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culture

KITCHEN CULTURE HOLDINGS LTD.

SUSTAINABILITY REPORT FY2021

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ORGANISATIONAL PROFILE

Listed on the SGX-Catalist in 2011, Kitchen Culture Holdings Ltd. (the “**Company**”) together with its subsidiaries (the “**Group**”) ranks among Singapore’s leading distributors of high-end kitchen systems, kitchen appliances, wardrobe systems, bathroom furniture, household furniture and kitchen accessories from Europe. Backed by more than 29 years of experience and track record in the business, the Group has established itself as a premier kitchen solutions provider for discerning and well-heeled consumers in Singapore, where it is headquartered, as well as China, Hong Kong and Malaysia.

The Company has conducted a strategic business review in March 2020 to explore new areas of opportunities and alternate businesses, including but not limited to, the areas of healthcare and medical supplies solutions, artificial intelligence, machine learning and data science. The Company has on 27 July 2020 and 7 October 2020 obtained shareholders’ approvals for diversification into (i) trading of medical and related supplies business; and (ii) artificial intelligence, machine learning and data science business, respectively. Subsequently on 12 October 2020, the Company completed the acquisition of 30% equity stake in the Big Data & Artificial Intelligence integrated solutions provider, OOWAY Technology Pte. Ltd. (“**OTPL**”). On 2 December 2020, OTPL issued new ordinary shares in its capital to Pegasus Investments Pte. Ltd. in relation to the series A financing of US\$5 million and consequently, the Company’s shareholding interest in OTPL decreased to 27.6%.

ABOUT THIS REPORT

This is the Company’s fourth sustainability report and it covers the period from 1 July 2020 to 30 June 2021 (“**FY2021**”). It is intended at addressing material Environmental, Social and Governance (“**ESG**”) matters which are significant to the Group’s project and retail business in Singapore. In line with the Group’s continued commitment to environmental sustainability, we hope to share more in our subsequent reports which will be published on a yearly basis.

The Group has not obtained any independent assurance of the information being reported in report but will continue to work on enhancing its reporting processes and consider obtaining independent assurance in the future.

We welcome stakeholders to provide us with feedback and suggestions on this report. You may contact us at finance@khlmktg.com.

BOARD STATEMENT

Recognising the importance of sustainability, the Board of Directors (“**Board**”) leads the sustainability efforts of the Group. The Board has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of these factors.

The Company believes in reducing its footprint and impact on the environment and abides by the precautionary principle to minimise negative effects of doing business whenever feasible.

FRAMEWORK, POLICY, PRACTICES AND PERFORMANCE

FRAMEWORK AND REPORTING PROCESS

This report is guided by the Global Reporting Initiatives (“**GRI**”) standards: Core option. The Company has chosen to adopt the GRI standards as it is the most internationally recognised global framework for voluntary corporate reporting of environmental and social performance.

The Company has in place a central function for sustainability to structure the Group’s sustainability initiatives led by the Group Financial Controller. These initiatives are based on the Group’s ESG impact and key focus areas defined at Group level, including environmental, social and business ethical issues, are integrated into all business units. Activities are initiated with the objective of developing a sustainable business.

Sustainability matters at the Group are governed and managed across various levels in the organisation. The Board has overall responsibility and oversight on sustainability matters. The former Executive Chairman and CEO, assisted by the Group Financial Controller, is accountable for the oversight of the implementation and communication of sustainability strategies, policies and practices to the relevant department heads who will implement and monitor sustainability practises on the ground during FY2021.

STAKEHOLDER ENGAGEMENTS

The Company recognises all stakeholders are important to the Group's long-term success, and efforts are made to know and understand the demands and concerns of its stakeholders. Stakeholders are identified and prioritised based on their dependence and influence on the business. The Group proactively engages with its key stakeholders, so that their feedback can be incorporated to improve the Group's business. The Group adopts both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into its corporate strategies to achieve mutually beneficial relationships. The following sets out the list of key stakeholders and the engagement platforms with such stakeholders:

