



Independent Special Audit Report

SDAI Limited (formerly known as Kitchen Culture Holdings Ltd.)

Prepared by: Deloitte & Touche Financial Advisory Services Pte. Ltd.

Date: 29 August 2025

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Glossary

Abbreviation	Description
2015 Third-party lenders	2015 Third-party lenders repaid using PL2 proceeds, Ms Toh Siew Cheng Gracy, Mr Ong Tiong Seng Tony and Paradise Group Pte. Ltd.
2015 Third-party lenders repaid using PL2 proceeds	Mr Gay Soon Watt, Mr Lee Yong Miang, Mr Lim Siah Mong, Mr Ong Soon Liong, Mr Peter Teo, and Mr Lim Kian Soon
3L Asia	3L Asia Capital Pte. Ltd. (struck off on 6 May 2024)
60% Disposal	Disposal of 60% stake in KCSC to a Chinese investor
AC	Audit Committee
Acquisition	The completion of sale and purchase of 300 ordinary shares in the capital of OTPL (representing 30% of the total number of issued shares of OTPL), the holding company of OTCL. Through the Acquisition, KCH will acquire an indirect interest in OTCL.
Anhui Health	Anhui Health Box Technology Co., Ltd
ARC	Audit and Risk Committee
ACRA	Accounting Corporate Regulatory Authority
AR2020	Annual Report of the Group for year ended 30 June 2020
AR2021	Annual Report of the Group for year ended 30 June 2021
AVA	AVA Associates Limited
Avere Trust	Avere Trust Group Limited
Baker Tilly	Baker Tilly Consultancy (Singapore) Pte. Ltd.
Beijing Anxin	Beijing Anxin Health Products Pte. Ltd. (北京安心卫生用品有限公司)
Beijing Health	Beijing Health Box Technology Co Ltd (北京健康盒子科技有限公司)
bMARS	Behaviour Model of Association Risk System
Board / BOD	Board of Directors
CAD	Commercial Affairs Department
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CIMB	CIMB Bank Berhad
CLA	Convertible Loan Agreement entered into by the Company and various individual investors on 3 May 2020
CLA Net Proceeds	Net proceeds amounting to approximately SGD6,020,000 estimated to be raised from CLA
CLA Term Sheet	Non-binding term sheet between KCH and various investors, pursuant to which the investors agreed to grant the Convertible Loan to KCH
Companies Act	Companies Act 1967
Convertible Loan	Interest-bearing loan for the amount of SGD6.05 million which various investors agreed to grant to KCH
Conversion Shares	Up to 46,694,626 new ordinary shares to be allotted and issued in the capital of KCH at the conversion price of SGD0.149 per Conversion Share upon the conversion of a Convertible Loan of SGD6.05 million (together with the 15% payable on the Convertible Loan)
CPF	Central Provident Fund
Dato Poh	Dato Poh Po Lian
DBS	DBS Bank (Hong Kong) Limited

Abbreviation	Description
Debt Conversion Deed	Deed between KCH and Mr Lim which recorded that as at 2 April 2020, KCH owes Mr Lim an aggregate sum of SGD4,630,406.33 by way of outstanding shareholder's loans
Deed of Novation dated 12 February 2018	Deed of Novation entered into between Mr Lim (as lender), KHLM (as borrower) and Hon Sean (as substituted party)
Dentons	Dentons Rodyk & Davidson LLP
DMS	Duane Morris & Selvam LLP
Draft Baker Tilly's Report	Draft Baker Tilly Internal Control Review Report dated 18 June 2021
Draft Finance Manual	Draft Finance Manual dated 31 March 2015
Draft Disposal Agreement	Draft shares transfer agreement (undated) to be entered by Zhejiang Wanhao, as transferee, KHLM, as transferor, and KCSC, as target company, for KHLM to transfer 60% of the shares of KCSC at a nominal transfer price of RMB1
DRIW	Directors' Resolution in Writing
DRIW dated 22 April 2015	DRIW passed to approve KHLM's entry into separate loan agreements with certain investors to obtain a term loan with minimum subscription tranche of SGD250,000 from each investor on the terms and conditions of the loan agreements
DTFAS	Deloitte & Touche Financial Advisory Services Pte. Ltd.
EGM	Extraordinary General Meeting
Exemption Order	Health Products (Import, Wholesale and Supply of Medical Devices – Exemption) Order 2020
FA Requisition Form	Fixed Assets Requisition Form
FC	Financial Controller
FDD	Financial due diligence
FDD Report	Financial due diligence report by Nexia dated 13 July 2020 conducted on OTCL and its subsidiaries
Final Report	This report, which sets out our review of the Company's utilisation of proceeds raised from PL1, CLA and PL2, the above-mentioned acquisitions and disposals, whistleblowing reports received by the Company and relevant issues raised in the Draft Baker Tilly's Report
First NOC	First Notice of Compliance
FP2022	Financial period 1 July 2021 to 31 December 2022
Gold Dynasty	Gold Dynasty International Finance Ltd (金朝國際金融有限公司)
HAUS	HAUS Furnishings and Interiors Pte. Ltd.
Hon Sean	Mr Lim Hon Sean, Former Executive Associate and Manager of HR / Admin, KHLM (4 October 2016 to 8 August 2021), also, cousin of Mr Lim
HR	Human Resource
HR Manual	HR Policies and Procedures Manual dated 2013
HSA	Health Sciences Authority
ICH Capital	ICH Capital Pte. Ltd.
Interim Report	Interim Report of DTFAS dated 21 July 2023
IRAS	Inland Revenue Authority of Singapore
IPO	Initial Public Offering
IPTs	Interested Person Transactions
IRL	Information Request List
Jackspeed	Jackspeed Singapore Pte. Ltd.
Jingtian Gongcheng	Beijing Jingtian Gongcheng Law Firm (北京市竞天公诚律师事务所)
KCH / the Company	SDAI Limited (Formerly known as Kitchen Culture Holdings Ltd.)
KCHK	Kitchen Culture (Hong Kong) Limited

