



**KITCHEN CULTURE HOLDINGS LTD.**

(Company Registration No: 201107179D)

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

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**DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Catalist Rules**”), the board of directors (the “**Board**” or the “**Directors**”) of Kitchen Culture Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the independent auditor of the Company, Nexia TS Public Accounting Corporation (the “**Independent Auditor**”), has issued a disclaimer of opinion (“**Disclaimer of Opinion**”) on the audited financial statements of the Company and the Group (“**Financial Statements**”) for the financial year ended 30 June 2021 (“**FY2021**”) (the “**Independent Auditor’s Report**”).

The basis for the disclaimer of opinion is contained in the Independent Auditor's Report. Please refer to the copy of the Independent Auditor's Report attached herein for further details.

An extract of the Note 2 to the Financial Statements pertaining to the Group's and Company's going concern assumption is also attached to this announcement for information in relation to the Disclaimer of Opinion.

Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor's Report, the Financial Statements and the Company's Annual Report for FY2021 in their entirety and to exercise caution when dealing in the shares of the Company.

The shares of the Company have been suspended from trading on the SGX-ST since 12 July 2021.

By Order of the Board

Hao Dongting  
Non-Executive Chairperson  
3 March 2022

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*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.*

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**

**Report on the Audit of the Financial Statements**

***Disclaimer of Opinion***

We were engaged to audit the accompanying financial statements of Kitchen Culture Holdings Ltd. (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 141.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

***Basis for Disclaimer of Opinion***

- a. *Notice of Compliance ("NOC") issued by Singapore Exchange Regulation ("SGX RegCo" or the "Exchange")*

As disclosed in Note 30, SGX RegCo has issued two separate NOCs to the Company as follows:

The first NOC issued by SGX RegCo on 14 July 2021 requires the Company's Audit and Risk Committee ("ARC") to commission its Internal Auditor ("IA") to expand its scope of work (the "Additional Scope") to include, among others, looking into the circumstances that led to breaches and/or potential breaches of the Exchange's Catalist Rules as well as internal control weaknesses as stated in the IA's draft interim report (the "Interim Report").

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**  
(cont'd)

**Report on the Audit of the Financial Statements (continued)**

***Basis for Disclaimer of Opinion (continued)***

- a. *Notice of Compliance ("NOC") issued by Singapore Exchange Regulation ("SGX RegCo" or the "Exchange") (continued)*

The second NOC issued by SGX RegCo on 19 August 2021 directs the Company to appoint a suitable independent special auditor ("Special Auditor") as recommended by the Company's continuing sponsor and approved by SGX RegCo. The second NOC supersedes the instruction in the first NOC. The Special Audit must cover the following:

- Review the matters raised in the first NOC;
- Review the circumstances surrounding the payroll matter as disclosed in Note 30, including but not limited to whether the payments were made in accordance with the respective employment contracts and whether proper approvals had been obtained for such payments;
- Review the circumstances surrounding the unauthorised transactions and assess if there were other unauthorised transactions in the past one (1) year;
- Review the Group's internal controls, processes and procedures in relation to due diligence performed on acquisitions and disposals in the past one (1) year;
- Review the Group's whistleblowing policies, processes and procedures and advise on whether such policies, processes and procedures are adequate and effective. In addition, the Special Auditor must review all whistleblowing reports received by the Company and/or its directors, assess whether internal policies, processes and procedures have been adhered to, whether issues brought up by the whistleblower(s) have been robustly investigated into by non-conflicted persons and addressed in the process;
- Where internal control weaknesses are noted by the IA (in its Interim Report prior to the issue of the second NOC) and the Special Auditor, the Special Auditor must make recommendations on enhancements to ensure adequacy and effectiveness of the internal controls going forward; and
- Where breaches/potential breaches of the Exchange's Catalist Rules, laws or regulations are noted, the Special Auditor must set out clearly the circumstances that led to the breaches and / or potential breaches as well as the parties responsible.

The Special Auditor reports only and directly to SGX RegCo and the Company's continuing sponsor.