Stakeholder Group	Mode of Engagement	Stakeholder Expectation
Clients	<ul style="list-style-type: none"> • Customer enquiry channels • Proposals • Meetings • Marketing and media • Satisfaction surveys 	Stock availability, on-time delivery and services, quality products and services, convenience and experience, technical and after-sales support
Suppliers	<ul style="list-style-type: none"> • Quotations • Periodic discussions • Supplier evaluation 	Compliance with terms and conditions of purchasing policies and procedures, maintain ethical standards, fair and transparent business conduct, continued engagement
Employees	<ul style="list-style-type: none"> • Internal briefings and memorandums • Staff appraisal • Induction and orientation programmes • Training and development programmes • Company events and activities 	Working environment, salaries and incentives, staff rights and welfare, personal development, career growth, occupational health and safety
Shareholders and Investors	<ul style="list-style-type: none"> • SGXNet announcements • Press releases • Annual reports • Circulars to shareholders • Shareholders' general meetings • Corporate website 	Profitability, transparency, timely financial and business updates, ethical business conduct
Business Partners	<ul style="list-style-type: none"> • Frequent discussions and meetings 	Partnership for opportunities and growth
Governments and Regulators	<ul style="list-style-type: none"> • Electronic communications • SGXNet announcements • Discussions with government agencies and regulators 	Compliance with applicable laws and regulations, timely reporting and resolutions of issues, support for relevant government or regulators' initiatives

MATERIALITY ASSESSMENT

As the Company continues its sustainability journey, the Management, together with the Board conducted a formal materiality assessment exercise in FY2021. A list of ESG matters relevant to the Group's activities were identified, evaluated and ranked according to their importance from both internal and external stakeholders' perspectives. Five ESG matters were identified as material and in line with the Management's assessment on their relevance and potential impact to the Group's business and its relationship with various stakeholders. These are similar to the factors reported on last year.

- i) Corporate Governance
- ii) Economic Performance
- iii) Employment
- iv) Training and Education
- v) Environment

The material factors will be reviewed on an annual basis. A materiality assessment exercise will be conducted in accordance to the process described above.

MATERIAL ESG FACTORS

CORPORATE GOVERNANCE

The Group recognises the importance of good corporate governance, accountability and transparency and believes that conducting business in a responsible and ethical manner is vital to the sustainability of the Group's business and safeguarding stakeholders' interests. The Group's corporate governance practices will be found in the Annual Report for FY2021 to be released separately. This report outlines the role of the Board in relation to key governance practices.

The Board takes an active role in establishing the highest possible standards of ethical, moral, and legal conduct. Members of staff are regularly reminded of the need to act with utmost honesty and integrity. Consistent with this commitment, the Group has in place a whistleblowing policy with the objective of providing an avenue for the staff of the Group to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other business matters which they become aware. Details of the whistleblowing policy and arrangements have been made available to the staff of the Group and such policy is also available on the Company's website at <https://www.kcholdings.com.sg/corporate-governance>. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action and provides assurance to the whistle blowers that all actions in good faith will not affect them in their work and staff appraisal. One whistleblowing letter was received in FY2021 (FY2020: nil). Such whistleblowing letter will be subject to the review of the special auditor appointed by the Company in September 2021.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the requirements of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). In February 2021, the Company engaged an independent internal auditor to conduct a review of its internal controls. An interim report was submitted to the Board in April 2021. The interim report highlighted lapses in approving and processing of payments. The Board has extended the scope of work of the internal auditor, and will update upon the completion of the additional work procedures. Furthermore, the special auditor will also review the matters raised in the interim report.

Target:

The Group will continue to comply with the Code of Corporate Governance and target to meet all requirements that are expected by stakeholders.

ECONOMIC PERFORMANCE

The Group is committed to delivering long-term value to stakeholders in a sustainable manner. The Group places a strong emphasis on consistent and growth-oriented financial performance and adopts a disciplined and prudent financial management approach while upholding good corporate governance.

The COVID-19 pandemic has affected the global economy and further exacerbated the challenging environment that the Group operates in. The Group had to suspend its Singapore operations and Kitchen Culture Showroom in compliance with the COVID-19 Circuit Breaker and the subsequent phased approach to resume activities safely. The Residential Projects segment of the Group also ceased operations during the same period as many of the property developers and main contractors had to temporarily suspend operations. The prolonged duration of the COVID-19 situation and travel restrictions curtailed plans by the former Executive Chairman and CEO to visit overseas suppliers, seek ventures for new business and expansion plans for China operations.

Based on the unaudited consolidated financial statements of the Group for FY2021, the Group revenue decreased by 23.5% in FY2021, mainly attributed to the Residential Projects segment which ceased operations during the COVID-19 Circuit Breaker and the subsequent phased approach to resume activities safely which also resulted in a decrease in gross profit. The Group recorded revenue and loss before tax of S\$11.6 million and S\$9.8 million respectively for FY2021.