Abbreviation	Description
KC Malaysia	Kitchen Culture Sdn. Bhd.
KC Medical	KC Medical Supplies Pte. Ltd. (currently known as SDAI Healthcare Pte. Ltd.)
KCSC	Kitchen Culture (Sichuan) Co., Ltd. (厨厨之家厨具 (四川) 有限公司)
KCT	KC Technologies Pte. Ltd. (struck off on 6 May 2024)
KHLM	KHL Marketing Asia-Pacific Pte. Ltd. (in liquidation)
Leading International	Leading International Pte. Ltd.
Letter Agreement dated 28 April 2017	Letter agreement signed by Mr Lim and KHLM to extend the term of the loan pursuant to the Letter Agreement dated 29 April 2015 to 28 April 2022
Loan Agreement dated 29 April 2015	Loan agreement between Mr Lim and KHLM for Mr Lim to extend a principal loan amount of SGD250,000 to KHLM
Loan Agreement dated 12 February 2018	Loan agreement between Hon Sean (as lender), KHLM (as borrower) and KCH (as guarantor) for Hon Sean to grant a loan of SGD750,000 to KHLM at a simple interest rate of 10% per annum
Loan Term Sheet	Term sheet dated 16 March 2015 entered into by KHLM with third-party lenders
LOE	Letter of Engagement dated 15 September 2021
Then Management	Then Management of KCH during our period of review
Manual Payroll Report	Payroll computation excel file which is manually updated with the individuals' pay information at month-end
Maria Rowena	Maria Rowena II M Delos Reyes
Memorandum	Memorandum dated 14 May 2020, titled "Request or Approval to Execute Agreement to Dispose 60% stake in KCSC"
MOM	Ministry of Manpower
MOU	Memorandum of Understanding
Mr Ang	Mr Ang Lian Kiat, Former Independent Director (1 December 2020 to 26 June 2023) and Former Audit Committee / Audit and Risk Committee Member (1 December 2020 to 26 June 2023)
Mr Chua	Mr Chua Siong Kiat (Alex), Former Independent Director (16 December 2019 to 31 August 2020) and Former Audit Committee Member (16 December 2019 to 31 August 2020)
Mr Du	Mr Du Kun, General Manager, China Business Development, KHLM (1 July 2020 to 30 June 2021)
Mdm Hao	Mdm Hao Dong Ting, Former Non-Executive Director (14 April 2021 to 24 May 2021), Former Non-Executive Chairperson (25 May 2021 to 9 November 2022 and subsequently reappointed on 10 July 2023 to 31 August 2023), Former Non-Executive, non-Independent Director (10 November 2022 to 9 July 2023) and Executive Chairperson (1 September 2023 to present)
Ms Joanne Tan	Former Financial Manager / Senior Finance Manager (1 May 2017 to 30 April 2024)
Mr Keng	Mr Ethan Keng Jun Hao
Mr Koh	Mr Koh Tat Liang, Former HR Director (15 July 2021 to 15 July 2022)
Ms Koh	Ms Koh Joo Gaik Jennifer, Former Regional Marketing Director (1 September 2021 to 31 March 2022); Former Vice President, B2B Trade (From 1 April 2022 to 6 October 2022)
Mr Lau	Mr Lau Kay Heng (Steven), Former Independent Director (24 February 2020 to 30 September 2020); Former Executive Director and Chief Investment Officer (1 October 2020 to 31 January 2021); Former Audit Committee / Audit and Risk Committee Member (31 August 2020 to 30 September 2020 and subsequently reappointed on 15 July 2022 to 26 June 2023); Former Vice Chairman & Non-executive Director (15 July 2022 to 9 November 2022); and Former Non-Executive, non-independent Chairman (10 November 2022 to 26 June 2023)
Mr Lee	Mr Lee Foo Tuck, Former Financial Controller (19 September 2017 to 4 June 2022); and Former Consultant (6 June 2022 to 31 December 2023)
Mr Lim	Mr Lim Wee Li, Former Executive Chairman (25 March 2011 to 24 May 2021); Former Chief Executive Officer (25 March 2011 to 7 July 2021); and Former Executive Director (25 May 2021 to 26 June 2023)
Mr Lincoln Teo	Mr Lincoln Teo Choon Han, Former Executive Director (14 April 2021 to 15 July 2022); Former Interim Chief Executive Officer (8 July 2021 to 15 July 2022)

