



**KITCHEN CULTURE HOLDINGS LTD.**

(Company Registration No: 201107179D)  
(Incorporated in the Republic of Singapore on 25 March 2011)

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**UPDATE ON REVIEW BY BAKER TILLY CONSULTANCY (SINGAPORE) PTE. LTD.**

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*Unless otherwise specified, all capitalised terms shall have the same meanings ascribed to them in the Announcements (as defined below).*

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

- (a) 1 February 2021 (*Change in and use of Proceeds*);
- (b) 23 June 2021 (*Responses to Queries Regarding Trading Activity*);
- (c) 12 July 2021 (*Response to SGX Queries received on 8 July 2021*);
- (d) 13 January 2022 (*Application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for further extension of time to hold Annual General Meeting for FY2021 and to issue Annual Report for FY2021*);
- (e) 18 January 2022 (*Responses to SGX's Queries received on 20 October 2021*);
- (f) 4 March 2022 (*Annual Report 2021*); and
- (g) 7 March 2022 (*Change in and use of Proceeds*),

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

relating to the Audit and Risk Committee ("**ARC**")'s appointment of Baker Tilly Consultancy (Singapore) Pte. Ltd. ("**Baker Tilly**") on the following engagements:

- (1) The scope of the engagement was to undertake an internal control review of the Company in the area of cash management by the Management for the Company and its principal wholly-owned subsidiary, KHL Marketing Asia-Pacific Pte Ltd ("**KHLM**"), following the fundraising exercises completed in 2020 and related matters;
- (2) The scope of the engagement was to review the implementation status of Baker Tilly's recommendations highlighted in the draft interim report dated 18 June 2021 pertaining to the internal control review in sub-paragraph (1) above (the "**Interim Report**") during the period from 1 June 2021 to 30 November 2021 ("**Follow-up Review**"); and
- (3) The scope of the engagement was to perform a set of agreed-upon procedures ("**AUP**") to ascertain the accuracy of the Company's records on the utilisation of funds from:
  - (a) the placement of an aggregate of 56,273,000 new ordinary shares in the capital of the Company ("**Shares**") at an issue price of S\$0.068 per Share ("**1<sup>st</sup> Placement Exercise**") which was completed in March 2020;

- (b) the Convertible Loan Agreement dated 3 May 2020 (“**CLA**”); and
- (c) the placement of an aggregate of 40,572,000 Shares at an issue price of S\$0.235 per Share (“**2<sup>nd</sup> Placement Exercise**”) which was completed in August 2020,

(collectively, the “**Three Transactions**”).

The Company wishes to update shareholders that the ARC has on 23 March 2022 received the following from Baker Tilly:

- (i) Report of Findings dated 23 March 2022 in relation to Baker Tilly’s performance of AUP (“**AUP Report**”); and
- (ii) Follow Up Report dated 23 March 2022 on the implementation status of recommendations stated in Baker Tilly’s Interim Report (the “**Follow Up Report**”).

The AUP Report and the Follow Up Report have been shared by the Management with the Special Auditor on 31 March 2022 for their information.

**(A) AUP Report**

Baker Tilly’s scope of work for the AUP covered the inception of the Three Transactions until 30 November 2021 as follows:

- I. Obtain the schedules of utilisation of funds from the Company for the review period.
- II. For each expense item, match the description and amount to the corresponding bank statement and underlying supporting documents as provided by Management.
- III. Prepare a report to the ARC including the following information:
  - Schedule of utilisation of funds (provided by Company)
  - Schedule of matched and unmatched expense items
  - Summation of fund utilisations by major categories

In relation to the abovementioned item (III), each line item is stated as “matched” by Baker Tilly if all the following criteria are fulfilled:

- (a) expenses can be traced to the bank statements;
- (b) details of expenses (e.g. date, value, usage, counterparty) can be traced to the underlying supporting documents such as contracts or purchase orders, invoices, approvals, etc; and
- (c) description of the expenses on the supporting documents is in line with the categories of utilisation as stated in the Company’s schedules.