The Group recorded total equity of S\$30.4 million as at 30 June 2021, compared with a capital deficit of S\$6.1 million as at 30 June 2020 due mainly to the increase in share capital by S\$46.2 million arising from placement exercises and debt to equity conversions, partially offset by the loss after income tax of S\$9.9 million recorded in FY2021.

For further details of the Group's financial performance, please refer to the Condensed Interim Financial Statements and Dividend Announcement for the Six Months and Full Financial Year Ended 30 June 2021 released on 6 November 2021. More details can be found in the Annual Report for FY2021 to be released in due course.

Target:

The Group is continuously seeking to enhance its economic performance. The Group is determined to strengthen its fundamentals and establish enduring partnerships to ensure sustainability. So far, in the first half of FY2022 up to the date of this report, this has been evidenced by a project portfolio amounting to S\$12.9 million and S\$2.7 million for the Residential Projects and Retail and Distribution segments respectively. Amidst the global economic and political uncertainties, the Group will continue to forge close relationships with brand partners and suppliers to ensure continuity in its supply chain.

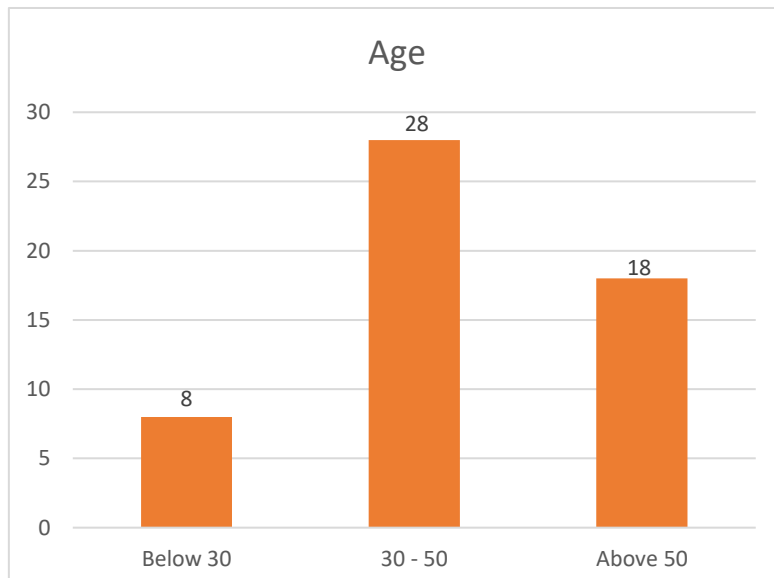
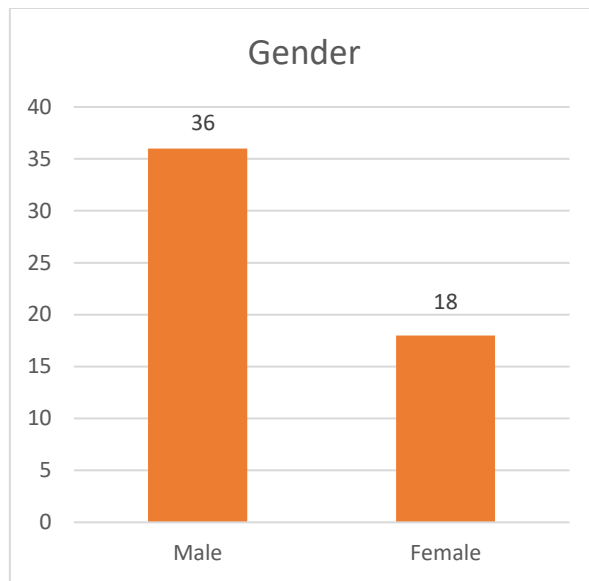
Whilst the Group focuses on growing its core business of kitchens by increasing market share in Singapore and the region, the Group has diversified into Artificial Intelligence and Big Data business through OOWAY Acquisition that will enhance shareholders value. The management is working on potential business plans in Artificial Intelligence and Big Data areas. The Company will make necessary announcements when appropriate.