Abbreviation	Description
Mr Loh	Mr Loh Eu Tse Derek, Former Independent Director (1 December 2020 to 30 June 2021); and Former Audit Committee / Audit and Risk Committee Member (1 December 2020 to 30 June 2021)
Mr Loo	Mr Loo Tze Kian, who had entered into a loan agreement with KHLM on 15 May 2019
Mr Loy	Mr James Loy, Former Executive Director, Business Development (11 February 2020 to 20 January 2021); and Former Consultant (August 2022 to June 2023)
Mr Nair	Mr Kesavan Nair, Former Independent Director (27 June 2011 to 29 October 2020); Former Audit Committee Member (27 June 2011 to 29 October 2020)
Mr Quek	Mr Quek Wey Lon, Former Chief Operating Officer (10 January 2020 to 4 June 2022)
Mr Shoji	Mr Kunimoto Shoji
Mr Tan	Mr Tan Chin Tuan, director and 40% shareholder of Precious Glory, also, brother of Mr Tan Chin Hock
Mr Wang	Mr Wang Yanchao, Head, China Corporate Affairs, KHLM (1 July 2020 to 30 June 2021)
Mr William Teo	Mr William Teo Choon Kow, Former Lead Independent Director (1 February 2019 to 26 June 2023); and Former Audit Committee / Audit and Risk Committee Chairman (1 February 2019 to 26 June 2023)
Mr Xiao	Mr Dylan Xiao, initially an employee of OTPL and subsequently appointed as Director, Operations of KCH (8 July 2021 to between 1 February 2022 and 30 June 2022)
Mr Yap	Mr Yap Sze Hon (Shon), Former Independent Director (1 December 2020 to 18 March 2022); and Former Audit Committee / Audit and Risk Committee Member (30 June 2021 to 18 March 2022)
Mrs Nancy Lim	Mrs Nancy Lim Sok Khim, Former Executive Assistant to CEO and Chairman and Manager of Premium Line of Business, KHLM (1 November 2016 to 14 September 2021), also, wife of Mr Lim
Ms Oh	Ms Christina Oh Shiin Cheng, one of the private fundraisers engaged by KCH
Ms Ng	Ms Irene Ng, Former HR Manager, Operations, KCH (1 July 2021 to 15 July 2022)
Ms Shirley	Shirley Seah / Ms Lim Sok Kheng Shirley (which refer to the same person), Former Human Resource Manager (2 October 2017 to 12 August 2021), also, sister of Mrs Lim
New AI Business	AI, machine learning and data science
Nexia	Nexia TS Advisory Pte Ltd
NTA	Net tangible assets
OCBC	Oversea-Chinese Banking Corporation
OGL	Ooway Group Ltd.
Ooway Beijing	Ooway Data Technology (Beijing) Co., Ltd. (大路数据科技 (北京) 有限公司)
Ooway Group	Ooway Group Ltd and its subsidiaries
Ooway International	Ooway International Pte. Ltd.
Ooway Qingdao	Ooway Supply Chain (Qingdao) Co., Ltd. (大路供应链 (青岛) 有限公司)
Ooway Shenzhen	Ooway Commercial Factoring (Shenzhen) Co., Ltd. (大路商业保理 (深圳) 有限公司)
Opal Lawyers	Opal Lawyers LLC
OTCL	Ooway Technology Co., Ltd.
OTCL Group	Refers to Shanghai bMARS, Ooway Shenzhen, Ooway Beijing and Ooway Qingdao
OTPL	Ooway Technology Pte. Ltd.
Paradise Group	Paradise Group Pte. Ltd.
Payroll Matter	Payroll irregularities of approximately SGD520,000 arising from the employment of two former employees of KHLM, covered in Interim Report of DTFAS dated 21 July 2023
Pegasus	Pegasus Investments Pte. Ltd.
Pegasus Transaction	OTPL entered a share subscription agreement with Pegasus on 21 October 2020 in relation to the Series A financing of OTPL, which resulted in OTPL issuing 8,500 ordinary shares in the capital of OTPL to Pegasus on 2 December 2020 for a subscription consideration of USD5 million

Abbreviation	Description
PL1	Placement 1, i.e. the Company's entry into a placement agreement with UOB Kay Hian to allot and issue up to 57 million new ordinary shares in the capital of the Company at a placement price of SGD0.068
PL2	Placement 2, i.e. the Company's entry into subscription agreements for the allotment and issuance of new ordinary shares in the capital of the Company, at an issue price of SGD0.235 per share, with 21 named individuals
PL2 Agreements	Agreements entered into on the same day with PL2 subscribers
PR	Purchase Requisition
PRC	People's Republic of China
Precious Glory	Precious Glory Enterprises Limited, one of the two private fundraisers engaged by KCH
Precious Glory's fixed fee Appointment letter dated 31 March 2020	Appointment letter entered into between Precious Glory and KCH pursuant to which KCH would pay a fee of SGD302,500 to Precious Glory
Precious Glory's variable fee Appointment letter dated 31 March 2020	Appointment letter entered into between Precious Glory and KCH pursuant to which KCH would pay a variable fee to Precious Glory
Purchase Contract dated 31 May 2021	Purchase contract between KC Medical and Beijing Health, for KC Medical to purchase 200,000 masks from Beijing Health
QCC	Qichacha (企查查)
Review Period	The period between 1 January 2020 and 31 August 2021
SaaS	Software-as-a-Service
SAC / the former Sponsor	SAC Capital Private Limited
Second NOC	Second Notice of Compliance
SIC	Securities Industry Council
SHA	Shareholders' agreement between KCH, OTPL and OGL dated 13 August 2020
Shanghai bMARS	bMARS Data Technology Co., Ltd. (上海玛尔斯数据科技有限公司)
Shareholders' Loan Agreement	Recorded that as at 2 April 2020, the outstanding amount of shareholders' loans extended by Mr Lim to KCH is SGD4,630,406.33
Shenzhen Bureau	Shenzhen Local Financial Supervision and Administration Bureau (深圳市地方金融监督管理局)
SGX RegCo	Singapore Exchange Regulation Pte. Ltd.
SGX-ST	Singapore Exchange Securities Trading Limited
Signed Finance Manual	Signed finance manual updated on 13 June 2011
Signed Management Agreement dated 29 July 2011	Signed Management Agreement between KCH and KHLM
SKL	SKL Consultancy Pte. Ltd.
SPA	Sale and Purchase Agreement between KCH and OGL dated 13 August 2020
SPF	Singapore Police Force
Special Auditor	Appointment as independent special auditor by the Company under the Second NOC
SSD	Special Savings Deduction
Steel Industries	Steel Industries Pte. Ltd.
the Group / KCH Group	The Company / KCH and its subsidiaries
Third-party lenders	2015 Third-party lenders, Mr Loo Tze Kian and Steel Industries Pte. Ltd.
Unauthorised Transaction	Alleged unauthorised transaction of USD480,010, covered in Interim Report of DTFAS dated 21 July 2023