The schedule of matched and unmatched expense items as reported by Baker Tilly is as follows:

Classification for Use of Proceeds	Per KCH's Schedule			Per BTC's AUP		
	Placement #1	Convertible Loan	Placement #2	Placement #1	Convertible Loan	Placement #2
Repayment of amounts owing to external parties	\$1,898,028.00	-	\$2,815,194.51	-	-	\$1,924,038.35
Pursue new business opportunities	-	\$985,995.21	\$504,839.65	-	\$683,495.21	\$375,035.78
General working capital	\$1,164,766.01	\$2,588,697.08	\$5,437,968.52	\$310,360.41	\$2,181,162.67	\$3,640,937.02
Others	-	-	\$775,765.86	-	-	(\$160,899.73)
Unmatched	-	-	-	\$2,752,433.60	\$710,034.41	\$3,754,657.12
<b>Total</b>	<b>\$3,062,794.01</b>	<b>\$3,574,692.29</b>	<b>\$9,533,768.54</b>	<b>\$3,062,794.01</b>	<b>\$3,574,692.29</b>	<b>\$9,533,768.54</b>

Following the conclusion of AUP, Management will be conducting further analysis and investigation of the “unmatched” items quantified in the AUP Report in order to assess the accuracy of (i) the allocated amounts, the utilised amounts and the remaining balance of the proceeds and (ii) the breakdown of the use of proceeds from the Three Transactions since inception to 30 November 2021.

**(B) Follow Up Report**

The following table summarises Baker Tilly’s findings in the Follow-up Review:

S/N	Issues Identified from Interim Report	Current Observations from Follow Up Report	Management Comments	Status
1.	<p>Fund transfers were made without written approval, supporting documents, business justifications and disclosures to the SGX-ST.</p> <p>Baker Tilly noted 3 fund transfers which appear to be outside the normal course of business for the Company or KHLM.</p>	<p>Baker Tilly noted instances of fund transfers without adequate supporting documents and without consistent approvers and verification.</p>	<p>Management will reduce such instances by assigning specific personnel to check and ensure that each payment has the required documentation.</p>	Implementation in progress
2.	<p>Inadequacies in approval, agreement and repayment of borrowings from private investors.</p>	<p>No ratification of private investor loans was made by the Board.</p> <p>There were no new loan agreements signed.</p> <p>Policies and procedures governing loan management have been established. However, there are areas for improvement on the loan management process.</p>	<p>As the previous private investor loans have been repaid, no further action has been taken by the Management on those.</p> <p>Management has revised the Draft Policies, Procedures and Delegation of Authority to include the definition of “third parties”.</p>	Implementation in progress
3.	<p>Interested persons and interested person transactions (“IPTs”) were not identified, monitored and reviewed.</p>	<p>The appointment of the Director’s relative was announced on the SGXNet.</p> <p>Management of IPTs have been formalised in policies and procedures. Certain processes have yet to be formalised.</p>	<p>Management has updated the Draft Policies, Procedures and Delegation of Authority.</p>	Implementation in progress
4.	<p>Capital expenditures without documented approval, business justifications and price comparisons.</p>	<p>For certain samples of capital expenditures for KHLM, Baker Tilly did not note any documented approval per the delegation of authority established in the</p>	<p>Moving forward, Management will ensure that all capital expenditure is approved as set out in the Policies Procedures,</p>	Implementation in progress

S/N	Issues Identified from Interim Report	Current Observations from Follow Up Report	Management Comments	Status
		<p>Policies, Procedures, Delegation of Authority Manual.</p> <p>Price comparison for three instances of capital expenditure were not performed as only one quotation was obtained.</p>	Delegation of Authority manual.	
5.	Executive Directors' entertainment expense claims without independent approval, business justifications and acknowledgement from gift recipient.	<p>There were no Executive Director's claims approved and paid during the review period.</p> <p>Nonetheless, the Executive Director's expense claims are required to be reported to the ARC.</p> <p>Details such as personnel, purpose, etc, were not documented for selected samples of entertainment expense claims.</p>	Management will update the expense claim form to include a column for "Description / Business Justification / Names of Persons Met".	Implementation in progress
6.	Inadequate planning, monitoring and reporting for the use of proceeds obtained through the 1 <sup>st</sup> Placement Exercise, CLA and 2 <sup>nd</sup> Placement Exercise.	<p>A cashflow and budget for utilisation of the proceeds from the Three Transactions has yet to be prepared.</p> <p>The frequency to monitor and report the use of proceeds to the Board has not been defined in policies and procedures. As of 31 December 2021, the use of proceeds has yet to be announced.</p> <p>There was no documented approval from the Board for the re-allocation of the use of proceeds.</p>	<p>Management has updated the policies and procedures to define "material disbursements" and that utilisation is to be reported to the Board on a monthly basis.</p> <p>The utilisation of proceeds as of 30 November 2021 was announced on 18 January 2022.</p>	Not implemented
7.	No delegation of authority, segregation of duties and independence in approving and processing of payments.	<p>Delegation of authority for various processes have been formalised in the Company's Policies, Procedures, Delegation of Authority manual, which have not been approved by the Board.</p> <p>The Company is in the midst of updating bank signatories subject to the Board's approvals.</p>	<p>Management will send the Company's updated Policies, Procedures, Delegation of Authority manual to the Board for approval.</p> <p>The bank signatories for key operating accounts of the Company and KHLM have been updated. For other subsidiaries, it is still outstanding as Mr Lim Wee Li remains the sole director of those companies.</p>	Implementation in progress

