SDAI LIMITED
(Company Registration No. 201107179D)
(Incorporated in Republic of Singapore on 25 March 2011)

DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the board of directors (the "**Board**") of SDAI Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the independent auditor of the Company, Foo Kon Tan LLP (the "**Independent Auditor**"), has issued a disclaimer of opinion ("**Disclaimer of Opinion**") in respect of its Independent Auditor's Report dated 23 October 2024 (the "**Independent Auditor's Report**") for the audited financial statements of the Group and the Company for the financial year ended 31 December 2023 ("**FY2023**") (the "Audited **Financial Statements**").

The Independent Auditor has not expressed an opinion on the Audited Financial Statements as it has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Audited Financial Statements. The basis for the Disclaimer of Opinion is contained in the Independent Auditor's Report. Please refer to the Independent Auditor's Report, together with an extract of the relevant Notes to the Audited Financial Statements, a copy of which is attached to this announcement for further details.

Notwithstanding the Disclaimer of Opinion, the Audited Financial Statements have been prepared on the basis that the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the Audited Financial Statements on a going concern basis remains appropriate taking into consideration the reasons as disclosed in Note 2 to the Audited Financial Statements. An extract of the Note 2 to the Audited Financial Statements pertaining to the Group's and Company's going concern assumption is also attached to this announcement for further details.

Shareholders and potential investors of the Company are advised to read this announcement in conjunction with the Independent Auditor's Report and the Audited Financial Statements that formed a part of the annual report of the Company for FY2023 (which will be released separately on the SGXNet on 23 October 2024) in their entirety, and to exercise caution when dealing in the shares of the Company. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

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

By Order of the Board of
SDAI Limited

Yip Kean Mun
Executive Director
23 October 2024

---

*This announcement has been prepared by SDAI Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by 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 Goh Mei Xian, Director, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone: (65) 6636 4201.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of SDAI Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other 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 material accounting policy information.

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

<u>Use of going concern assumption</u>

We draw attention to Note 2 to the financial statements which indicates that the current liabilities of the Group and the Company exceeded their current assets by $5,565,779 and $7,506,227, respectively, and a deficit in equity of the Group and of the Company of $5,572,163 and $7,506,227, respectively, as at 31 December 2023. The Group also incurred a loss for the year of $5,558,223; and net cash used in operating activities of $1,957,722 for the financial year ended 31 December 2023. These conditions together with other material uncertainties faced by the Group and the Company as disclosed in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

As disclosed in Note 2 to the financial statements, the management has prepared the financial statements on the basis that the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the financial statements on a going concern basis remains appropriate taking into consideration that the Group and the Company are able to (a) address all matters raised in the Notice of Compliance ("NOC"), and (b) successfully complete the corporate turnaround plans and restructuring, and (c) obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 26 September 2025.

The conditions set out in the preceding paragraphs reflect the presence of multiple material uncertainties that are significant to the financial statements as a whole. We were unable to obtain sufficient appropriate evidence that the use of going assumption in preparation of the financial statements is appropriate in connection with the ability of the Group and the Company to (a) address all matters raised in the NOC as disclosed in Note 30(b), (c) and (d) to the financial statements, (b) successfully complete the corporate turnaround plans and restructuring, and (c) obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 26 September 2025. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

NOC issued by Singapore Exchange Regulation ("SGX RegCo")

As disclosed in Note 30 to the financial statements, specifically relating to matters under Note 30(b), (c) and (d), SGX RegCo had issued two separate NOCs to the Company in connection with the Additional Scope of Internal Auditor ("IA") and scope of Special Audit of independent Special Auditor.

On 23 March 2022, the IA issued the Follow-up Review report and AUP Report in connection with the utilisation of proceeds up to 30 November 2021. These Follow-up Review report and AUP report had been shared by the management with the Special Auditor on 31 March 2022 for their information. As at the date of this report, the Special Auditor has yet to complete its audit in connection with the internal control weaknesses identified by the IA in its Interim Report, Follow-Up Report and AUP Report.

