



KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

(Incorporated in the Republic of Singapore on 25 March 2011)

RESPONSE TO NOTICE OF COMPLIANCE

The Board of Directors (the "**Board**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to:

- (i) the notice of compliance issued by the Singapore Exchange Regulation ("**SGX RegCo**") on 14 July 2021 (the "**Notice of Compliance**");
- (ii) the Company's announcement dated 23 June 2021 setting out its responses to the SGX RegCo's queries regarding trading activity;
- (iii) the Company's announcement dated 8 July 2021 in relation to the cessation of Chief Executive Officer ("**CEO**");
- (iv) the Company's announcement dated 12 July 2021 setting out its responses to queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on the cessation of CEO;
- (v) the Company's announcement dated 14 July 2021 in relation to the cessation of Mr Lim Wee Li ("**Mr Lim**") as CEO (the "**Cessation Announcement**"); and
- (vi) the Company's announcement dated 14 July 2021 setting out the Company's responses to statements made by Mr Lim in the Cessation Announcement,

(collectively, the "**Announcements**").

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meanings as defined in the Notice of Compliance and the Announcements.

Pursuant to Paragraph 4.3(b) of the Notice of Compliance, the Board wishes to enclose the statements from the Nominating Committee ("**NC**") of the Company, disclosing the respective members' assessment and considerations in arriving at the decision to terminate Mr Lim's employment as the CEO of the Company:

- (i) Consolidated view of the majority of the NC, namely Mr Ang Lian Kiat (NC Chairman) and Mr William Teo Choon Kow (Attached hereto as "**Appendix 1**"); and
- (ii) Dissenting view of Mr Yap Sze Hon, a member of the NC (Attached hereto as "**Appendix 2**").

As the Review is ongoing, the Board will make the necessary further announcements to update shareholders as and when there are material developments and upon the completion of the Review and the Additional Scope.

By Order of the Board

Hao Dongting
Non-Executive Chairperson
1 August 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes 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 Ms. Lee Khai Yinn (Tel (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

The Nominating Committee's ("NC") assessment and considerations in arriving at the decision to terminate Mr Lim's employment as CEO of the Company

The NC consists of (i) Mr Ang Lian Kiat ("**Mr Ang**"), being the Chairman, (ii) Mr William Teo Choon Kow ("**Mr Teo**") and (iii) Mr Yap Sze Hon ("**Mr Yap**").

The NC was given access to the following information and documentation in connection with the assessment and consideration in arriving at the decision to terminate Mr Lim's employment as CEO of the Company:

- (i) the findings set out in the Interim Report prepared by Baker Tilly (which included the responses prepared by Mr Lim and the Company's financial controller ("**Financial Controller**"), who were given ample time to consider and finalise their responses);
- (ii) following on from a recommendation by Baker Tilly to seek legal advice in view of the legal ramifications arising from the Interim Report, the Company had on 11 June 2021 appointed a legal counsel. The Company's legal counsel met with the Board on 17 June 2021, and orally provided its preliminary views on the findings in the Interim Report, followed by a draft legal opinion thereafter. The legal counsel subsequently provided its final legal opinion dated 5 July 2021 ("**Legal Opinion**");
- (iii) following on a letter from Mr Lim's lawyer on 7 July 2021 containing further representations as to the findings in the Interim Report, the Company's legal counsel subsequently issued a supplemental legal opinion on 11 July 2021 to the Board in order to address these further representations;
- (iv) discussions on the Interim Report, the seriousness of Mr Lim's misconduct and the termination of the employment of Mr Lim were held at an Audit and Risk Committee ("**ARC**") meeting as well as a special Board meeting (where Mr Lim was not invited) on 7 July 2021 ("**Special Board Meeting**"). This was attended by all members of the NC except Mr Yap who was unable to attend; and
- (v) a detailed written resolution on the termination of Mr Lim was circulated immediately following the Special Board Meeting.

Having assessed the above information, the NC (with a 2-1 majority, with Mr Yap dissenting) was of the view that Mr Lim was in "gross default or grave misconduct" in connection with or affecting the business of the Company. The NC took into account the following considerations when making their decision to terminate the employment of Mr Lim with immediate effect:

- a) the Company had received the advice set out in the Legal Opinion and the supplemental legal opinion on the matters set out in the Interim Report;
- b) based on the Interim Report, Mr Lim had caused the Company to breach the following laws and/or rules:
 - i) Rule 704(8) of the Catalist Rules, which requires the Company to immediately announce any appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the issuer to a managerial position in the issuer or any of its principal subsidiaries;
 - ii) Rule 704(30) of the Catalist Rules, which requires the Company to immediately announce the use of proceeds arising from any offerings pursuant to Chapter 8 as and when such funds are materially disbursed and whether such a use is in accordance with the stated

use and in accordance with the percentage allocated in the offer document or the announcement of the issuer, and, where the proceeds are used for general working capital purposes, a breakdown with specific details on the use of proceeds for working capital, and, where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation;

