outlets were signed pre Covid-19. Nonetheless, for each new or existing outlet, due processes including negotiations with landlords and evaluating each location on its stand-alone merits (based on asking rentals & traffic flow) are in place, to ensure each outlet can contribute positively to the Group.

Our retail revenues for both local and overseas operations remain considerably below pre Covid-19 levels, though they have significantly improved from a year ago. Going forward, our retail strategies for both local and overseas operations continue to focus on cost controls, improving space and labour productivity, and increasing outlet sales through new products innovation and branding activities. Depending on individual outlets’ sizes and operational capacities, differentiated products are offered, such as local meals and drinks at selected larger outlets.

1.2 Product offerings: Has management evaluated the shift in food consumption trends towards healthier diet, and possibly also towards plant-based options?

Answer:

For the vast majority of our outlets, due to operational size constraints, we endeavour to offer healthier choices within the raw materials of the fried food range (including “healthier choice” oil endorsed by Heath Promotion Board), without compromising on the taste.

Over the years, we have also piloted various healthier choice initiatives, such as a ‘healthier choice’ wholemeal curry puff for corporate orders, and have recently introduced a steamed “Curry Chicken Bao” at our newest outlet at Tanjong Pagar Plaza. These initiatives help us to penetrate into schools and hospitals and broaden our reach.

1.3 Catering: How sustainable is the growth in corporate catering orders (including dormitory orders) once the COVID-19 measures are gradually ease away as the economy re-opens?

Answer:

Our non-retail business segments include catering orders, mobile food trucks, and Business-to-Business (“B2B”) sales. While the growth of corporate bento orders may slow down post Covid-19, we expect other segments such as mobile food trucks, catering events and B2B sales to airlines and hotels, to pick up in the post Covid-19 recovery process.

1.4 Overseas expansion: Can the board provide shareholders with greater clarity of the long-term prospects of its overseas expansion? What is the ratio of overseas operations vs local operations to date?

Answer:

Our overseas operations are still in the early stages of business development and have yet to contribute materially to our results. Overseas operations contribute less than 5% of the Group’s total revenue to date. While the initial customer response and press reviews have been positive, we will need to secure more locations in overseas markets to improve our brand visibility and to achieve economies of scale.

2. The following areas relate to questions on executive directors’ remuneration.

2.1 Can the remuneration committee (RC) help shareholders understand the key performance indicators used to measure the performance of the executive directors?

Answer:

Executive Directors’ remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives relevant to each individual role and is dependent on the annual profit of the Group, adjusted to exclude non-cash unrealised gains/losses on long-term assets.

2.2 Given that the Group’s extraordinary profit of \$8.7 million was boosted by government grants amounting to \$6.4 million (including \$4.76 million in Jobs Support Scheme), has the RC considered it necessary to exclude the government grants in the bonus calculations of the executive directors?

Answer:

The Remuneration Committee (“RC”) considered it unnecessary to exclude government grants, as the Company had made use of government support measures to continue maintaining staff morale, including paying year-end bonuses, sustained employees’ jobs, and had increased or maintained staff salaries during FY2021. The outsized company performance was not solely due to government support measures. It was also due to other initiatives to improve profitability, including growth in new non-retail revenue streams, and proactive cost containment measures across all departments.

2.3 Would the RC be reviewing the bonuses for the executive directors?

Answer:

The RC has reviewed the bonuses for the Executive Directors. Performance bonuses are based on the service agreements signed with the Executive Directors, which included a percentage of profit sharing based on the adjusted profit before tax as elaborated above.

3. The following areas relate to questions on Board dynamics.

3.1 How did the board carry out the assessment and is satisfied that the “independent directors lend a strong voice to ensure objective independent decision making by the board”?

Answer:

An annual Board evaluation and Directors' assessment exercise is carried out, and the results, which are vetted and analysed by the Nominating Committee ("NC"), reflect that the Board as a whole takes the view that the Independent Directors' objective and independent decision making remains intact. As part of this exercise, all Independent Directors are also required to submit annual declarations of independence. The NC has reviewed and confirmed that the independence of the Independent Directors is in accordance with the guidelines in the Code, Practice Guidance and Catalist Rules. In addition, the Independent Directors participate actively at the Board meetings, provide their feedback and pose questions to the Management before providing their approval on matters that require the Board's consideration and approval.

3.2 On what basis did the Board justify that there are adequate checks and balances to ensure objective and independent decision making without excessive influence by the executive directors and management?

Answer:

Key matters, as set out on pages 24 and 25 of the Company's FY2021 Annual Report, are approved by the Board collectively. The Board has appointed a lead Independent Director, Mr Tan Han Beng with a separate email account to address any concerns raised by Shareholders, employees or other stakeholders. Among other checks and balances, the Independent Directors meet with the external and internal auditors at least annually, without the presence of Executive Directors and management. The Independent Directors also meet regularly without the presence of Executive Directors to discuss any salient matters.

3.3 What are the underlying reasons for deviating from Provision 2.2 and 2.3? Please elaborate further on and justify how the current board has an appropriate level of independence and diversity of thought and background composition to enable it to make decisions in the best interests of the company.

Answer:

The underlying reasons for the deviation have been stated on page 27 of the Company's FY2021 Annual Report. "The Board had assessed and is satisfied that the Independent Directors lend a strong voice to ensure objective independent decision making by the Board. The Board is also of the view that there are adequate checks and balances, facilitated by internal policies to ensure objective and independent decision making without excessive influence by the Executive Directors and Management."

Nevertheless, the Company is able to remain consistent with the intent of Principle 2 of the Code, as the Board has incorporated, *inter alia*, the following measures:

- (i) The Board consists of six Directors, of which three are non-executive Independent Directors, making up half of the Board.
- (ii) The Board has in place checks and balances to ensure objective and independent decision making on the part of the Independent Directors, as described under paragraph 3.2 above.
- (iii) As described under paragraph 3.1 above, the NC has reviewed and confirmed that the independence of the Independent Directors is in accordance with the guidelines in the Code, Practice Guidance and Catalist Rules.

The Independent Directors have vast experience in the private and public sectors, having served as key appointment holders and directors of public listed companies, statutory boards, and government ministries. Together, their experience in audit, corporate governance, law and government ensures that there is independence and diversity of thought in making decisions in the best interests of the Company.

3.4 Can the independent directors help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings? Are the independent directors able to function independently in the board committees?

Answer:

The Executive Directors and the Chief Financial Officer attend the board committee meetings as invitees, to address any queries on the operational or financial matters of the Company. They do not make any decisions or otherwise express any opinion at the board committee meetings. Therefore, the Independent Directors are able to function independently in the board committees. Further, as stated under paragraph 3.2 above, the Independent Directors also meet without the presence of Management to discuss salient matters.

3.5 What is the group dynamics 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?

Answer:

The board committee meetings are led by the Chairman of the respective Board Committees. The Executive Directors do not express any opinion on matters that are related to or affect the Executive Directors, unless they are requested to provide information and supporting documents so that the Independent Directors are able to make a decision. The Independent Directors hold separate discussions without the presence of the Executive Directors, as and when necessary, which include separate meetings with the external and internal auditors.

3.6 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?

Answer:

The board committee meetings are led by the Chairman of the respective Board Committees. The Executive Directors and the Chief Financial Officer attend the board committee meetings as invitees, to address any queries on the operational or financial matters of the Company. The Executive Directors do not express any opinion on matters that are related to or affect the Executive Directors, unless they are requested to provide information and supporting documents so that the Independent Directors are able to make a decision.

By Order of the Board

Name: Lim Tao-E William

Designation: Chief Executive Officer

27 July 2021

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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