S/N	Issues Identified from Interim Report	Current Observations from Follow Up Report	Management Comments	Status
			However, Management will try to resolve this by 30 June 2022.	
8.	Hiring of managerial positions and salary increment of Executive Director were not supported with written approvals and documented justifications.	<p>The delegation of authority and procedures for Board membership and other appointments have been formalised in the Company's Policies, Procedures, Delegation of Authority manual.</p> <p>Baker Tilly noted samples of undated manpower requisition forms.</p>	Moving forward, Management will ensure that all manpower requisition forms are dated so that timeliness of approval can be ascertained.	Implementation in progress
9.	Inconsistent practices in bank reconciliations and payment vouchers.	<p>For sampled months of bank reconciliations, certain inadequacies (such as no documented review and approval) were noted.</p> <p>Month-end closing for July 2021 to November 2021 has yet to be completed as of 31 December 2021.</p> <p>For selected samples of payment vouchers, there were instances of payment vouchers which were not approved by the Finance Department or without adequate supporting documents.</p>	<p>Bank reconciliations will be reviewed once the FY2021 final audit adjustments have been put through the opening balances of FY2022. This delay is because the FY2021 financial statements and annual report were only finalised on 4 March 2022.</p> <p>Management will ensure that bank reconciliations from 1 July 2021 are reviewed and signed off by 30 April 2022.</p> <p>There are plans to migrate the Company's books from the current MYOB system to the new SAP system by 30 June 2022. In the SAP system, the payment vouchers will be sequentially numbered.</p> <p>Management will assign a specific person to check and ensure that payment vouchers are signed off by</p>	Implementation in progress

S/N	Issues Identified from Interim Report	Current Observations from Follow Up Report	Management Comments	Status
			Finance personnel and that all payments have a payment voucher with supporting documentation.	
10.	Staff allowances paid using cash cheques from KHLM without acknowledgements.	Baker Tilly did not note any samples of cash cheques used during the review period.  Nevertheless, policies and procedures have been established over the management and approval of cash cheques in the Company's Policies, Procedures, Delegation of Authority manual, which is pending approval by the Board.	Management will get the Board to approve the draft Policies, Procedures, Delegation of Authority manual before 30 June 2022.	Implementation in progress
11.	Dormant bank accounts yet to be closed.	Dormant bank accounts are yet to be closed. The Management planned to obtain the past transaction records before closing the bank accounts.	Management will try to close the dormant bank accounts by 30 June 2022.	Not implemented
12.	Lack of formalised policies and procedures for certain procedures.	The Company's Policies, Procedures, Delegation of Authority manual has been formalised but contained areas for improvements.  The Company's Policies, Procedures, Delegation of Authority manual had not been approved by the Board.	Management will send the updated draft Policies, Procedures, Delegation of Authority manual to the Board for approval.	Implementation in progress
13.	Whistle blowing channel not updated and made available to stakeholders.	The whistle blowing policy has been published on the corporate website and updated with the email addresses of the current ARC members.	The whistle blowing policy has been updated.	Fully implemented

Baker Tilly further identified certain areas for improvement in the Company's policies and procedures relating to cash management:

- (i) annual budgeting and budgetary control;
- (ii) bank account management and bank reconciliation;
- (iii) cheque and electronic token management;
- (iv) expense requisition and approval;
- (v) bank signatories;
- (vi) payment processing;
- (vii) staff expense reimbursement;
- (viii) travelling, entertainment and business gift management;
- (ix) loans and guarantees management;
- (x) investment management;
- (xi) petty cash management; and
- (xii) general – list of personnel comprising various approval group.

Following the release of the Follow Up Report, Management has revised the draft Policies, Procedures and Delegation of Authority manual for the ARC's review and recommendation to the Board for Board's approval. The ARC is in the midst of reviewing the draft Policies, Procedures and Delegation of Authority manual and targets to recommend the reviewed version of the document to the Board by 30 April 2022 for its approval. The Board will provide approval on the revised manual by 31 May 2022. In addition, the Board will continue to monitor Management's ongoing implementation of the recommendations raised in the Interim Report and the Follow Up Report, and intends to complete the implementation of all outstanding items by 30 June 2022.

By Order of the Board

Hao Dongting  
Non-Executive Chairperson  
21 April 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.*

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