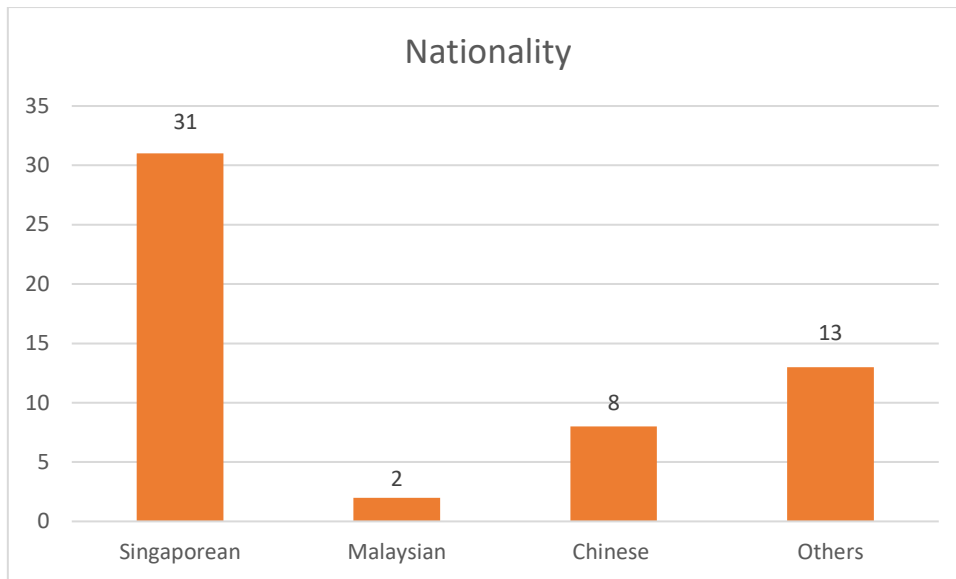
EMPLOYMENT

Customer service is key to the Company's business policy of offering quality products and services. The Group's employees are a central component to the achievement of a high standard of customer service that in turn drives revenue and ultimately result in a great impact on the Group's success.

Enduring efforts are made to build a successful team of people with the right mix of professional skills, and to provide a conducive work environment that drives employees with motivation for a highly productive team to achieve success in the long run.

As at 30 June 2021, the Group's Singapore operations had 54 full-time and permanent employees (30 June 2020: 56), comprising a diverse workforce with wide-ranging backgrounds and qualities. As at 30 June 2021, there are two contract or part-time employees under the Group's Singapore operations (30 June 2020: 2).





Health and safety of employees has been a major concern in the Group's business. The Singapore operations including its Kitchen Culture Showroom were suspended in compliance with the COVID-19 Circuit Breaker and the subsequent phased approach to resume activities safely. The Residential Projects segment of the Group also ceased operations during the same period as many of the property developers and main contractors had to temporarily suspend operations.

Post COVID-19 Circuit Breaker, at all times during phase 1 and phase 2 re-opening, the Singapore operations had implemented safety measures in line with government guidelines, including support staff working from home via telecommuting, those in office to wear mask, observe safe distancing, temperature taking, use hand sanitisers and meetings of less than five persons. Further easing of restrictions followed, and more people were allowed to return to workplace from 28 September 2020 as Singapore's Covid-19 community cases remained low. Company from then on could hold meetings with more than five persons.

Contact with customers and suppliers were curtailed, visitors by appointment only, screening of visitors, temperature taking and contact tracing.

The Group provided 3 activities in FY2021 for the Group's Singapore operations employees to foster camaraderie and teamwork.

Target:

The Group is committed to provide equal opportunities for existing and new employees to maintain a diverse and robust workforce. The Group targets to provide at least 3 activities in FY2022 for the Group's Singapore operations employees to foster camaraderie and teamwork.

TRAINING AND EDUCATION

Regular in-house trainings are conducted to update all employees on the latest developments in industry best practices and product offerings.

In FY2021, an average of 1.8 hours of training per employee (FY2020: 7.7 hours) were clocked by the Group's Singapore operations employees. The lower hours of training per employee in FY2021 was largely attributed to COVID-19 which disrupted the traditional class room training sessions, the cancellation of scheduled training programmes in the first half of the financial year as the Singapore operations were suspended in compliance with the COVID-19 restrictions, and unavailability of third party trainers arising from COVID-19 safety measures and travel restrictions.

New employees are briefed on the Group's core values and policies. A tailored orientation programme helps new employees to a smooth and efficient induction to their work. On-the-job training is a continuous process through close supervision of employees by their immediate managers and management team.

The Group has a program for employee skills development to achieve a high standard of customer service. One component of the programme is product training conducted by visiting Brand Principals. This program enhances employees' product knowledge, technical expertise and problem-solving skills.

