



**KITCHEN CULTURE HOLDINGS LTD.**

(Company Registration No: 201107179D)

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

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**RESPONSES TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2021**

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The Board of Directors (the "**Board**" or "**Directors**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries raised by the Securities Investors Association (Singapore) on 10 March 2022 in relation to the Company's Annual Report 2021, and appends its replies as follows:

**Question 1:**

**As noted in the corporate profile, following a strategic business review in March 2020, the Company obtained shareholders' approval to diversify into (i) trading of medical and related supplies business and (ii) artificial intelligence, machine learning and data science business.**

**The Company acquired a 30% equity stake in OOWAY Technology Pte. Ltd. ("OOWAY") on 12 October 2020. It then "started working" with Anhui Health Box Technology Co., Ltd. to distribute the world's first masks that can effectively inactivate the Covid-19 virus using copper oxide non-woven fabric with microbial inactivation characteristics as the main material of the mask in mid-2021.**

**The Company's subsidiary, KHL Marketing Asia-Pacific Pte Ltd ("KHLM"), has received a statutory demand in relation to alleged outstanding rental arrears for \$1.77 million and a winding up application filed by the landlord, Kim Hup Lee & Co. KHLM has filed an application in the High Court to place itself under judicial management.**

- (i) What is the strategic value of KHLM to the Group given that "the kitchen business has been losing money for the last 8 years" (page 14)? Would the Company be committing more capital to the business?**

KHLM is a key operating subsidiary of the Company that has helped to establish the Group as a premier supplier of high-end imported kitchen systems such as Poggenpohl.

The Company refers shareholders to the announcements dated 17 January 2022 and 7 February 2022 in relation to the application filed by KHLM to place itself under judicial management ("**JM Application**"). The hearing of such application is fixed on 18 March 2022. Once the Judicial Managers are appointed by the Court, KHLM's management will work with them to formulate a plan to resuscitate KHLM's business, where possible, and to ensure an equitable proposal for all KHLM's stakeholders.

- (ii) What is the outcome of the 16 March hearing relating to the winding up application and the JM application?**

The hearing of such applications has been re-scheduled to 18 March 2022. The Company will update shareholders when material developments arise.

**(iii) What are the possible options for the Board to maximise the value of KHLM for shareholders?**

The Company refers shareholders to the announcements dated 17 January 2022 and 7 February 2022 in relation to the JM Application. The hearing of such application is fixed on 18 March 2022. Once the Judicial Managers are appointed by the Court, KHLM's management will work with them to formulate a plan to resuscitate KHLM's business, where possible, and to ensure an equitable proposal for all KHLM's stakeholders.

**(iv) Please update shareholders on the progress made in medical supplies business, i.e. sale and distribution of copper oxide non-woven fabric face masks from Anhui Health Box Technology.**

The Group embarked on the medical trade business with initial investment of S\$0.5 million in the purchase of masks in mid-2021. The sale of masks only began in June 2021 as mentioned on page 7 of the Annual Report for FY2021. Since the commencement of the sale till 28 February 2022, revenue generated from sale of the masks is S\$38,123, at an average gross margin of around 40%.

**(v) Similarly, since the acquisition of a 30% stake in OOWAY in October 2020, what progress has the associated company made? While the acquisition consideration was \$23.9 million, the Company has recognised an impairment loss of \$2.2 million and the share of results of OOWAY was a loss of \$(909,642) in FY2021.**

The investment in OOWAY was executed through a share swap saw OOWAY received 90 million shares in the Company (priced at S\$0.2658) as consideration, based on its independent valuation of S\$23.92 million.

Based on the unaudited consolidated management accounts of OOWAY submitted to the Company, OOWAY has reported revenue and gross profit for the financial year ended 31 December 2021. OOWAY is driving a tectonic shift in digital technology solutions through its 2 main operating segments: (a) Software-as-a-Service (“SaaS”) segment which is involved in the provision of SaaS services such as credit rating assessment, credit management, cash flow management, market information and supply chain management and other value-added services for e-commerce merchants operating on B2B trading exchanges; (b) Cross-Border Collective Procurement services that helps to increase flexibility and agility for buyers and suppliers through the platform's unique offering of multiple customized services such as smart marketing, trade insurance, cross-border payment, etc..

Despite the impairment loss, the outlook for the Company's investment in the associated company remains positive.

**(vi) With just a 27.65% interest in OOWAY (diluted from 30%), what is the level of influence and oversight in the associated company? Is the Company a passive investor in OOWAY after investing \$23.9 million?**

Presently, the Company is not involved in the day-to-day management of OOWAY. Mdm Hao Dongting and Mr Lincoln Teo are currently sitting on the board of directors of OOWAY as non-executive directors.