On 21 July 2023, the Special Auditor issued the first phase of the special audit which covered (a) Payroll Matter - whether two former employees were meaningfully employed by KHL Marketing Asia-Pacific Pte. Ltd. or in exchange for monetary benefits; and (b) Unauthorised Transaction – where five agreements were entered into by KC Technologies Pte Ltd without the approval of the Board to invest in/co fund Amazon's e-commerce merchant business. The Special Auditor highlighted potential breaches of laws and regulations.

As at the date of this report, the Special Auditor's works are still ongoing and have not been concluded, and the outcome of the Special Audit, mentioned under Note 30(b)(ii) to the financial statements, could provide new information or findings. This reflects the presence of uncertainties, potential breaches of laws and regulations and may have a consequential impact on the Group's and the Company's financial statements and the use of going concern assumption, which are presently unknown. Accordingly, we are unable to ascertain the extent of pervasiveness and/or significance of any adjustments that may arise from the Special Audit, if any, on the financial statements of the Group and the Company.

Opening balances and comparative information and the financial effect on the current financial year's figures

We expressed a disclaimer of opinion in our independent auditors' report dated 25 April 2024 in respect of the financial statements for the financial period from 1 July 2021 to 31 December 2022 in respect of appropriateness of the use of going concern assumption, NOC issued by SGX RegCo, opening balances as at 1 July 2021 and the results, changes in equity and cash flows for the financial period from 1 July 2021 to 31 December 2022 in relation to impairment of property, plant and equipment, investment in an associate, discontinued operations (including completeness, existence and accuracy of the amounts due from subsidiaries and associate), significant subsidiary (Kitchen Culture (Hong Kong) Limited), impairment of investments in subsidiaries and amounts due from subsidiaries and associate, completeness, existence and accuracy of bank balances and completeness, existence and accuracy of other payables. Consequently, our opinion on the current year's financial statements is also modified because of the effects of this matter on the comparability of the current year's figures and the corresponding figures.

Impairment of property, plant and equipment

As disclosed in Note 5 to the financial statements, the carrying amounts of property, plant and equipment of the Group and the Company amounted to $Nil and $Nil, respectively, as at 31 December 2023, and $354,287 and $223,658, respectively, as at 31 December 2022.

We were unable to obtain sufficient appropriate audit evidence on the recoverable amount of impairment assessment of the property, plant and equipment in accordance with SFRS(I)1-36 *Impairment of Assets* as at 31 December 2022. Since the opening balance as at 1 January 2023 affects the results, changes in equity and cash flows for the current financial year, we were unable to determine whether any adjustments to the results, changes in equity and cash flows in relation to the appropriateness of the impairment loss recognised for the current financial year, might be necessary. In addition, we were unable to ascertain the appropriateness and adequacy of the related disclosures, and presentations in the financial statements.

Investment in an associate

As disclosed in Note 8 to the financial statements, the Group's carrying amount for investment in OOWAY Technology Pte. Ltd. ("OOWAY") was $Nil as at 31 December 2023 and the Group accounted for investment in OOWAY using the equity method with the Group's share of OOWAY's net loss of $503,471 for the current financial year. The Group also recognised an impairment loss of $1,790,529 for the current financial year.

We did not receive the audited financial information of OOWAY prepared in accordance with SFRS(I)s or its equivalent as at the acquisition date on 12 October 2020 and for the financial periods from 12 October 2020 to 30 June 2021, 1 July 2021 to 31 December 2022 and the current financial year. We were unable to obtain sufficient appropriate audit evidence on the financial information of OOWAY, and unable to determine whether any adjustments in relation to the appropriateness of the Group's share of OOWAY's net loss and impairment loss recognised for the current financial year, might be necessary. In addition, we were unable to ascertain the appropriateness and adequacy of the related disclosures, and presentations in the financial statements.

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 Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("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.

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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Teik Tiong.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 23 October 2024

Extract of Notes 2, 5, 8 and 30 to the Financial Statements for FY2023

2. Going concern

As at 31 December 2023, the current liabilities of the Group and the Company exceeded their current assets by $5,565,779 (2022: $2,799,485) and $7,506,227 (2022: $4,316,109), respectively, and a deficit in equity of the Group and of the Company of $5,572,163 (2022: $151,198) and $7,506,227 (2022: $1,798,451), respectively. The Group also incurred a loss for the year of $5,558,223 (2022: $28,715,427); and net cash used in operating activities of $1,957,722 (2022: $4,256,172) for the financial year ended 31 December 2023.

