



Regulatory Announcement

21 July 2023

SGX RegCo to review findings on Kitchen Culture Holdings Limited and refer breaches to authorities

Singapore Exchange Regulation (SGX RegCo) refers to the Notices of Compliance (“**NOCs**”) issued to Kitchen Culture Holdings Limited (the “**Company**”) on 14 July 2021 and 19 August 2021 and the Company’s announcement dated 21 July 2023 on the findings of the special audit (“**Special Audit Report**”) by the special auditor, Deloitte & Touche Enterprise Risk Services Pte Ltd (“**Deloitte**”). Deloitte reports the findings directly to SGX RegCo and the Company’s sponsor, SAC Capital Private Limited.

Background

SGX RegCo issued the NOCs to the Company due to concerns surrounding the Company’s use of proceeds from past fundraising exercises, potential internal control lapses, suspected payroll irregularities and purported unauthorised transactions. In light of the concerns raised in the NOCs, SGX RegCo had directed the Company to appoint a suitable independent special auditor to look into the above matters and Deloitte was appointed on 15 September 2021.

The Special Audit Report announced on 21 July 2023 represents the first phase of the special audit, which covers the alleged payroll irregularities of approximately S\$520,000 arising from the employment of two former employees in the Company’s subsidiaries, KHL Marketing Asia-Pacific Pte Ltd (KHEM) (“**Payroll Matter**”), and an alleged unauthorised fund transfer of US\$480,010 to an overseas entity (“**Unauthorised Transaction**”). The scope of the special audit was split into two phases to address the above concerns and to expedite the publication of findings on the Payroll Matter and Unauthorised Transaction.

Findings from Deloitte’s Special Audit Report

In relation to the Payroll Matter, Deloitte was unable to independently verify whether the two former employees were meaningfully employed by the Company during their period of employment. Based on circumstantial evidence available to Deloitte, it appears that the Company’s Executive Director and former Chief Executive Officer (Mr. Lim Wee Li) had directed the employment of the two individuals for the purpose of securing employment passes in exchange for monetary benefits. This may be a contravention of Sections 22 and 23 of the Employment of Foreign Manpower Act by the Company and Mr. Lim. Deloitte also noted that the employment and determination of compensation for these

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two former employees appeared to lack justification, and that the hiring and termination process for these two former employees departed from the Company's policy and practice.

As for the Unauthorised Transaction, Deloitte uncovered a total of five agreements that the Company's former Executive Director (Mr. Lincoln Teo Choon Han) had executed on behalf of the Company's wholly-owned subsidiary (KC Technologies Pte Ltd) without obtaining approval from the Board. Under the agreements, KC Technologies and Sino Allied (HK) Limited were to jointly set up a structured finance scheme for one year, to support Amazon's e-commerce merchants with their collective procurements. KC Technologies was to fund 80% (US\$480,000) of the total investment amount (US\$600,000) and Sino Allied was to fund the remaining 20% (US\$120,000). It is not in the Group's ordinary course of business to provide such financing. The Company has since terminated the financing business and recovered monies extended in relation to the Unauthorised Transaction and its corresponding interest pursuant to the agreements.

Rule Breaches and Referrals to Authorities

Arising from the above issues surrounding the Payroll Matter and Unauthorised Transaction, Deloitte highlighted potential listing rule breaches relating to internal control lapses involving the Company's hiring processes and new investment proposals, potential breaches of the Employment of Foreign Manpower Act and Ministry of Manpower guidelines, as well as potential contravention of directors' fiduciary duties under Section 157 of the Companies Act.

The findings of this report underscore the importance of establishing adequate and effective internal controls and risk management systems on a continuing basis.

SGX RegCo will continue to follow up closely with Deloitte on the remaining phase of the special audit with a view to investigating into potential listing rule breaches and referring the potential contraventions of the laws to the relevant authorities.

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About Singapore Exchange Regulation (SGX RegCo)

Singapore Exchange Regulation (SGX RegCo) is the independent Singapore Exchange subsidiary undertaking all frontline regulatory functions including as securities market regulator. Our activities include the admission and supervision of issuers, intermediaries and Catalyst sponsors, the surveillance of trading and issuers' disclosures, and the formulation and improvement of policies and products, guided by market feedback. We also have the Whistleblowing Office to look into allegations of issuers' regulatory shortfalls and the Sustainable Development Office to house ESG-related regulatory efforts. Regulation Asia has named us Exchange of the Year four times in recognition of efforts to uphold the integrity and development of our markets. Find out more at <https://www.sgx.com/regulation>

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