After raising net proceeds of S\$19.2 million from shareholders in 2020, the Company intended to leverage its investment in OOWAY by generating new revenue streams for the

Group. However, this collaboration has since been suspended pending the review by the Special Auditor under the Notice of Compliance (“**NOC**”) from the Singapore Exchange Regulation Pte. Ltd. (“**SGX RegCo**”) dated 19 August 2021.

- (vii) **For the benefit of new and long-standing shareholders, please provide a holistic overview of the Group’s strategies and priorities, including operational milestones, roadmap and capital allocation.**

The Company refers to the Chairperson’s statement on page 14 of the Annual Report for FY2021. The Company will update shareholders when there are material developments.

- (viii) **When will the Company be submitting its proposal to SGX-ST to resume the trading of its shares?**

The Company plans to submit its resumption of trading proposal after it has satisfactorily completed the review by the Special Auditor under the NOC from the SGX RegCo dated 19 August 2021.

**Question 2:**

**In the Chairperson’s statement, it was stated that the Board conducted a comprehensive review of the Company’s existing problems and management has been actively implementing the corporate governance reform. A new corporate governance structure has been established to “ma[k]e up” for the original shortcomings of the Company. However, the auditors have issued a disclaimer of opinion on the audited financial statements of the Company and the Group for the financial year ended 30 June 2021.**

**The bases for disclaimer of opinion are:**

- **NOC issued by SGX RegCo**
- **Investment in associated company**
- **Receipt of bank confirmations**
- **Going concern**

- (i) **Has the Board, in particular the Audit Committee (“AC”), facilitated the external auditor in the audit of the financial statements? Why was the auditor not given a receipt of bank confirmations?**

The Company wishes to clarify that bank statements that were received by the Company were given to the external auditor. The external auditor’s comment on page 75 of the Annual Report for FY2021 that “bank confirmations in respect of bank balances amounting to S\$11,005 have not been received by us” arose because one bank (with a balance of S\$1,362) did not reply to Company’s written request for audit confirmation, and another bank (with balance of S\$9,643), due to the change in the authorized signatory in September 2021, informed that it could not release the required confirmation as “signatory in the authorization letter is not the right party”. The Company is following up with the 2 relevant banks and will ensure that the two outstanding bank confirmations are subsequently received.

**The auditor has stated that the Company did not perform a valuation and purchase price allocation (PPA) to determine the fair value of the OOWAY, and to assess if goodwill needs to be recognised upon the acquisition. In addition, the auditors were not given sufficient appropriate audit evidence on the \$909,642 share of loss of OOWAY in the financial year. The independent auditor was also not given sufficient appropriate audit evidence over the key inputs and assumptions in the valuation assessment which led to a \$2.2 million impairment loss.**

Despite the Chairperson's claim that the Company has established a new corporate governance structure, it appears that the Company's corporate governance (including internal controls) is still a work-in-progress.

(ii) **With regard to the issues highlighted by the independent auditor relating to OOWAY, could the AC/board explain**

a. **why a price purchase allocation ("PPA") was not carried out,**

The Company refers to its response to Query 1(a) in the announcement "Response to SGX RegCo's Queries Received on 9 March 2022" dated 18 March 2022.

b. **why the auditor was not given sufficient appropriate audit evidence on the P&L of OOWAY, and**

The Board is in the process of seeking clarifications from various parties and will release a separate announcement to respond to this question in due course.

c. **why management's estimates of the projected transaction volume and revenue growth were not provided to the independent auditor?**

The Board is in the process of seeking clarifications from various parties and will release a separate announcement to respond to this question in due course.

(iii) **What was the level of involvement by the AC members, especially the AC Chairman, in the audit of the financial statement?**

Two of the members of the Audit and Risk Committee ("**ARC**"), Mr William Teo and Mr Ang Lian Kiat, were present at a meeting held on 24 January 2022 where critical outstanding areas of audit for FY2021 were discussed among the Independent Auditor and the management. The members of ARC were present at the closing meeting with the Independent Auditor for the FY2021 financial statements on 9 February 2022 where the matters highlighted in the disclaimer of opinion were discussed. The ARC has also met with the Independent Auditor without the presence of the management on 28 February 2022.

(iv) **How will the AC/Board be addressing the disclaimer of opinion by the independent auditor?**

For the matters raised by the Independent Auditor's disclaimer of opinion, the ARC and the Board will:

- a. ensure that the review by the Special Auditors under the NOC by SGX RegCo dated 19 August 2021 is completed to the satisfaction of SGX RegCo;
- b. conduct reviews on the valuation of OOWAY and request for audited financial statements where necessary;
- c. ensure that the 2 outstanding bank confirmations are subsequently received; and
- d. evaluate options to raise working capital to ensure that the Company remains a going concern.