- iii) Rule 703(1)(a) read with Rule 703(4)(a) and paragraph 27(a) of Appendix 7A of the Catalist Rules, which stipulates that the contents of an issuer's announcements must be factual, clear and succinct;
 - iv) Rule 1204(10) read with Practice Note 12B of the Catalist Rules, which requires the issuer's annual report to include the Board's comments on the adequacy and effectiveness of the issuer's internal controls (including financial, operation, compliance) and risk management systems and to disclose any material weaknesses identified by the Board; and
 - v) Section 199(2A) of the Companies Act, which states that a public company and its subsidiaries shall devise and maintain a system of internal accounting controls to safeguard assets against losses from unauthorized use or disposition and to ensure that transactions are properly authorized and recorded;
- c) based on the Interim Report, Mr Lim's actions and/or inactions had exposed the Company to, *inter alia*, the following unnecessary risks and consequences:
- i) risk of uncollectable debt from third parties from the provision of a S\$1.2 million loan to a third party without written board approval and business justification;
 - ii) potential non-compliance with Chapter 9 of the Catalist Rules arising from the transfer of S\$700,000 to Mr Lim with no documented board approval and supporting justification;
 - iii) risk of misuse of Company's funds due to there being no documented evidence of loan repayments made by Mr Lim on behalf of the Company to private lenders. The Company subsequently recorded these repayments of S\$200,000, S\$250,000 and S\$304,771 as being amounts due to Mr Lim; and
 - iv) unauthorised use of proceeds with no documented board approval and business justification for the purchase of three motor vehicles totalling S\$1.1 million.
- d) the "gross default or grave misconduct" in connection with or affecting the business of the Company is, *inter alia*, as follows: (i) Mr Lim, in his capacity as CEO, is principally responsible for the control and management of the Company. He had caused the Company to breach certain Catalist Rules, and had expressly authorized the release of an inaccurate announcement; and (ii) he had failed to implement and monitor its internal accounting controls system (including on the safeguarding of assets against unauthorized acquisition, use or disposition) and had failed to ensure that the Company's transactions were properly authorised and recorded; and
- e) Mr Lim's conduct (as described above) has a serious impact on the Company's reputation (being a SGX-listed company) and contributed to significant material weaknesses in the Company's internal controls.

The NC (specifically Mr Ang and Mr Teo) wishes to provide to shareholders a response to the statements from Mr. Yap, a member of the Nominating Committee, who disagreed with the NC's assessment on the termination of Mr Lim's employment as CEO.

Mr Lim has been afforded due inquiry

Contrary to Mr Yap's statement, Mr Lim has been afforded due inquiry, as he has had ample opportunity, and has, responded to the matters raised in the Interim Report, and has also had access to all relevant documents.

In the course of preparing the Interim Report, Baker Tilly had gone through with Mr Lim every individual finding of Baker Tilly and any verbal comments from Mr Lim that were supported by documents were considered and assimilated into the Interim Report. Baker Tilly had also invited Mr Lim to provide his written response to their findings. Mr Lim's responses were included in the Interim Report, which was provided by Baker Tilly to Mr Lim on 28 May 2021. On 21 June 2021, Baker Tilly provided Mr. Lim with the Interim Report dated 18 June 2021. Baker Tilly did not make any changes to the Interim Report between 28 May 2021 and 18 June 2021.

Set out below is a chronology of the relevant events undertaken by Baker Tilly as part of the Review:

<u>Date</u>	<u>Events</u>
8 April 2021	Baker Tilly emailed the 1 st draft report to Mr Lim and the Financial Controller. Baker Tilly requested for the Management's responses by 14 April 2021.
15 April 2021	The Financial Controller emailed Baker Tilly stating that Mr Lim and the Financial Controller have prepared the Management's responses which they are reviewing.
16 April 2021	Mr Lim emailed Baker Tilly the Management's responses.
19 April 2021	Baker Tilly emailed Mr Lim and the Financial Controller to request for a formal closing meeting either on 26 or 27 April 2021.
20 April 2021	Baker Tilly emailed Mr Lim and the Financial Controller a second time to request for a formal closing meeting either on 26 or 27 April 2021.
20 April 2021 to 26 April 2021	The Financial Controller sent various emails to Baker Tilly to arrange and change the timing of the formal closing meeting due to changes in Mr Lim's schedule.
28 April 2021	Baker Tilly had a meeting with Mr Lim who brought along two lawyers without informing Baker Tilly. Baker Tilly did not proceed with the meeting as its protocol required it to have its own lawyers if any client was legally represented. Mr Lim's lawyer verbally represented that he will be providing "updated management comments" before the next meeting with Baker Tilly.
30 April 2021	Baker Tilly emailed Mr Lim to inquire if he will be providing "updated management responses" as mentioned by his lawyer at the meeting on 28 April 2021.
4 May 2021	Baker Tilly emailed Mr Lim to follow up on its email dated 30 April 2021.
4 May 2021	Mr Lim emailed Baker Tilly stating that he would like to have a formal closing meeting with Baker Tilly without lawyers on 12 May 2021.

<u>Date</u>	<u>Events</u>
5 May 2021	Baker Tilly emailed Mr Lim to confirm the meeting with Mr Lim and requested that the Financial Controller join the meeting.
6 May 2021	Mr Lim emailed Baker Tilly stating that he would like to meet Baker Tilly first without the Financial Controller and that Baker Tilly can meet with the Financial Controller thereafter.
12 May 2021	<p>Baker Tilly held 2 rounds of closing meetings at Mr Lim 's request:</p> <p>1) First meeting with Mr Lim and Mr Lim Hon Sean (“LHS”), the Manager, HR/Admin and Compliance.</p> <p>2) Second meeting with LHS and the Financial Controller.</p> <p>During the meetings, Baker Tilly went through every individual observation of their findings in the draft report and explained its rationale on the control deficiencies and its recommendations.</p> <p>During the first meeting, Mr Lim and LHS shared that they may be able to locate certain documents mentioned in the draft report.</p>
13 May 2021	Baker Tilly reviewed the documents provided by Mr Lim and LHS at the Company's premises.
14 May 2021	The Financial Controller emailed Baker Tilly and attached certain control documents.
17 May 2021	<p>Baker Tilly emailed Mr Lim and the Financial Controller the updated draft report incorporating changes after reviewing the provided documents.</p> <p>Baker Tilly's email stated the following "<i>we wish to trouble both of you to read through the report and let us know if there are factual inaccuracies or misleading descriptions.</i>"</p>
17 May 2021	The Financial Controller emailed Baker Tilly to acknowledge receipt, with Mr Lim copied.
21 May 2021	The Financial Controller emailed Baker Tilly to state that the draft report is in order and provided updated Management's responses, with Mr Lim copied.
24 May 2021	Baker Tilly emailed Mr Lim and the Financial Controller with the draft report (one minor amendment) to be submitted to the ARC.
24 May 2021	The Financial Controller emailed Baker Tilly to confirm the amendments, with Mr Lim copied.
28 May 2021	The Financial Controller emailed Baker Tilly to inquire about the implementation of one of Baker Tilly's recommendations made in the draft report.
28 May 2021	Baker Tilly emailed Mr Lim and the Financial Controller sharing the updated draft report (three minor changes) to be submitted to the ARC.

<u>Date</u>	<u>Events</u>
28 May 2021	The Financial Controller emailed Baker Tilly to confirm the updated draft report, with Mr Lim copied.
28 May 2021	Baker Tilly emailed the draft report to Mr Lim and the Financial Controller
31 May 2021	Mr Lim emailed Baker Tilly to express his thanks for the internal audit work.
18 June 2021	No further comments were received by Baker Tilly from Mr Lim and the Financial Controller between 28 May 2021 and 18 June 2021.
19 June 2021	Baker Tilly emailed the Interim Report to the ARC based on its findings to date (including the Management's responses). Baker Tilly did not make any changes to the Interim Report between 28 May 2021 and 18 June 2021.
21 June 2021	Baker Tilly emailed the Interim Report to Mr Lim and the Financial Controller based on its findings to date (including the Management's responses). Baker Tilly did not make any changes to the Interim Report between 28 May 2021 and 18 June 2021.

Mr Lim's lawyers, by a letter dated 15 June 2021, informed the Company that Mr Lim wished to provide further comments to the Interim Report, and had requested Baker Tilly's engagement letter and copies of correspondence between the ARC and Baker Tilly. These documents were not provided to Mr Lim as they had no bearing on Mr Lim's conduct as set out in the Interim Report. Despite Mr Lim's statement that he would provide further comments, Mr Lim did not provide any further comments until 7 July 2021 by way of a letter from his lawyers ("**7 July Letter**").