As at the date of the financial statements, the Group has the following material uncertainties:

- Completion of the special audit by the Special Auditors in connection with the internal control weaknesses identified by the Internal Auditor in its Interim Report, Follow-up Report and AUP Report pursuant to the Notice of Compliance ("NOC") issued by the Singapore Exchange Regulation as disclosed in Note 30(b), (c) and (d).

- Ability of the Group and the Company to realise their assets and discharge their liabilities in the normal course of business.

- Ability of the Group and the Company to complete the corporate turnaround plans and restructuring.

- Ability of the Group and the Company to obtain sufficient new loan financing and further extend the maturity date of the existing loans which will be matured on 26 September 2025.

The above matters represent material uncertainties that may cast a significant doubt on the ability of the Group and the Company to continue as a going concern and therefore, the Group and the Company may not be able to realise their assets and discharge their liabilities in the normal course of business.

Notwithstanding the above, the Board of Directors has considered the following significant assumptions in its going concern assumptions:

- The Group and the Company are able to address all matters raised in the NOC.

- The Group and the Company are able to successfully complete the corporate turnaround plans and restructuring.

- The Group and the Company are able to obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 26 September 2025.

Management acknowledges that the above uncertainties remain over the ability of the Group and the Company to realise their assets and discharge their liabilities in the normal course of business. However, the Board of Directors are confident that the Group and the Company are able to (a) address all matters raised in the NOC, (b) successfully complete the corporate turnaround plans and restructuring, and (c) obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 26 September 2025, and therefore, the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the financial statements on a going concern basis remains appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

5. Property, plant and equipment

The Group	Leasehold properties $	Renovations $	Furniture and fittings $	Office equipment $	Motor vehicles $	Operating equipment $	Coffee making equipment and accessories $	Total $
Cost								
At 1 July 2021	5,091,226	1,678,413	344,164	757,805	1,296,217	15,525	15,000	9,198,350
Additions	289,113	59,229	79,182	38,894	-	-	-	466,418
Disposals	-	-	-	-	(953,432)	-	-	(953,432)
Written off	-	(20,029)	-	-	-	-	-	(20,029)
Effect of derecognition of subsidiaries (Note 25)	(2,365,498)	(1,294,478)	(344,483)	(645,851)	(235,401)	(15,525)	(15,000)	(4,916,236)
Exchange differences on translation	18,277	4,711	803	799	1,271	-	-	25,861
At 31 December 2022	3,033,118	427,846	79,666	151,647	108,655	-	-	3,800,932
Additions	101,879	-	-	-	-	-	-	101,879
Disposal	-	(418,162)	(71,345)	(113,198)	(106,196)	-	-	(708,901)
Lease modification	(2,992,613)	-	-	-	-	-	-	(2,992,613)
Exchange differences on translation	(41,982)	(9,684)	(1,722)	(2,761)	(2,459)	-	-	(58,608)
At 31 December 2023	100,402	-	6,599	35,688	-	-	-	142,689
Accumulated depreciation and impairment loss								
At 1 July 2021	2,345,966	1,644,702	336,972	738,898	534,629	11,369	4,892	5,617,428
Depreciation for the period (Notes 23 and 25)	1,852,973	14,372	2,476	39,798	82,546	2,214	3,108	1,997,487
Disposals	-	-	-	-	(293,605)	-	-	(293,605)
Effect of derecognition of subsidiaries (Note 25)	(1,484,526)	(1,246,101)	(265,667)	(658,582)	(216,186)	(13,583)	(8,000)	(3,892,645)
Exchange differences on translation	10,762	4,337	807	803	1,271	-	-	17,980
At 31 December 2022	2,725,175	417,310	74,588	120,917	108,655	-	-	3,446,645
Depreciation for the year (Note 23)	296,328	-	394	10,450	-	-	-	307,172
Impairment loss for the year	57,776	-	-	11,612	-	-	-	69,388
Disposal	-	(407,864)	(66,663)	(104,781)	(106,196)	-	-	(685,504)
Lease modification	(2,939,363)	-	-	-	-	-	-	(2,939,363)
Exchange differences on translation	(39,514)	(9,446)	(1,720)	(2,510)	(2,459)	-	-	(55,649)
At 31 December 2023	100,402	-	6,599	35,688	-	-	-	142,689
Net book value								
At 31 December 2023	-	-	-	-	-	-	-	-
At 31 December 2022	307,943	10,536	5,078	30,730	-	-	-	354,287