In December 2021, the ARC has also mandated the IA to perform the following:

- (a) Review the implementation status of the remedial steps taken by management to address the internal control weaknesses and potential lapses as stated in the Interim Report ("Follow-up Review"); and
- (b) Perform certain agreed upon procedures ("AUP") for the utilisation of proceeds up to 30 November 2021.

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**  
(cont'd)

**Report on the Audit of the Financial Statements (continued)**

***Basis for Disclaimer of Opinion (continued)***

- a. *Notice of Compliance ("NOC") issued by Singapore Exchange Regulation ("SGX RegCo" or the "Exchange") (continued)*

At the date of our report, the IA and the Special Auditor are currently performing their mandated audit works as described above.

Accordingly, we are unable to ascertain whether the IA's Follow-up Review and AUP and the Special Audit, the outcome of which are still unknown, would have an impact on the Group's business operations. We are also unable to ascertain the extent of pervasiveness and/or significance of any adjustments that may arise from the IA's Follow-up Review and AUP and the Special Audit, if any, on the financial statements of the Company.

- b. *Investment in associated company*

The Company did not perform a valuation and purchase price allocation ("PPA") on its 12 October 2020 acquisition of 30% interest in an associated company, OOWAY Technology Pte. Ltd. ("OOWAY"), which involves the determination of the fair value of the investment acquired and the recognition of goodwill or bargain purchase, if any, as at acquisition date. Accordingly, the acquisition cost of \$23,922,000 was not properly allocated to the fair value of the investment acquired and no goodwill or bargain purchase was recognised on acquisition date.

The carrying amount of investment in associated company as at 30 June 2021 on the Group's consolidated statement of financial position represents the original acquisition cost of \$23,922,000 less share in net loss of associated company for the period of \$909,642 and impairment charge of \$2,200,000. On the Company's statement of financial position, the carrying amount represents the original acquisition cost less impairment charge.

In the absence of a PPA exercise as at acquisition date, we are unable to determine whether adjustments, or disclosures in the financial statements, are required on the carrying amount of investment in associated company as at 30 June 2021 in the Group's and the Company's statements of financial position and whether goodwill or bargain purchase is required to be recognised or disclosed.

We were also unable to obtain sufficient appropriate audit evidence over the share in net loss of OOWAY of \$909,642 for the current financial year. Accordingly, we were unable to quantify the possible adjustments, if any, and related information that may be required to be disclosed, which could have significant impact on the current year's financial statements.

Additionally, for purposes of impairment assessment of the carrying value of the investment in OOWAY as at 30 June 2021, management engaged an independent professional firm to perform a fair valuation of the Company's 27.65% equity interest in OOWAY. We were unable to obtain sufficient appropriate audit evidence over certain key inputs and assumptions in the valuation assessment, primarily management's estimates of projected transaction volume and revenue growth over the relevant periods. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the carrying value of the investment in OOWAY, including any disclosures that may be required. Accordingly, we were unable to quantify the impairment adjustments, if any, that would be required, which could have significant impact on the current year's financial statements.

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**  
(cont'd)

**Report on the Audit of the Financial Statements (continued)**

***Basis for Disclaimer of Opinion (continued)***

*c. Receipt of bank confirmations*

Bank confirmations in respect of bank balances amounting to \$11,005 have not been received by us. There were no other satisfactory audit procedures that we could perform to obtain sufficient appropriate audit evidence regarding the carrying amount and the completeness of bank balances, bank transactions and banking facilities for the financial year ended 30 June 2021. Accordingly, we were unable to quantify the possible adjustments, if any, and related information that may be required to be disclosed, which could have significant impact on the current year's financial statements.

*d. Going concern*

The Group has suffered recurring losses and negative operating cash flows. For the financial year ended 30 June 2021, the Group reported a net loss of \$11,509,433 (2020: \$4,645,159) and negative operating cash flows of \$6,585,234 (2020: \$4,997,326). As at 30 June 2021, the Group's current assets exceeded its current liabilities by \$4.9 million (2020: current liabilities exceeded current assets by \$8.0 million).