As the 7 July Letter had been received before the notice of termination with respect to Mr Lim's employment as CEO was served on Mr Lim, the Board decided to consider the Interim Report afresh, together with Mr Lim's comments, as set out in the 7 July Letter, and decide, on a *de novo* basis, on the appropriate response by the Company to Mr Lim's conduct, including whether to reinstate Mr Lim's employment.

On 11 July 2021, the Board, by a 4-1 majority (excluding Mr Lim), decided that the termination of Mr Lim's employment was justified notwithstanding the contents of the 7 July Letter.

The Special Board Meeting

The Special Board Meeting was validly convened, and the resolutions passed at the Special Board Meeting are valid. There is no statutory prescribed time period for the convening of meetings of the Board. The Company's Constitution does not stipulate a specific notice period for meetings of the Board and the directors are entitled to meet, adjourn and regulate meetings as they deem fit under the Constitution. The Special Board Meeting was convened by the Chairperson as a special ad-hoc meeting at the request of the ARC Chairman in light of the urgent matters raised by the ARC Chairman, including the whistleblower report received by specific independent directors (namely, Mr Teo, Mr Ang and Mr Derek Loh) which contained allegations of wrongdoings in the Company, and suggested that the Company did not have adequate and effective internal controls. Further, following on from the Board's earlier meeting on the Interim Report, there was a need to consider and finalise potential actions and recourse against relevant parties as part of good corporate governance. The Chairperson had sent an email to the Board (excluding Mr Lim) to call for the Special Board Meeting. The directors that attended the Special Board Meeting had agreed to dispense with formal notice of the meeting. The Special Board Meeting was quorate in accordance with the Company's Constitution.

The resolutions passed at the Special Board Meeting, including the resolution to terminate Mr Lim's

employment as CEO, were validly passed by an unanimity of votes of the four directors present at the Special Boarding Meeting, namely Mdm Hao Dongting, Mr Lincoln Teo, Mr Ang and Mr Teo. The resolutions set out below took effect immediately from time of the conclusion of the Special Board Meeting. Notwithstanding this, and notwithstanding that the minutes of the Special Board Meeting were being prepared, the Company Secretary, through its representatives, proposed that the Board should nevertheless pass such resolutions via circulation resolutions in writing ("**Termination Written Resolutions**"), circulated to all members of the Board for approval. The directors of the Company present at the Special Board Meeting agreed to pass the Termination Written Resolutions, but only to avoid any doubt about that the Board had passed the said resolutions.

The Termination Written Resolutions were by signed by four (4) of the directors, with Mr Yap objecting.

Regarding the whistleblower report referred to by Mr Yap, as has been stated in the Company's announcement on 14 July 2021 in response to statements from Mr Lim, in accordance with the Company's Whistleblower Policy, the whistleblower report has been treated with utmost confidentiality. On 26 July 2021, a copy of the whistleblower report has been disclosed on a redacted basis to Mr Yap. The Company has not taken any action against Mr. Lim, or any other person, in respect of the matters raised in the whistleblower report.

Mr Lim's employment was not terminated on the basis of the whistleblower report, and no reliance was placed on the whistleblower report in deciding to terminate Mr Lim's employment.

Mr Yap has referred to "underlying tensions" between Mr Lim and the "larger controlling shareholder". Mr Lim's employment was also not terminated on the basis of "underlying tensions" between Mr Lim and any shareholder, if any.

Mr Lim's conduct amounted to 'gross default or grave misconduct'

Please see the response under the heading "*The Nominating Committee's ("NC") assessment and considerations in arriving at the decision to terminate Mr Lim's employment as CEO of the Company*" above.

I am the Independent Director who was not privy to the Board's decision to terminate the employment of Mr Lim Wee Li ["WL"]. I disagree with the Nomination Committee's assessment of WL's termination and my reasons are as follows:

A. Underlying disagreement between the 2 controlling shareholders

1. Ooway Group Ltd ["Ooway"] became a controlling shareholder of the Company last year through a share swop. In April 2021, WL invited Ooway's nominees to sit on the Board of the Company and subsequently relinquished his Chairmanship to one of them out of goodwill. Unfortunately, the relationship between WL and Ooway fell apart when Ooway's representatives came to Singapore in June 2021. On **1 July 2021**, they requested his resignation within 3 days by sending him an email, which was forwarded to the Board by WL. Given the underlying tension between the 2 controlling & largest shareholders, care has to be exercised to ensure fairness with due regard for the larger interest of the Company and all shareholders.