The Company	**Leasehold properties** $	**Furniture and fittings** $	**Office equipment** $	**Motor vehicles** $	**Total** $
Cost					
At 1 July 2021	1,243,587	7,887	4,672	270,000	1,526,146
Additions	-	-	28,444	-	28,444
Disposals	-	-	-	(270,000)	(270,000)
At 31 December 2022	1,243,587	7,887	33,116	-	1,284,590
Disposals	-	(7,887)	(2,740)	-	(10,627)
Lease modification	(1,243,587)	-	-	-	(1,243,587)
At 31 December 2023	-	-	30,376	-	30,376
Accumulated depreciation and impairment loss					
At 1 July 2021	149,230	444	623	45,000	195,297
Depreciation for the period	895,383	2,366	12,886	45,000	955,635
Disposals	-	-	-	(90,000)	(90,000)
At 31 December 2022	1,044,613	2,810	13,509	-	1,060,932
Depreciation for the year	198,974	394	9,868	-	209,236
Impairment loss for the year	-	-	6,999	-	6,999
Disposals	-	(3,204)	-	-	(3,204)
Lease modification	(1,243,587)	-	-	-	(1,243,587)
At 31 December 2023	-	-	30,376	-	30,376
Net book value					
At 31 December 2023	-	-	-	-	-
At 31 December 2022	198,974	5,077	19,607	-	223,658

Reconciliation of non-cash transactions

During the financial year/period, the Group acquired property, plant and equipment of $101,879 (2022: $466,418), of which $Nil (2022: $177,305) were paid by way of cash and $101,879 (2022: $289,113) were financed through leases.

Impairment test of property, plant and equipment

The management assessed the property, plant and equipment of the Group as a single cash generating unit ("CGU"), which represents a group of assets that generates cash inflows in the sales and distribution of kitchen system, kitchen appliances, wardrobe system, household furniture and appliances in Hong Kong. The property, plant and equipment of the Company is assessed to be corporate assets allocated to the same CGU.

As at 31 December 2023, the management undertook an annual review of the carrying amount of the property, plant and equipment to determine whether there is any indication of impairment. Based on the review, indication of impairment was identified by the management as the financial performance of the CGU was not meeting the expectations originally envisaged. As a result, the management measured the recoverable amount of the CGU being the higher of the value in use and fair value less costs of disposal.

The value in use is determined to be nil on the basis of negative cash flows determined based on a forecasted cash flow projections covering a 4-year period as a result of economic slowdown in real estate sector in Hong Kong and absence of constructive restructuring plan to turnaround the business. The fair value less costs of disposal is estimated to be insignificant, considering the age and conditions of the property, plant and equipment and the low probability of transferring the remaining period of leases to a third party, which includes its transaction costs.

Based on the assessment, the recoverable amount of the CGU was determined to be $Nil which was below the carrying amount. Accordingly, an impairment loss of $69,388 and $6,999 was recognised in the consolidated statement of profit or loss and the Company's statement of profit or loss, respectively for the current financial year ended 31 December 2023.

8. Investments in associate

	The Group		The Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	$	$	$	$
Equity investment at cost:				
At beginning of financial year/period	2,294,000	20,812,358	2,294,000	21,722,000
Share of results of associated companies	(503,471)	(1,396,454)	-	-
Impairment loss recognised	(1,790,529)	(17,121,904)	(2,294,000)	(19,428,000)
At end of financial year/period	-	2,294,000	-	2,294,000

There are no contingent liabilities relating to the Group's interest in associated companies.

Set out below are the associated companies of the Group:

Name of associated companies	Country of incorporation/ place of business	Proportion of ownership interests held by the Group 2023	2022	Principal activities
		%	%	
Held by the Company				
OOWAY Technology Pte. Ltd. ("OOWAY")	Singapore	27.65	27.65	Holding company and provision of management consultancy services

Impairment test of investment in associate, OOWAY

The management assessed OOWAY as a single cash generating unit ("CGU"), which represents a group of assets that generates cash inflows in the business of provision of management consultancy services.