Furthermore, certain events that have occurred after the financial year-end as disclosed in Note 30 may have significant financial and operational impact on the Group and the Company, including, *inter alia*, the following:

- Former Chief Executive Officer's legal actions against the interim CEO and certain independent directors of the Company, to which the Company has provided indemnity letters to the said individuals;
- Former Chief Executive Officer's legal actions against the Company;
- A subsidiary corporation, KHL Marketing Asia-Pacific Pte.Ltd., receiving a statutory demand in relation to alleged outstanding rental arrears, followed by a winding up application filed against the subsidiary corporation by a certain creditor; and
- The subsidiary corporation, KHL Marketing Asia-Pacific Pte.Ltd., filing an application before the General Division of the High Court for an order to place itself under judicial management ("JM Application").

As the above-mentioned matters are still on-going, the possible effects on the Group's operations of the potential winding up of the subsidiary corporation and the potential liabilities, both constructive and contingent, of the Group and the Company cannot be determined.

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**  
(cont'd)

**Report on the Audit of the Financial Statements (continued)**

***Basis for Disclaimer of Opinion (continued)***

*d. Going concern (continued)*

The above events and conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. As disclosed in Note 2 to the financial statements, in preparing the financial statements, the Board of Directors has considered the operations of the Group and the Company as going concerns, notwithstanding the recurring net losses and negative cash flows and uncertainties brought about by the on-going legal proceedings, and concluded that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 30 June 2021 is still appropriate after taking into consideration the following factors:

- a) the net losses incurred by the Group included certain one-time charges;
- b) the Group is still in a net current assets position of \$4.9 million;
- c) the Company has commenced a corporate restructuring of subsidiary corporation, KHL Marketing Asia-Pacific Pte Ltd., which contributed the bulk of the Group's operating losses in previous years, by its JM Application; and
- d) the Company is evaluating various options to raise additional working capital.

The ability of the Group and the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent upon the positive outcome of the measures and assumptions disclosed above which cannot be determined at present. At the date of this report, we are unable to obtain sufficient audit evidence regarding the likely outcome of these measures and assumptions. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Company is appropriate.

Because of the significance of the uncertainties and potential misstatements arising from the matters described above, we are unable to express an opinion on the accompanying financial statements.

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**  
(cont'd)

**Report on the Audit of the Financial Statements (continued)**

***Responsibilities of Management and Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**Independent Auditor's Report to the Members of  
Kitchen Culture Holdings Ltd.**  
(cont'd)

**Report on Other Legal and Regulatory Requirements**

In our opinion, in view of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Loh Ji Kin.

**Nexia TS Public Accounting Corporation  
Public Accountants and Chartered Accountants**

**Singapore**

**3 March 2022**



## Extract of Note 2 to the Financial Statements for FY2021

### 2 Going concern

The Group incurred a net loss of \$11.5 million (2020: \$4.6 million) for the financial year ended 30 June 2021, and recorded a net operating cash outflow of \$6.6 million (2020: outflow of \$5.0 million). As at 30 June 2021, the Group's current assets exceeded its current liabilities by \$4.9 million (2020: current liabilities exceeded current assets by \$8.0 million).

In addition, there is ongoing uncertainty arising from, *inter alia*, the following:

- On 2 August 2021, Mr William Teo Choon Kow and Mr Ang Lian Kiat, Independent Directors of the Company, have each received a letter of demand from the lawyers of Mr Lim Wee Li (each a "ID Demand Letter"), in the discharge of their Directors' duties and each of them have accordingly requested for an indemnity pursuant to Article 172 of the Company's Constitution.

On 10 August 2021, the Company passed a Board Resolution (by way of majority votes) pursuant to Article 172 of the Company's Constitution that the Company shall indemnify each of Mr William Teo Choon Kow and Mr Ang Lian Kiat, out of the assets of the Company, from and against any and all losses, damages, charges, costs (including legal costs) and expenses of whatever nature which each of them may sustain, incur or suffer, directly and/or indirectly, as a result of or arising out of the relevant ID Demand Letter including but not limited to any legal proceedings commenced by Mr Lim Wee Li in relation to the relevant ID Demand Letter.