Abbreviation	Description
Undated Draft Valuation Report	Undated draft valuation report performed by a third-party valuer in China, 四川华西资产评估有限公司, containing the valuation on the 60% stake of KCSC as at 30 May 2020, based on China's Assets Valuation Standards, which Mr Lee received on 10 August 2020
Unsigned Board Paper dated 17 February 2021	Unsigned Board Paper that was presented to KCH's Board on or around 17 February 2021 to seek ratification for the loan agreement between KCH and Dato Poh
UOB Kay Hian	UOB Kay Hian Private Limited
UOB Placement Agreement	Placement agreement between KCH and UOB Kay Hian as placement agent
WB	Whistleblowing
WB Policy dated 1 May 2021	WB Policy which was updated and effective from 1 May 2021
WB Policy dated 1 October 2021	WB updated and effective from 1 October 2021
WOFE	Wholly owned foreign enterprise
Zhejiang Wanhao	Zhejiang Wanhao Investment Co., Ltd. (浙江万毫投资有限责任公司)

1 Executive Summary

1.1 Background

- 1.1.1 SDAI Limited (formerly known as Kitchen Culture Holdings Ltd.) (“**the Company**” and “**KCH**”) was incorporated on 25 March 2011 and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company and its subsidiaries (“**the Group**”) supplies and distributes high-end kitchen systems, kitchen appliances, wardrobe systems, bathroom furniture, household furniture and kitchen accessories. Subsequent to a business review in March 2020, the Group expanded into areas of healthcare and medical supplies solutions, artificial intelligence, machine learning and data science.
- 1.1.2 The Company’s key subsidiaries include KHL Marketing Asia-Pacific Pte. Ltd. (“**KHLM**”) which was principally engaged in the sales and distribution of kitchen system and appliances, wardrobe systems, household furniture and appliances. On 5 April 2022, KHLM entered into compulsory liquidation.
- 1.1.3 On or around 15 November 2019, Ms Christina Oh Shiin Cheng (“**Ms Oh**”) was engaged to explore the suitability and feasibility for the Company to raise funds through placement of new shares in Singapore and recommend suitable marketing strategies vis-à-vis the potential investors who may be interested in the placement of new shares, amongst others.
- 1.1.4 On 16 February 2020, KCH appointed Precious Glory Enterprises Limited (“**Precious Glory**”) to “[s]ource for and introduce [KCH] to suitable vendors of shares in the target business, Ooway Technology Co., Ltd., for the Company to acquire (“**Target**”)”.
- 1.1.5 On 6 March 2020, the Company announced it had on the same day entered into a placement agreement with UOB Kay Hian Private Limited (“**UOB Kay Hian**”) to allot and issue up to 57 million new ordinary shares in the capital of the Company at a placement price of SGD0.068 (“**PL1**”).
- 1.1.6 On 31 March 2020, the Company appointed Precious Glory pursuant to two separate appointment letters to explore the suitability and feasibility for the Company to raise funds via issuance of convertible loan in Singapore and recommend suitable marketing strategies vis-à-vis the potential investors who may be interested in the issuance of convertible loan, amongst others.
- 1.1.7 On 17 April 2020, the Company incorporated KC Medical Supplies Pte. Ltd. (currently known as SDAI Healthcare Pte. Ltd.) (“**KC Medical**”), a wholly owned subsidiary, to undertake the trading of medical and related supplies. On the same day, the Company entered into a non-binding Memorandum of Understanding (“**MOU**”) for the proposed sale and purchase of shares in Ooway Technology Co., Ltd (“**OTCL**”).
- 1.1.8 On 29 April 2020, the Company announced it had on 27 April 2020 entered into a non-binding term sheet with various investors, where the investors agreed to grant an interest-bearing convertible loan for the amount of SGD6.05 million to the Company (aka “**CLA**”).
- 1.1.9 On 14 May 2020, the then KCH Board at the material time approved the disposal of the Company’s indirect 60% stake in Kitchen Culture (Sichuan) Co., Ltd. (欧厨之家厨具(四川)有限公司) (“**KCSC**”), held by the Company’s wholly owned subsidiary, KHLM. Subsequently, on 21 May 2020, KHLM entered into an agreement with Zhejiang Wanhao Investment Co., Ltd. (浙江万毫投资有限责任公司) (“**Zhejiang Wanhao**”) for the disposal and the Company announced the same.
- 1.1.10 On 20 May 2020, the Company entered into a non-binding term sheet for the proposed acquisition of Beijing Anxin Health Products Pte. Ltd. (北京安心卫生用品有限公司) (“**Beijing Anxin**”).¹

¹ The proposed acquisition did not eventually take place.