As at 31 December 2023 and 2022, the management undertook an annual review of the carrying amount of the investment in associates for objective evidence of impairment. Based on the review, objective evidence of impairment was identified by the management as the financial performance of the investee was not meeting the expectations originally envisaged.

As at 31 December 2023, the management measured the recoverable amount of the CGU being the higher of the value in use and fair value less costs of disposal. The value in use is determined be $Nil given the underlying business, i.e. parallel car business model is capital incentive and OOWAY has been making losses since 2020, in conjunction with OOWAY has constraint in seeking additional capital to turnaround the business. The fair value less costs of disposal is determined to be $nil based on net realisable assets approach.

As at 31 December 2022, the management measured the recoverable amount of the CGU being the higher of the value in use and fair value less costs of disposal, by adopting the fair value less costs of disposal approach based on the enterprise value to revenue multiples. Enterprise value to revenue multiples is a metric used to compare the value of an entity.

Based on the assessment, the recoverable amount of the CGU was determined to be $Nil (2022: $2,294,000. Accordingly, an impairment loss of $1,790,529 and $2,294,000 (2022: $17,121,904 and

$19,428,000) was recognised in the consolidated statement of profit or loss and the Company's statement of profit or loss, respectively for the current financial year ended 31 December 2023.

Key assumptions used in the enterprise value to revenue multiples

	31 December 2022
Comparable multiples	0.9 times
Discount for lack of marketability	20.5%

The key assumptions used in the estimation of recoverable amounts are set out below. These key assumptions represent management's assessment of future trends in the industry and have been based on the historical data from both external and internal sources.

(i) *Comparable multiples*

Enterprise value to revenue multiples are based on comparing certain financial measures of the comparable companies.

(ii) *Discount for lack of marketability*

A discount for lack of marketability reflects the concept that when comparing otherwise identical equity interests, a readily marketable equity interest would have a higher value than an equity interest with a long marketing period or restrictions on the ability to sell the equity interest.

The fair value less costs of disposal was categorised as a Level 3 fair value. The key unobservable inputs used in estimating the fair value less costs of disposal are disclosed above.

In 2022, if the comparable multiple multiples applied to the fair value calculation had been lower than 0.1 times, the recoverable amount would have decreased by approximately $259,000, resulting in an increase in impairment loss by approximately $259,000.

In 2022, if the discount for lack of marketability applied to fair value calculation had been higher by 10%, the recoverable amount would have decreased by approximately $144,000, resulting in an increase in impairment loss by approximately $144,000.

30. Significant events

(a) On 12 July 2021, the Company voluntarily suspended its shares trading as the Board of Directors (the "Board") was unable to confirm that all relevant material information has been announced, pending, *inter alia*, the completion of the additional agreed-upon-procedures or a special audit then being considered by the Audit and Risk Committee ("ARC"). Please refer to the Company's announcement dated 12 July 2021 for further details.

(b) The Company has on 14 July 2021 and 19 August 2021 received notices of compliance from the Singapore Exchange Regulation ("SGX RegCo"):

   (i) The first NOC issued by SGX RegCo on 14 July 2021 required the Company's 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 ("Interim Report") which was mentioned in the Company's announcement dated 12 July 2021.

   (ii) The second NOC issued by SGX RegCo on 19 August 2021 directed 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 superseded 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 below, 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 (by way of majority votes) has also mandated the IA to perform the following:

(i) 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

(ii) Perform certain agreed upon procedures ("AUP") for the utilisation of proceeds up to 30 November 2021.

(c) On 23 March 2022, the ARC received the Follow-up Review report and AUP report issued by the IA in connection with the utilisation of proceeds up to 30 November 2021. These Follow-up Review report and AUP report had been shared by the management with the Special Auditor on 31 March 2022 for their information.

Following the release of the Follow Up Review Report, the management revised the draft Policies, Procedures and Delegation of Authority manual for the ARC's review and recommendation to the Board for Board's approval. 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.

Following the release of AUP Report, there were certain unmatched expenses items reported by the IA in connection with the utilisation of proceeds up to 30 November 2021. The Management was in the midst of conducting further analysis and investigations 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 up to 30 November 2021.

