

KITCHEN CULTURE HOLDINGS LTD.
(Company Registration No: 201107179D)
(Incorporated in the Republic of Singapore on 25 March 2011)

RESPONSE TO QUERIES FROM SGX

The Board of Directors (the “**Board**”) of Kitchen Culture Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries received from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 8 July 2021 in connection with the Company’s announcement dated 8 July 2021 on the cessation of the Chief Executive Officer (“**CEO**”), and sets out its responses to the queries as follows:

Question 1:

It is stated that the Board is “of the reasonable opinion that Mr. Lim Wee Li (CEO) is in gross default or grave misconduct in connection with or affecting the business of the Company”. Therefore, the Board terminated the employment of Mr. Lim as CEO.

Please elaborate on the “gross default or grave misconduct” and how this had affected the business of the Company. What is the implication on the Company’s past announcements and previously released financial statements? Any there any breaches of the Catalist Rules, laws or regulations?

Company’s response:

(i) Please elaborate on the “gross default or grave misconduct” and how this had affected the business of the Company.

The “gross default or grave misconduct” in connection with or affecting the business of the Company is, *inter alia*, as follows:

- (a) Mr. Lim Wee Li, 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 of the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”), and had expressly authorized the release of an inaccurate announcement; and
- (b) 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.

The Board (excluding Mr. Lim Wee Li who is conflicted), by a majority of 4 – 1, is of the opinion that the above constitute “gross default or grave misconduct” in connection with or affecting the business of the Company, and are grounds for terminating Mr. Lim Wee Li’s employment for cause.

The Board has instructed legal counsel to advise the Company on, *inter alia*, its legal rights in relation to the issues set out in the in the draft interim report from Baker Tilly Consultancy (Singapore) Pte. Ltd. (“**Baker Tilly**”) dated 18 June 2021 (“**Interim Report**”) and on the termination of the CEO. The Board will vigorously protect and defend its interests and pursue all legal remedies against the relevant parties, including but not limited to commencing civil actions to pursue the losses that may have been suffered by the Group.

The Board will continue to take all necessary actions in the best interests of the shareholders and the

Group.

(ii) *What is the implication on the Company's past announcements and previously released financial statements?*

Mr. Lim Wee Li's conduct (as described above) has a serious impact on the Company's reputation (being a SGX-listed company) and has contributed to significant material weaknesses in the Company's internal controls, including on the timeliness and accuracy of the Company's announcement dated 1 February 2021 ("**1 February Announcement**").

Based on the observations contained in the Interim Report, the 1 February Announcement was not timely and contained inaccuracies.

The Interim Report notes that for the total amount of utilization disclosed in the 1 February Announcement, the correct time periods should have been as follows:

Transaction	Period of Use	Utilization Amount
Placement of an aggregate of 56,273,000 new ordinary shares in the capital of the Company (" 1st Placement Exercise ")	April to June 2020	SGD3,065,000
Convertible Loan Agreement dated 3 May 2020 (" CLA ")	July to September 2020	SGD446,000
Placement of an aggregate of 40,572,000 new ordinary shares in the capital of the Company (" 2nd Placement Exercise ")	July to 19 December 2020	SGD6,728,000

Accordingly, the use of proceeds was not reported timely as required under the Catalist Rules.

The 1 February Announcement further contained inaccuracies as follows:

- There was a shortfall of SGD846,552 from the 2nd Placement Exercise for working capital that was not reported in the 1 February Announcement.
- The use of proceeds from the 2nd Placement Exercise was only monitored up to 19 December 2020 but not up to the date of the 1 February Announcement.
- The periods of use of proceeds stated in the 1 February Announcement were inaccurate:

Transaction	Utilization Amount in the 1 February Announcement	Utilization Period in the 1 February Announcement	Actual utilization period
1 st Placement Exercise	SGD413,000	October 2020 to January 2021	April to June 2020
CLA	SGD91,000	October 2020 to January 2021	July to September 2020

- The amount of use of proceeds was inaccurate:

Transaction	Utilization Period in the 1 February Announcement	Utilization Amount in the 1 February Announcement	Actual Utilization amount
2 nd Placement Exercise	October 2020 to January 2021	SGD3,853,000	SGD1,144,643

- (e) There was an observation of a double-counting in the use of proceeds. The Company paid the partial/full salaries of the senior management personnel to KHL Marketing Asia-Pacific Pte. Ltd. (“**KHLM**”) every month, depending on how much KHLM bills to the Company as the management fee. A total of SGD270,058 in management fees was paid by the Company to KHLM from June 2020 to October 2020. This amount of SGD270,058 was double-counted in the Management’s monitoring spreadsheet and over-reported as the use of proceeds from the 2nd Placement Exercise in the 1 February Announcement.

The Company is investigating the cause of the above inaccuracies observed in the Interim Report and the extent to which the utilization of proceeds was duly authorized by the Board and the Board will make the necessary further announcements to update the shareholders.

Pending the completion of the AUPs (as defined below) or any Special Audit (as defined below) and save for the 1 February Announcement, the Board is unable to confirm that the conduct of Mr. Lim Wee Li does not have any further implication on the Company’s past announcements and previously released financial statements.

(iii) Any there any breaches of the Catalist Rules, laws or regulations?

There are breaches and potential breaches of the Catalist Rules, laws and regulations and the Company will conduct further investigations on the depth and breadth of such breaches and potential breaches and the Board will make the necessary further announcements to update shareholders.

Question 2:

The Company had announced on 23 June 2021 that the AC had engaged Baker Tilly to review its internal controls. We understood that the review was initiated as the Company had been active in fund raising. As the review was still ongoing then, the Board will update shareholders when there are material developments. Is the termination of Mr. Lim due to findings from the review? Has the review been completed? When will the report on Baker Tilly’s findings and recommendations be released? What steps have the Board taken to address concerns, if any?

Company’s response:

(i) We understood that the review was initiated as the Company had been active in fund raising.

Baker Tilly’s appointment by the Audit Committee (“**AC**”) to undertake an internal control review of the Company (“**Review**”) in the area of cash management by the Management for the Company and KHLM following the fundraising exercises completed in 2020 and related matters was initiated because of the Management’s unsatisfactory response to questions raised by members of the AC at the meeting of the Board on 9 February 2021 on the reasons for the re-allocation and utilization of proceeds from the fundraising exercises.

(ii) Is the termination of Mr. Lim due to findings from the review? Has the review been completed?

In the course of its Review, Baker Tilly uncovered certain matters of concern. Baker Tilly provided their initial findings to Mr. Lim Wee Li and other members of the Management and held closed meetings with them to go through each of its observations. Baker Tilly also invited Mr. Lim Wee Li to provide his written responses to each matter. The Management provided its written responses on 21 May 2021. These written responses were incorporated into a draft interim report, which was provided to Mr. Lim Wee Li and other members of the Management on 28 May 2021 for further comments. On 28 May 2021, the Financial Controller confirmed the contents of the draft interim report, with Mr. Lim Wee Li in copy. On 18 June 2021, Baker Tilly presented the Interim Report to the AC based on its findings to date (including the Management’s responses).

The Interim Report disclosed certain potential breaches by officers and employees of the Company,

which also warrant further investigations by the Company.

In addition, the Interim Report conclusively identified certain failures by Mr. Lim Wee Li which are the basis for the Company's decision to terminate Mr. Lim Wee Li's appointment.

On 15 June 2021, Mr. Lim Wee Li's lawyers wrote to the Board, stating that he intended to provide further written responses to the Interim Report. However, Mr. Lim Wee Li failed to provide any further written response in the three weeks following this letter.

In the morning of 7 July 2021, the Board by a majority of 4-1 (excluding Mr. Lim Wee Li), passed a resolution to terminate Mr. Lim Wee Li's employment with immediate effect, based on the findings in the Interim Report, which included Mr. Lim Wee Li's written response to date.