- 1.1.11 On 22 July 2020, the Company announced it had on the same day entered into subscription agreements for the issuance and allotment of new ordinary shares in the capital of the Company, at an issue price of SGD0.235 per placement share, with 21 named individuals ("**PL2**").
- 1.1.12 On 12 October 2020, the sale and purchase of 300 ordinary shares in the capital of Ooway Technology Pte. Ltd. ("**OTPL**") (representing 30% of the total number of issued shares of OTPL), the holding company of OTCL, was completed. Through the acquisition, KCH will acquire an indirect interest in OTCL ("**Acquisition**").
- 1.1.13 On 16 October 2020, the Company incorporated 3L Asia Capital Pte. Ltd. ("**3L Asia**"),² a wholly owned subsidiary, to undertake fund management activities for ultra-high net worth individuals and families mainly from Asia Pacific countries.
- 1.1.14 On 18 February 2021, the Company incorporated KC Technologies Pte. Ltd. ("**KCT**"),³ a wholly owned subsidiary, to provide user-related information to enhance risk assessment capabilities and other business support services.
- 1.1.15 On 23 June 2021, the Company announced that on 22 March 2021 the then Audit Committee ("**AC**") of the Company appointed Baker Tilly Consultancy (Singapore) Pte. Ltd. ("**Baker Tilly**") to undertake an internal control review of the Company in the area of cash management by the then Management of the Company and its principal wholly-owned subsidiary, KHLM, following the fundraising exercises completed in 2020 and related matters. Subsequently, on 18 June 2021, Baker Tilly presented a draft interim report on the review based on its findings to date (including the then Management's responses) ("**Draft Baker Tilly's Report**").
- 1.1.16 On 19 August 2021, Singapore Exchange Regulation Pte. Ltd. ("**SGX Regco**") issued a Second Notice of Compliance to the Company ("**Second NOC**"), directing the Company to, amongst others, appoint a suitable independent special auditor ("**Special Auditor**") to review certain Company's transactions. Per the Second NOC, the Special Auditor is to review the following issues: (a) Payroll Matter;⁴ (b) Unauthorised Transaction,⁵ and assess if there were other unauthorised transaction(s); (c) Due diligence performed on acquisitions and disposals; (d) Whistleblowing reports and whistleblowing policies; and (e) issues flagged in the Draft Baker Tilly's Report. Deloitte & Touche Financial Advisory Services Pte. Ltd. ("**DTFAS**" or "**we**") was appointed pursuant to a Letter of Engagement dated 15 September 2021 ("**LOE**") to review the matters set out in the Second NOC.
- 1.1.17 As approved by SGX RegCo and in consultation with SAC, DTFAS' review was conducted in a phased approach. Henceforth, this report sets out our review of the Company's utilisation of proceeds raised from PL1, CLA and PL2, the above-mentioned acquisitions and disposals, whistleblowing reports received by the Company and relevant issues raised in the Draft Baker Tilly's Report ("**Final Report**").

1.2 Scope of Work / Methodology

- 1.2.1 Our scope of work and methodology are set out below.
- 1.2.2 Review of hiring and payroll transactions of the Company and its Singapore subsidiaries, KHLM, 3L Asia and KCT, for the period between 1 January 2020 and 31 August 2021 ("**Review Period**").⁶

² Struck off on 6 May 2024.

³ Struck off on 6 May 2024.

⁴ On 10 August 2021, the Company announced via SGX-Net that KHLM had commenced a suit relating to the payroll irregularities of approximately SGD520,000 arising from the employment of two former employees of KHLM ("**Payroll Matter**") in the High Court against Mr Lim Wee Li ("**Mr Lim**"), Mr Du Kun ("**Mr Du**") and Mr Wang Yanchao ("**Mr Wang**") to recover the amount of SGD520,000. Refer to Interim Report for findings.

⁵ On 11 August 2021, Mr Lim informed the then BOD and the Company's former continuing sponsor, SAC Capital Private Limited ("**SAC**"), that he had lodged a report with the Commercial Affairs Department ("**CAD**") on 6 August 2021 against Mr Lincoln Teo Choon Han ("**Mr Lincoln Teo**"), in relation to an alleged unauthorised transaction of USD480,010 ("**Unauthorised Transaction**"). Refer to Interim Report for findings.

⁶ On sampling basis.

