

Koda Ltd

(Incorporated in the Republic of Singapore)
(Company Registration Number 198001299R)

MISAPPROPRIATION OF FUNDS

The Board of Directors (the “**Board**”) of Koda Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to inform that the Group has discovered a fraud incident at its wholly-owned subsidiary, Commune Lifestyle Pte Ltd (“**CLPL**”). As at the date of this announcement, the Group uncovered that an aggregate amount of approximately S\$263,000 was misappropriated by an employee in the IT department of CLPL, which involved in IT security and payment gateway system of its retail business in Singapore.

The misappropriation was a deliberate case of fraud whereby the employee, who was the administrator for CLPL’s payment gateway system, made unauthorised changes to the system such that monies received from credit card and/or contactless payment transactions were deposited into the employee’s own personal account.

The Group, as part of internal control procedures in accordance with its internal controls guidelines, conducted regular checks and performed accounts reconciliation, arising from which the Group discovered on 30 October 2023 that there were unusual delays in receiving the sale proceeds from the payment gateway system of CLPL. The misappropriated funds related to approximately two weeks of the credit card payment transactions received by CLPL in October 2023.

Since the discovery of the misappropriation up to the date of this announcement, the following actions have been taken by the Group:

- (a) the employee concerned was immediately dismissed and system access rights were fully removed;
- (b) a police report has been lodged and the case is under investigation by the police in Singapore;
- (c) Management has notified the Group’s external auditors, Deloitte & Touche LLP and internal auditors, Crowe Horwath First Trust Risk Advisory Pte Ltd (“**Crowe Horwath**”) of the matter;
- (d) the use of payment gateway system for its retail business in Singapore (which was integrated into CLPL’s e-commerce websites and physical stores to facilitate processing of a variety of payment options, including e-wallets for its customers) has since been suspended (except for e-commerce transactions with access limited to Chief Executive Officer (“**CEO**”) of CLPL) and the sale proceeds are now being collected by credit card machines.
- (e) whilst the regular check conducted by the Account and Finance team did not reveal lapses in CLPL’s other payment systems, the Group has immediately changed the administrator of the payment gateway system and other payment systems for all retail operations (including those outside Singapore) to CEO of CLPL; and imposed restriction of access to the systems while CLPL is in the midst of rectifying the lapses; evaluating and improving the related system security; and

- (f) notwithstanding the lapses of the said payment gateway system, the Group is committed to improve its internal controls system; given the corrective actions and administrative efforts undertaken so far. Management further acknowledges that the related IT system security need to be strengthened. In view of the case of fraud, the Group has discussed with the Group's internal auditors, Crowe Horwath, to conduct (i) a technical review on the current issue with root cause analysis ("**Phase 1 Review**"); and (ii) an extended review on the IT Governance, Risk and Compliance analysis for all the integrated payment gateways and systems, including IT system audit relating to receipts collection ("**Phase 2 Review**"). The Group is the midst of discussing and finalising the scopes with Crowe Horwath; and target to complete Phase 1 Review and Phase 2 Review by end of December 2023 and end of February 2024 respectively.

The misappropriated funds represented 0.39% of Group's net tangible assets as at 30 June 2023 based on the latest audited financial statements. The impacts of this misappropriation will be reported in the financial statements of the Group for the six months ending 31 December 2023.

The Company will seek legal advice and pursue necessary legal recourse. The investigations by the police in Singapore are still on-going and the Company will make further announcements to update shareholders when there are material developments as appropriate.

By Order of the Board of
Koda Ltd

James Koh Jyh Gang
Executive Chairman and Chief Executive Officer
1 November 2023