In the afternoon of 7 July 2021, following the Board's resolution to terminate Mr. Lim Wee Li, but before the Notice of Termination was served on Mr. Lim Wee Li, Mr. Lim Wee Li's lawyers sent to the Company's lawyers a letter providing further written responses to the Interim Report ("**7 July Letter**"). The Notice of Termination was served on Mr. Lim Wee Li before the Board had an opportunity to consider the 7 July Letter.

In the circumstances, the Board decided to consider the Interim Report afresh, together with Mr. Lim Wee Li's comments, as set out in the 7 July Letter, and decide, on a *de novo* basis, the appropriate response by the Company to Mr. Lim Wee Li's conduct, including whether to reinstate Mr. Lim Wee Li's employment.

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

(iii) When will the report on Baker Tilly's findings and recommendations be released?

The Board has reviewed the Interim Report and has adopted the same as recommended by the AC and furnishes a summary of the findings from the Interim Report to the Company's shareholders:

Priority	Summary of Findings
High	<ol style="list-style-type: none">1) Certain fund transfers were made without written approval, supporting document, business justifications and disclosure to SGX-ST;2) In relation to borrowings from private lenders amounting to SGD3,670,000 and HKD10,000,000 with interest rates ranging from 10% to 21.6%, there were inadequacies in (i) the approval process, (ii) documentation preparation, and (iii) priority and mode of repayment;3) Certain interested persons and interested person transactions, including but not limited to purchase of a motor vehicle and the appointment of a spouse, were not identified, monitored, reviewed and disclosed;4) Certain capital expenditures involving motor vehicles were incurred without written approval, business justifications and price comparisons;5) There was no independent approval and business justifications for certain Executive Directors' entertainment expenses and in the case of a specific gift to a third party, there was no acknowledgement from the gift recipient;6) There were inadequate planning, monitoring and reporting for the use of proceeds obtained through the 1st Placement Exercise (SGD3,731,000), the CLA (SGD6,020,000) and the 2nd Placement Exercise (SGD9,484,000);7) There is no delegation of authority, segregation of duties and independence in the approval and processing of certain payments; and8) Hiring of certain managerial positions and salary increment of a former Executive Director were not supported with written approvals and documented

Priority	Summary of Findings
	justifications.
Moderate	1) There are inconsistent practices in bank statements reconciliation and the usage of payment vouchers; and 2) Staff allowances were paid using cash cheques from the Company and without obtaining acknowledgements of receipt from the staff.
Low	1) Dormant bank accounts of the Group were yet to be closed; 2) The Group did not have formalised policies and processes in respect of certain key processes; and 3) The Company's whistleblowing channel was not updated and was not made available to stakeholders.

(iv) What steps have the Board taken to address concerns, if any?

The Board has reviewed the recommendations of Baker Tilly in the Interim Report for remedial works to be done by the Company ("**Remedial Works**") and has adopted the same as recommended by the AC. Moving forward, the Company will implement all of the Remedial Works. The Management is in the process of implementing the Remedial Works and will be reporting to the AC and the Board on the implementation status.

In addition, the Management has indicated that it will be taking the following steps:

- 1) The Management will seek the Board's approval in writing for any loans to third parties before any loan agreement is entered into, or monies disbursed to third parties. The policies and procedures relating to loans to third parties will be documented and presented to the Board for approval.
- 2) The finance department will ensure that all payment vouchers have accompanying documented justification approved by authorised personnel and the payment vouchers are also signed off by authorised personnel before transfers are executed.
- 3) The Management will seek the Board's approval in writing and provide the Board with business justifications before entering into loan agreements and ensure that all loans are supported with agreements and acknowledgements. The policies and procedures relating to loan agreements will be presented to the Board for approval.
- 4) Any loans provided by Mr. Lim Wee Li to the Group (including repayments made by Mr. Lim Wee Li on behalf of the Group) shall be in accordance with the Company's interested person transaction policy and procedure which shall require the AC's approval.
- 5) For cash withdrawals exceeding SGD50,000, the Management shall seek the approval of the Board before the withdrawal.
- 6) The Management will consult the Company's sponsor, SAC Capital Private Limited, on the need for retrospective announcements in relation to the appointment of Mr. Lim Wee Li's spouse to a managerial position in the Company.
- 7) The Management will update the interested person transaction register and prepare policies and procedures on interest person transactions for the Board's approval. Written justification

and approval or interested person transactions above SGD100,000 shall be obtained from the AC before execution.