- a) Obtain a detailed understanding on the hiring and payroll process of the Company and its Singapore subsidiaries.
- b) Extract audit log files of Human Resource (“HR”) management software used to onboard employees, if applicable.
- c) Review of payroll information against underlying supporting documents (i.e. employment contracts, bonus letters, promotion letters, timesheets, overtime forms and other supporting documents if any).
- d) Establish the identities of the parties involved in the hiring and payroll transactions, and the relationships, if any, (a) amongst them; and (b) between one or all of them and the Company’s directors / key management personnel.
- e) Conduct tests of payroll records to ensure transactions are properly authorised, approved and accurate.
- f) Perform month on month analysis on payroll to identify any unusual trends and investigate significant variances on overall payroll records of each entity.
- g) Conduct forensic review of supporting documents of identified unusual payroll transactions.
- h) Perform walkthroughs on the internal controls relating to the hiring and payroll process and document any control weaknesses noted during the review and recommend further action to improve these control weaknesses.

1.2.3 Conduct forensic review to establish if there were other unauthorised transactions or transactions with no written approvals (other than the Unauthorised Transactions noted in Interim Report in the Company, KHLM and KCT from 1 January 2020 to the latest practicable date as determined by SAC Capital Private Limited (“SAC”) and SGX RegCo prior to the commencement of field work.

- a) Using these risk attributes noted in the Unauthorised Transactions and the transactions with no written approvals identified by Baker Tilly in the Draft Baker Tilly’s Report conduct analysis of the transactions to identify additional unauthorised transactions or transactions with no written approvals (if any).
- b) Conduct forensic review of supporting documents of these additional unauthorised transactions or transactions with no written approvals to assess, *inter alia*, the nature of the transactions and the relationship of the counterparties with the relevant entities and / or the Group.
- c) Quantify the volume of additional unauthorised transactions or transactions with no written approvals and check if there are any announcements for these transactions.

1.2.4 Review the matters raised in the First Notice of Compliance (“First NOC”).

- a) Obtain a detailed understanding on the concerns raised by Baker Tilly, namely: (a) the timeliness and accuracy of the Company’s announcement dated 1 February 2021, in relation to use of proceeds from the Company’s fundraising exercises; (b) fund transfers were made without written approval, supporting documents and business justifications; and (c) borrowings from private lenders were not supported by proper documentation and approvals, including reading the Draft Baker Tilly’s Report and conduct discussions with Baker Tilly if possible. Analyse all documents provided to Baker Tilly. Review the additional scope discussed among Baker Tilly, the Audit and Risk Committee (“ARC”) of the Company and SAC and submitted to SGX RegCo under the First NOC.
- b) Obtain an understanding of the nature of the fundraising exercises and the involvement between the Company and KHLM in the fundraising exercises.

- c) Review against underlying supporting documents to understand the business rationale and if the relevant approvals were obtained for the fundraising exercises.
 - d) Perform analysis on the terms of the fundraising to ascertain if these terms appear to be normal commercial terms and not terms prejudicial to shareholders.
 - e) Perform fund tracing on the proceeds from the fundraising exercises mentioned in the Company's announcement dated 1 February 2021 to ascertain the actual use of the proceeds. To establish if the announcements by the Company on use of proceeds are accurate and made on a timely basis.
 - f) Review the chronology of events, facts and circumstances surrounding issues highlighted in the Draft Baker Tilly's Report which led to breaches / potential breaches of the Catalist Rules, laws and regulations. Where relevant, perform background checks on the relevant parties (mentioned in the Draft Baker Tilly's Report) and parties identified in the course of work, identify links and relationships between the individuals and entities involved, and prepare a relationship map. Identify the parties responsible for and specific contraventions of any Catalist Rules, laws and regulations.⁷
 - g) Perform walkthroughs on the internal controls relating to the fundraising and subsequent use of proceeds; reporting and document any control weaknesses noted during the review and recommend actions to improve these control weaknesses.
 - h) Perform walkthroughs on internal controls relating to interested person transactions ("IPTs"), document any control weaknesses noted during the review and recommend actions to improve these control weaknesses.
- 1.2.5 Review the Group's internal controls, processes and procedures in relation to due diligence performed on acquisitions and disposals from 1 January 2020 to the latest practicable date to be determined by SAC and SGX RegCo prior to the commencement of field work.
- a) Obtain a list of acquisitions and disposals during the period under review.
 - b) Obtain a detailed understanding of the business rationale and commercial basis in relation to each of the acquisitions and disposals.
 - c) Review against underlying supporting documents such as board meeting minutes, due diligence report, discussion papers (if any), etc. to understand the business rationale and if the relevant approvals were obtained for the acquisitions and disposals.
 - d) Perform walkthroughs on the internal controls relating to the acquisitions and disposals and document any control weaknesses noted during the review and recommend actions to improve these control weaknesses.
- 1.2.6 Review the Group's whistleblowing policies, processes and procedures and advise on whether such policies, processes and procedures are adequate and effective.
- a) Review all whistleblowing reports received by the Company and / or its directors from 1 January 2020 to the latest practicable date to be determined by SAC and SGX RegCo prior to the commencement of field work, assess whether internal policies, processes and procedures have been adhered to, and whether issues brought up by the whistleblower(s) have been robustly investigated into by non-conflicted persons and addressed in the process.

⁷ The identification of specific contraventions of any rules, laws and regulations is a specialised area of expertise. DTFAS will be required to work with a law firm and the law firm will be the party to opine on such contraventions. The Company will be responsible for the cost of engaging the said law firm.