The Company had subsequently provided multiple announcements on the information of the use of proceeds. On 19 October 2022, the Company further announced that, pending the conclusion of the Special Audit, the Board provided an update on the use of net proceeds raised to 30 September 2022, where the proceeds utilised has been further broken down into 5 separate time periods, (a) up to 7 July 2021, (b) from 8 July 2021 to 30 November 2021, (c) from 1 December 2021 to 31 March 2022, (d) 1 April 2022 to 31 July 2022, and (e) from 1 August 2023 to 30 September 2022, for the purposes of identifying the amounts of proceeds that were utilised by the Group during the respective periods in which Mr Lim Wee Li (former CEO of the Company) and Mr Lincoln Teo Choong Han (former Interim CEO of the Company), were respectively principally responsible for the management and conduct of the business of the Group during the period under review in the AUP Report, where Mr Lim Wee Li ceased to be the CEO of the Company on 7 July 2021, and Mr Lincoln Teo Choong Han was appointed as Interim CEO of the Company on 8 July 2021 and ceased to be the Interim CEO of the Company on 15 July 2022.

(d) On 21 July 2023, the Special Auditor issued the first phase of the Special Audit, which covered the auditing findings of Payroll Matter and Unauthorised Transaction.

- *Payroll Matter*

  This is in respect of suspected payroll irregularities of $520,000 arising from the past employment of two foreign nationals by its subsidiary, KHL Marketing Asia-Pacific Pte Ltd ("KHLM"). The Special Auditor was unable to independently verify whether the two former employees were meaningfully employed by KHLM. Based on the available evidence, it appeared that Mr Lim Wee Li had directed the said employment for the purpose of securing employment passes in exchange for monetary benefits, which may be a contravention of Sections 22 and 23 of the Employment of Foreign Manpower Act. Additionally, the Special Auditor also noted that the employment and determination of their compensation appeared to lack justification, and the hiring and termination process departed from the Group's policy and practice.

- *Unauthorised Transaction*

  This is in respect of transfer of the Company's fund of US$480,010 carried out by Mr Lincoln Teo Choon Han without the requisite approval of the Board of the Company. The Special Auditor uncovered a total of five agreements that Mr Lincoln Teo Choon Han had executed on behalf of the Company's wholly-owned subsidiary, KC Technologies Pte Ltd ("KC Technologies") without obtaining approval from the Board of the Company. Under the agreements, KC Technologies and Sino Allied (HK) Limited ("Sino Allied") were to jointly set up a structured finance scheme for one year, to support Amazon's e-commerce merchants with their collective procurements. KC Technologies was to fund 80% (US$480,000) of the total investment amount (US$600,000) and Sino Allied was to fund the remaining 20% (US$120,000). It was not in the Group's ordinary course of business to provide such financing. The Group had since terminated the financing business and recovered monies extended in relation to the Unauthorised Transaction and its corresponding interest pursuant to the agreements on 14 October 2021.

Arising from the above issues surrounding the Payroll Matter and Unauthorised Transaction, the Special Auditor highlighted potential listing rule breaches relating to internal control lapses involving the Company's hiring processes and new investment proposals, potential breaches of the Employment of Foreign Manpower Act and Ministry of Manpower guidelines, as well as potential contravention of directors' fiduciary duties under Section 157 of the Companies Act.

As at the date of these financial statements, the Special Auditor has yet to complete its Special Audit mentioned under Note 30(b)(ii) in connection with the internal control weaknesses identified by the IA in its Interim Report, Follow-Up Report and AUP Report.

(e) On 26 June 2023, the Company entered into a loan agreement with Asian Accounts Receivable Exchange Pte Ltd for an interest-free loan of $4 million with a maturity period of one year. On 27 March 2024, the Company renewed the loan with a new maturity date on 26 September 2025.

On 27 March 2024, the Company entered into a loan agreement with a director of the Company for an interest-free loan of $4 million with a maturity date on 26 September 2025.

(f) On 8 October 2024, the Company incorporated a wholly-owned subsidiary, Beijing Blue Code Biotechnology Co., Ltd. in the People’s Republic of China and the said subsidiary is currently dormant.