(v) **Has the AC been effective at discharging its duties?**

The ARC has discharged its duties by appointing Baker Tilly Consultancy (Singapore) Pte. Ltd. ("**Baker Tilly**") to conduct a review of cash controls of the Company following a Board meeting held in February 2021, which resulted in the draft Baker Tilly Interim Report. In addition, in December 2021, the ARC appointed Baker Tilly to conduct a follow up review on

the implementation status of the remedial steps taken by the Management to address the internal control weaknesses and potential lapses as stated in the draft Interim Report prepared by Baker Tilly dated 18 June 2021, and to review the utilization of net proceeds raised from various fundraising exercises conducted in 2020 amounting to S\$19.2 million.

- (vi) **Would the Directors, especially the AC members, help shareholders understand the basis of their opinion (page 69 of the annual report; reproduced below) given the significance of the matters described by the independent auditor in the Disclaimer of Opinion (pages 72-76)?**

*“In the opinion of the directors,  
(a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 79 to 139 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2021 and the changes in equity of the Company and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and...”*

The basis of the Directors’ opinion on page 69 of the Annual Report for FY2021 are as follows:

- a. the assurance given by the Financial Controller on page 42 of the Annual Report for FY2021; and
- b. the closing meeting with the Independent Auditor for the FY2021 financial statements on 9 February 2022 where the matters highlighted in the disclaimer of opinion were discussed.

**Question 3:**

**At the AGM scheduled to be held on 18 March 2022, five of the Directors will be seeking their re-election.**

**The Company had stated in July 2021 that it will procure Mr Lim Wee Li’s resignation as a Director of the Company following the termination of his employment. Based on the Directors’ statement dated 3 March 2022, Mr Lim Wee Li remains a Director of the Company (page 69).**

- (i) **Can the Board clarify the status of Mr Lim Wee Li as a Director of the Company?**

Mr Lim Wee Li was both the Executive Chairman and Chief Executive Officer until 24 May 2021 and 7 July 2021 respectively. He remains a Director of the Company to-date. As there is ongoing litigation on the matter of Mr Lim Wee Li’s termination, the Company will update shareholders when there are material developments.

**Information on the five directors seeking their re-election can be found on pages 52 to 68 of the annual report.**

- (ii) **Can the Board/Chairperson help shareholders understand if Mdm Hao Dongting’s effectiveness as a Chairperson would be impaired given that her country of principal residence is China while all the travel restrictions are still in place?**

Mdm Hao Dongting is aided by other Board members and the Management team. Therefore, her principal country of residence being in China and the travel restrictions do not hinder her from discharging her duties effectively.

- (iii) **How familiar is the Chairperson with business practices, corporate governance standards and best practices of a Singapore listed company?**

Mdm Hao Dongting has completed the necessary training with the Singapore Institute of Directors as prescribed under the Catalist Rules.

- (iv) **Has the Chairperson completed the training in the roles and responsibilities of a listed director in Singapore as prescribed by the SGX?**

Yes.

- (v) **With all due respect, would the Chairperson be effective in her role given that she is a first-time director of a listed company in Singapore and that she resides in China? This is an especially challenging time for the Company as its main subsidiary is facing a winding-up/JM application in the Singapore courts.**

Mdm Hao Dongting is aided by other Board members, the Management team and has completed the training in the roles and responsibilities of a listed company in Singapore as prescribed under the Catalist Rules. Therefore, her principal country of residence being in China and the travel restrictions do not hinder her from discharging her duties effectively.

- (vi) **Can the Company confirm if four of the Directors are first-time directors of a listed company in Singapore?**

Yes, four of the Directors are first-time directors of a listed company in Singapore. As disclosed under Provision 1.2 of the Corporate Governance Report in the Annual Report for FY2021, in addition to the mandatory training, when a new Director is to be appointed, he will receive appropriate orientation to familiarise himself with the business and organisation structure of the Group. To get a better understanding of the Group's business, the newly appointed Director will also be given the opportunity to visit the Group's operational facilities and meet with the Management. Newly appointed Directors will also be provided with a formal letter setting out their duties and obligations.

- (vii) **Would the Board have the necessary breadth and experience as directors of listed companies, especially as the Company is in a transition and going through a challenging period?**

Notwithstanding that four of the directors are first-time directors, the Chairman of the ARC has been an independent director of several other listed companies. As disclosed under Provision 2.4 of the Corporate Governance Report in the Annual Report for FY2021, the Board is of the opinion that there is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in law, accounting, finance, business and management, as well as strategic planning.

- (viii) **What is the search and nomination process for directors, especially independent directors?**

As disclosed under Provision 4.3 of the Corporate Governance Report in the Annual Report for FY2021, in the event that a vacancy on the Board arises, the Nominating Committee ("NC") may identify suitable candidates for appointment as new Directors through the business network of the Board. The NC will generally assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience. If the NC decides that a candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion and NC's assessment of the candidates.

By Order of the Board

Hao Dongting  
Non-Executive Chairperson  
18 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.*

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