The management team regularly engages with employees of the Group. Through team meetings, employee concerns are shared and management endeavours to address them on a timely basis. This practice creates a better working environment, and with employee feedback, helps to lay the groundwork for a highly productive team that can communicate, cooperate and innovate in an atmosphere of mutual trust and respect.

Target:

The Group targets to continue providing around 10 hours of training per employee to the Singapore operations employees and ensuring all new employees go through orientation programme.

The Group is committed to training and reskilling of staff to meet new challenges during and after the COVID-19 crisis, leveraging on training grants, and to equip members of staff to operate safely in the "new normal".

ENVIRONMENT

The Company is conscious of the need to protect the environment and the Group strives to find resource and energy-efficient solutions that help the Group, its business partners and its customers to reduce our climate and environmental impact.

The business of the Group is supply and installation of imported kitchen systems and appliances. The Group does not have any manufacturing operations, direct environmental impact is therefore limited. However, the Group actively seeks to introduce new products that are environmentally friendly – products that are manufactured from sustainably sourced materials, and products with innovative features requiring less energy/fuel consumption and reduced emissions.

Kitchen Culture has been the pioneers involved with the distribution of European imported kitchen systems, using environmentally friendly, sustainable materials. The Group works with Europe's leading brands which sources their materials from the leading raw material manufacturers emphasising the sustainable use of raw materials in its core values.

Formaldehyde is released naturally by wood and is also contained in the usual binding agents of wood-based materials, e.g. in glues and resins based on urea, melamine, or phenol. World Health Organisation (WHO) considers it to be a health hazard if the ambient air concentration of formaldehyde remains above 0.08 ppm. These are commonly used in the local carpentry industry with high level of hazardous formaldehyde levels. The Group exercised caution in the selection of these binding agents and applied sparingly where the use of them cannot be avoided.

The Group has been importing cabinetry from Europe that meets the E1 emission class (< 0.007% formaldehyde) which meets the healthy living spaces standard in Europe.

For the projects that the Group has undertaken, all the imported cabinets from Europe meets the Green Label utilising sustainable, environmentally friendly materials. Locally fabricated carpentry use materials that meet the Green Label certification in Singapore.

Target:

The Group is committed to continue introducing new products that are environmentally friendly, focusing on sustainable use of raw materials and promoting the health benefits of clean, healthy living spaces.

GRI CONTENT INDEX

GRI Standard/Disclosure	Page Reference and Reasons for Omission, if applicable
102-1 Name of the organisation	1
102-2 Activities, brands, products, and services	1
102-3 Location of headquarters	1
102-4 Location of operations	1
102-5 Ownership and legal form	1
102-6 Markets served	1
102-7 Scale of the organisation	7 – 10
102-8 Information on employees and other workers	8 – 10
102-9 Supply chain	3 & 12
102-10 Significant changes to the organisation and its supply chain	Not applicable as there was no significant change during FY2021.
102-11 Precautionary principle or approach	3
102-12 External initiatives	Not applicable as there is no externally-developed economic, environmental and social charters, principles, or other initiatives to which the Group subscribes, or which it endorses within the scope of this report.
102-13 Membership of associations	Not applicable as there is no major memberships of industry or other associations, and national or international advocacy organisations maintained by the Group within the scope of this report.
102-14 Statement from senior decision maker	3
102-16 Values, principles, standards, and norms of behaviour	To be disclosed in Annual Report for FY2021.
102-18 Governance structure	4
102-40 List of stakeholder groups	5
102-41 Collective bargaining agreements	Not applicable as all employees within the scope of this report are not covered by any collective bargaining agreements.
102-42 Identifying and selecting stakeholders	5
102-43 Approach to stakeholder engagement	5
102-44 Key topics and concerns raised	5 – 6
102-45 Entities included in the consolidated financial statements	To be disclosed in Annual Report for FY2021.
102-46 Defining report content and topic boundaries	3
102-47 List of material topics	6
102-48 Restatements of information	Not applicable as there are no changes.
102-49 Changes in reporting	Not applicable as there are no changes.
102-50 Reporting period	3
102-51 Date of most recent report	30 November 2020
102-52 Reporting cycle	3

GRI Standard/Disclosure	Page Reference and Reasons for Omission, if applicable
102-53 Contact point for questions regarding the report	3
102-54 Claims of reporting in accordance with the GRI Standards	4
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102-56 External assurance	3
103-1 Explanation of the material topic and its boundary	7 – 12
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