- b) Review whistleblowing policies and document any inadequacy and inefficiency noted during the review and provide recommendations where relevant.
- c) Review against underlying supporting documents (i.e. Board meeting minutes and Board Resolutions) to ascertain that relevant approvals were obtained for the whistleblowing policies.
- d) Perform review on all the whistleblowing reports received by the Company and / or its directors against underlying supporting documents and if the whistleblowing reports were circulated to the Board and Sponsor.

1.2.7 Conduct interviews.

- a) Based on the observations from Phase 2, identify the interviewee(s) to be interviewed.
- b) Prepare interview approach and conduct interviews to understand circumstances and events relating to the internal controls and whistleblowing issues outlined above, including the roles and responsibilities of these interviewees.
- c) Document the interviewee(s)' responses relating to the internal controls and whistleblowing issues outlined above.

1.2.8 The parties who were identified to attend the interviews⁸ are as follows:

S/No.	Name	Relevant positions at the Company
(A) Parties that attended interview		
1	Mr Lim Wee Li (" Mr Lim ")	<ul style="list-style-type: none"> • Former Executive Chairman • Former Executive Director • Former Chief Executive Officer ("CEO")
2	Mr Lincoln Teo	<ul style="list-style-type: none"> • Former Executive Director • Former Interim CEO
3	Mdm Hao Dong Ting (" Mdm Hao ")	<ul style="list-style-type: none"> • Former Non-Executive Director • Former Non-Executive Chairperson • Former Non-Executive, non-independent Director • Executive Chairperson
4	Mr Yap Sze Hon (Shon) (" Mr Yap ")	<ul style="list-style-type: none"> • Former Independent Director • Former AC / ARC Member
5	Mr Lau Kay Heng (Steven) (" Mr Lau ")	<ul style="list-style-type: none"> • Former Independent Director • Former Executive Director and Chief Investment Officer • Former AC / ARC Member • Former Vice Chairman & Non-executive Director • Former Non-Executive, non-independent Chairman
6	Mr Chua Siong Kiat (Alex) (" Mr Chua ")	<ul style="list-style-type: none"> • Former Independent Director • Former AC Member
7	Mr Kesavan Nair (" Mr Nair ")	<ul style="list-style-type: none"> • Former Independent Director • Former AC Member
8	Mr Quek Wey Lon (" Mr Quek ")	<ul style="list-style-type: none"> • Former Chief Operating Officer ("COO")
9	Mr Lee Foo Tuck (" Mr Lee ")	<ul style="list-style-type: none"> • Former Financial Controller • Former Consultant⁹

⁸ To protect the identities of the whistleblowers, we have excluded them in the table below.

⁹ We understood from Mr Lee, notwithstanding his official last day of employment was on 31 December 2023. He continued to assist in responding to the Information Request List ("**IRL**") of DTFAS in relation to this report, until around March 2024.

10	Mr James Loy (“Mr Loy”)	<ul style="list-style-type: none"> Former Executive Director, Business Development Former Consultant
11	Ms Joanne Tan	<ul style="list-style-type: none"> Former Financial Manager / Senior Finance Manager
(B) Parties that declined interview ¹⁰		
12	Mr William Teo Choon Kow (“Mr William Teo”)	<ul style="list-style-type: none"> Former Lead Independent Director Former AC / ARC Member
13	Mr Ang Lian Kiat (“Mr Ang”)	<ul style="list-style-type: none"> Former Independent Director Former AC / ARC Member
14	Mr Loh Eu Tse Derek (“Mr Loh”)	<ul style="list-style-type: none"> Former Independent Director Former AC / ARC Member

1.2.9 In the report, we have made reference to the then KCH Board of Directors (“Board” or “BOD”) / AC / ARC members at different points in time as the Board / AC / ARC composition changes during the period of our review, we set out below the Board / AC / ARC at the respective material time for reference.

Period referenced to	Board / AC / ARC members
(1) Former Board in office at respective material times	
From 1 January 2020 to 10 February 2020	Mr Lim, Mr William Teo, Mr Nair and Mr Chua
From 11 February 2020 to 23 February 2020	Mr Lim, Mr William Teo, Mr Nair, Mr Chua and Mr Loy
From 24 February 2020 to 31 August 2020	Mr Lim, Mr William Teo, Mr Nair, Mr Chua, Mr Loy, and Mr Lau
From 1 September 2020 to 29 October 2020	Mr Lim, Mr William Teo, Mr Nair, Mr Loy, and Mr Lau
From 30 October 2020 to 30 November 2020	Mr Lim, Mr William Teo, Mr Loy, and Mr Lau
From 1 December 2020 to 20 January 2021	Mr Lim, Mr William Teo, Mr Loy, Mr Lau, Mr Ang, Mr Yap and Mr Loh
From 21 January 2021 to 31 January 2021	Mr Lim, Mr William Teo, Mr Lau, Mr Ang, Mr Yap and Mr Loh
From 1 February 2021 to 13 April 2021	Mr Lim, Mr William Teo, Mr Ang, Mr Yap and Mr Loh
From 14 April 2021 to 30 June 2021	Mr Lim, Mr William Teo, Mr Ang, Mr Yap, Mr Loh, Mdm Hao and Mr Lincoln Teo
From 1 July 2021 to 7 July 2021	Mr Lim, Mr William Teo, Mr Ang, Mr Yap, Mdm Hao and Mr Lincoln Teo
From 8 July 2021 to 31 January 2022	Mr William Teo, Mr Ang, Mr Yap, Mdm Hao and Mr Lincoln Teo
(2) Former ARC / AC in office at respective material times	
From 1 January 2020 to 23 February 2020	Mr William Teo, Mr Nair, Mr Chua
From 24 February 2020 to 31 August 2020	Mr William Teo, Mr Nair, Mr Chua and Mr Lau
From 1 September 2020 to 29 October 2020	Mr William Teo and Mr Nair
From 30 October 2020 to 30 November 2020	Mr William Teo
From 1 December 2020 to 30 June 2021	Mr William Teo, Mr Ang and Mr Loh
From 1 July 2021 to 31 January 2022	Mr William Teo, Mr Ang and Mr Yap