- 8) The Management will seek written approval from the Board with supporting justification for any purchase of private motor vehicles. A formal policy and procedure on capital expenditure will be established for the Board's approval.
- 9) The Management will ensure that proceeds from placement of new shares placed in a separate bank account to better control the utilization of funds. If it is forecasted that allocated use limits are going to be exceeded, the Management shall seek the approval of the Board with written justification before utilizing the funds.
- 10) The human resource department of the Company will ensure that claims from Executive Directors include details of the claims such as the names of persons and justifications for the expenses.
- 11) The Management will establish a policy for entertainment expenses and gifts incurred by Executive Directors in the course of business, including expense claim procedures.
- 12) The human resource department of the Company will inform the Financial Controller of any expense claims submitted by interested persons for recording in the interested person transaction register.
- 13) The Management will plan the use of proceeds in future fund raising exercises by preparing a cash flow and budget for the use of proceeds for Board approval.
- 14) The Management will prepare the necessary Board papers for the Board to approve the reallocation of the use of proceeds.
- 15) The Management will draft a Delegation of Authority for Board approval.
- 16) The Financial Controller will obtain the bank mandates for all bank accounts of the Group.
- 17) The Management will ensure that the appointment, compensation, roles and responsibilities of directors is documented in a Board memo and submitted to the Nominating Committee and Remuneration Committee for approval.
- 18) The Management will ensure that for all new employees:
 - The hiring request form is completed;
 - The job application form is completed; and
 - There is a letter of employment setting out the new employee's roles and responsibilities.
- 19) The Management will be reviewing the staffing issues in order to ensure that finance department is suitably staffed in terms of experience, performance and capacity.
- 20) The Management is in the process of migrating the Company's ERP system from Navision to SAP B1 in order to address inefficient business processes, data quality and to implement workflow approvals for better internal controls.

- 21) The Management will restrict the issue of cash cheques to workers only when absolutely necessary and ensure that workers acknowledge receipt of the monies on the payment vouchers.
- 22) The Management will review the role and use of its bank accounts that are dormant and will close such bank accounts if there are no expected use for them.
- 23) The Management will draft policies and procedures identified as lacking in the Interim Report with delegation of authority for the Board's approval.
- 24) The Management will ensure that the Company's whistleblowing policy is updated to include the email addresses of the current AC members and that the whistleblowing channel shall also be made available on the Company's corporate website.

Baker Tilly will be engaged by the AC to review the implementation status of the Remedial Works, as well as the above additional remedial steps by the Management.

Due to the nature of the observations set out in the Interim Report, the AC is presently considering and taking advice as to whether it should recommend to the Board to conduct a special audit ("**Special Audit**") instead of the additional agreed-upon-procedures ("**AUPs**") that were proposed and being considered by the AC in discussions with Baker Tilly.

The Board will give due consideration to the AC's eventual recommendation and the Company will make the necessary further announcements to update shareholders.

The Board also intends to submit to the SGX-ST and the Sponsor the interim reporting of, *inter alia*, the matters raised in the Interim Report.

Question 3:

Board to confirm if all material information has been announced and that the Company is in compliance with the listing rules.

Company's response:

Pending the completion of the AUPs or a Special Audit (as the case may be) and the detailed announcements pursuant to Rule 704(6) of the Catalist Rules in relation to the cessation of CEO and the appointment of Interim CEO, the Board is unable to confirm that all material information has been announced. With regards to compliance with the Catalist Rules, please see the response to Question 1.

The Company also wishes to refer the shareholders to an article dated 11 July 2021 entitled "Kitchen Culture's dismissed CEO to explore legal options" published by The Business Times which contains certain comments made by Mr. Lim Wee Li.

The Company will voluntarily suspend its trading until such time that the Board is able to confirm that all relevant material information has been released on SGXNet.

By Order of the Board

Hao Dongting
Non-Executive Chairperson
12 July 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.

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