The Board Resolution authorised Mr Lincoln Teo to do all things desirable, necessary or in connection with the foregoing.

- Announcements dated 10 August 2021, 17 September 2021, 28 October 2021 and 22 November 2021 in relation to the action commenced by the Company's subsidiary, KHL Marketing Asia-Pacific Pte. Ltd. ("KHLM"), against the Company's former Chief Executive Officer, Mr. Lim Wee Li, and two foreign nationals, Mr. Du Kun and Mr. Wang Yanchao, to recover the amount of S\$520,000 from the three defendants ("KHLM's Suit") and the action commenced by Mr. Lim Wee Li against the Company ("Mr Lim Wee Li's Suit");
- On 23 August 2021, Mr Lincoln Teo Choong Han, interim Chief Executive Officer ("CEO") of the Company, received a letter of demand from the lawyers of Mr Lim Wee Li ("Demand Letter"), in the discharge of his CEO and Director's duties and has accordingly requested for an indemnity pursuant to Article 172 of the Company's Constitution.

On 2 September 2021, the Company passed a Board Resolution (by way of majority votes), pursuant to Article 172 of the Company's Constitution that the Company shall indemnify Mr Lincoln Teo Choong Han out of the assets of the Company, from and against any and all losses, damages, charges, costs (including legal costs) and expenses of whatever nature which he may sustain, incur or suffer, directly and/or indirectly, as a result of or arising out of the Demand Letter including but not limited to any legal proceedings commenced by Mr Lim Wee Li in relation to the Demand Letter.

The Board Resolution authorised Madam Hao Dongting (the Chairperson of the Company) or Mr William Teo Choon Know (the ARC Chairman of the Company) to do all things desirable, necessary or in connection with the foregoing.

- Announcements dated 20 September 2021 and 14 January 2021 in relation to the special audit pursuant to the Notice of Compliance issued by the SGX RegCo on 19 August 2021;
- Announcements dated 19 October 2021 and 1 November 2021 in relation to the receipt of statutory demand by the Company's wholly-owned subsidiary, KHLM in relation to alleged outstanding rental arrears amounting to S\$1,770,126.57 ("Alleged Rental Arrears");

- Announcement dated 23 December 2021 in relation to the winding up application that was filed on 13 December 2021 against KHLM (the “Winding Up Application”) due to the Alleged Rental Arrears; and
- Announcement dated 17 January 2022 in relation an application by KHLM for an order to place itself under judicial management (the “JM Application”).

The abovementioned matters indicate the existence of events or conditions which may adversely affect the Group’s and the Company’s ability to continue as going concerns and discharge their liabilities in the ordinary course of business.

Notwithstanding the above, the Board has considered the following factors in its going concern assessment:

- 1) the net losses incurred by the Group of \$11.5 million included the following one-time charges:
  - a. inventories write down of \$3.0 million;
  - b. impairment loss on investment in associated company of \$2.2 million.
- 2) the Group is still in a net current assets position of \$4.9 million;
- 3) An amount of \$3.3 million in the contract liabilities relates to sales deposits collected from customers for kitchen systems purchased, which will be recognised as revenue subsequently upon delivery of the kitchen systems to the customers and do not represent payment obligations of the Group;
- 4) the Company has commenced a corporate restructuring of KHLM, which contributed the bulk of the Group’s operating losses in previous years, by its JM Application; and
- 5) the Company is evaluating various options to raise additional working capital.

Based on the above, the Board is of the view that the Group and the Company are still going concerns but this assessment is subject to the Company’s ability to successfully restructure its key operating subsidiary, satisfactorily address all matters raised in the Notice of Compliance and raise additional working capital.

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and non-current liabilities to current assets and liabilities respectively. The financial statements do not include any adjustments which may arise from these uncertainties.