B. Due process was not observed before the termination

1. WL's lawyers had asked for the necessary documents since their first letter dated 15 June 2021 so that they could respond to our Internal Auditor's Interim Report. Instead of waiting for their response, the Board dismissed WL on **7 July 2021** without convening a disciplinary hearing. This violates the rule of natural justice of giving a person the right of reply before deciding his guilt. As titled, the Internal Auditor report is 'interim', suggesting that a final report is forthcoming. Even if one accepts the interim report at face value, the Management's response has to be read in and considered in totality.

C. The Board meeting was improperly convened and the resolutions thereat are invalid

1. On 1 July 2021, a Board meeting was held. This was convened by an email with less than 24 hours' notice. I waived notice for that Board meeting and informed the Corporate Secretary that I would not waive the need for proper notice in *future* Board meetings so we could read Board papers in advance and be prepared to deliberate issues for the Company's benefit.

2. On 2 July 2021, a notice was given for the next Board meeting scheduled on 8 July 2021 ("**the scheduled meeting**").

3. On 6 July 2021 at 11.38pm, the Chairperson sent an email calling for a '**special**' Board meeting the next morning **7 July 2021** at 11am, ie giving less than 12 hours' notice. I could not reply in time and could not attend as I had made arrangements to attend the scheduled meeting. No reasons were given as to why the Board could not meet as scheduled on 8 July 2021. The pretext of the urgency was a 'whistleblower report' - an email received on 28 June 2021 from an employee who resigned due to grouses with another staff, not WL. (Although the subject of the email was "Letter to IDs", a redacted copy without context was disclosed to me only on 26 July 2021.)

4. On **7 July 2021** at 11.23am, a long email with legalese and a slew of 'proposed' resolutions were sent to me by email. The Board passed the said resolutions to dismiss WL at the '**special**' meeting that was supposed to start at 11am on **7 July 2021**, one day ahead of the scheduled meeting, and signed the Announcements to SGX on 7 July 2021. On the same day of 7 July, WL's lawyers sent in an official response to the Internal Auditor's Interim Report. However, the said response was not disclosed to the Board until Sunday 11 July 2021.

5. Although there was a purported notice given for the '**special**' Board meeting on **7 July**, this notice was too short, sudden and unreasonable. Since there was no proper notice as required under the Constitution of the Company, that Board meeting was not duly convened. The long list of resolutions, drafted before the meeting and hurriedly passed at that meeting, are thus invalid, including the one terminating WL's employment. The manner in which the '**special**' Board meeting was convened and conducted suggests that it was pre-decided without proper deliberation by the full Board and without due consideration of the impact on operations, commitment to customers and reputation of the Company.

D. WL's lapses were not 'gross default or grave misconduct' warranting immediate termination

1. At the meetings with our Internal Auditor and our special counsel, it was ascertained that there was no evidence of fraud, dishonesty or attempt to conceal information. The lapses flagged out in the Interim Report at this stage were mostly technical in nature, known to certain Directors, and not likely to be repeated by WL. It is premature and unjust to lob the blame of systemic weaknesses squarely onto certain individuals. Most of the lapses were the cumulative result of vague boundaries and customs that need to be rectified by a resolute Board working in unison.

2. Although WL was Chairman and CEO, it is a known fact that WL was the one who focused more on the fund raising and the business side of the Company, rather than paper work and procedural formalities. He is akin to a car owner who engages a chauffeur and relies on the latter to display the right parking coupons. If there is a parking violation, a fine rightly has to be paid; but should the registered owner be flogged or disqualified from driving for having 'caused' the said violation? The Company dismissed WL because "he had caused the Company to be in breach" of SGX rules. The misconduct would be grave, in my view, if the staff had asked WL to issue the requisite announcements but he directed them not to do so in deliberate contravention of the rules.

3. A remorseful staff who had acted in the interest of the Company and subsequently learnt from his careless mistakes can help the Company to be stronger and better. More so for the founder of the Company who had put in millions of dollars into the Company when it was in financial trouble. The lapses occurred not only in a pandemic year, but also amid turbulent changes in the Board leadership, and in a frenetic period when \$19 million was raised and the finance department was constantly fire fighting.

To quote the High Court in a recent case involving a company founded by Hainanese leaders, a company is not to be run "according to the whims and fancy of those in control". There has to be proper decision making, due process and fairness that ought not to be usurped by a faction within the Company, "even if that faction constitutes the majority" (Straits Times 21 July 2021).

Yours sincerely

Yap Sze Hon
Independent Director
Audit & Nomination Committee Member
Kitchen Culture Holdings Ltd

27 July 2021