¹⁰ Mr William Teo, Mr Ang and Mr Loh provided certain responses via email during the course of our work. Subsequent to Mr William Teo's and Mr Ang's responses to our information request provided on 29 November 2023 and 29 October 2023 respectively, no further responses were provided to our request for further information and / or request for interview.

1.2.10 Reporting and Maxwellisation (2nd Report)

- a) Prepare a detailed report of the approach taken and observations / findings from analysis and interview.
- b) Assess findings to identify breaches / potential breaches of Catalist Rules, laws or regulations. Where breaches / potential breaches of the Catalist Rules, laws or regulations are noted, to set out clearly the circumstances that led to the breaches and / or potential breaches as well as the parties responsible.¹¹
- c) Provide suggestions to improve the system, procedures and internal controls.
- d) Perform maxwellisation with the interviewees before the report is finalised.
- e) Finalise the report with SGX RegCo and the Sponsor.

1.3 PL1, CLA and PL2 fundraising process

Background

- 1.3.1 On 5 March 2020, the then KCH Board passed a Directors' Resolution in Writing ("**DRIW**") to approve a draft placement agreement to be entered into between KCH and UOB Kay Hian in relation to the proposed placement of up to 57 million new ordinary shares in the capital of KCH, at a price of SGD0.068 for each placement share (i.e. PL1). The then Board noted, among others, that the PL1 shares will be issued pursuant to the general mandate obtained at KCH's Annual General Meeting held on 29 November 2019.
- 1.3.2 We note that while KCH had engaged UOB Kay Hian in relation to PL1, it also engaged two private fundraisers whose fees were paid using the fundraising proceeds, namely Ms Oh (on or around 15 November 2019) and Precious Glory (on or around 31 March 2020) in connection with the fundraising corporate exercise. We elaborate on our findings in relation to Ms Oh and Precious Glory at paragraphs 1.4.4 to 1.4.5 below.
- 1.3.3 On 19 March 2020, the Company announced the completion of PL1 where "*...an aggregate of 56,273,000 Placement Shares [referring to the proposed placement of up to 57,000,000 new ordinary shares in the capital of the Company] have been allotted and issued to the subscribers procured by UOB Kay Hian...*" and net proceeds raised being SGD3,730,900.¹²
- 1.3.4 On 25 April 2020, the then KCH Board purportedly informed of the fundraising of SGD6.05 million through an interest-bearing convertible loan for the amount of SGD6.05 million ("**Convertible Loan**") via email. Separately, based on the Extraordinary General Meeting ("**EGM**") Circular dated 13 June 2020, the Company stated "*Pursuant to the Convertible Loan Agreement, the Company has drawn down on the Convertible Loan on 4 May 2020, and accordingly, the Investors have fully disbursed the Convertible Loan to the Company as at the date of this Circular.*"
- 1.3.5 On 29 June 2020, resolutions were passed at an EGM to approve, amongst others, (1) the proposed allotment and issue of an aggregate of up to 46,694,626 new ordinary shares in the capital of KCH ("**Conversion Shares**") at the conversion price of SGD0.149 per conversion share upon the conversion of a Convertible Loan of SGD6.05 million; (2) the allotment and issuance of shares to existing substantial shareholders under CLA;¹³ and (3) a new general share issuance mandate to authorise directors to issue new shares of KCH, pursuant to which the proposed allotment and issuance of new ordinary shares in the capital of the Company, at an issue price of SGD0.235 per placement share (as announced on 22 July 2020) (i.e. PL2) was carried out.

¹¹ The identification of specific contraventions of any rules, laws and regulations is a specialised area of expertise. DTFAS will be required to work with a law firm and the law firm will be the party to opine on such contraventions. The Company will be responsible for the cost of engaging the said law firm.

¹² Proceeds received by the Company is net of placement commission incurred to UOB Kay Hian of SGD95,664.

¹³ The Company announced on 4 May 2020 that six of 11 of the named CLA investors are identified as existing shareholders of KCH. Of which, two of the six existing shareholders were identified as substantial shareholders of KCH.

1.3.6 On 22 July 2020, the Company announced that it had on the same day entered into subscription agreements for the allotment and issuance of 40.572 million new ordinary shares in the capital of the Company, amounting to an aggregate consideration of SGD9,534,420 (i.e. PL2). It was announced that the subscribers were introduced to the Group through its business contacts and connections, and 15 out of 21 investors were existing shareholders of the Company. On 6 August 2020, the Company announced "... the Company has received an aggregate consideration of SGD8,359,420 from 20 Subscribers. Accordingly, the Company has on 6 August 2020 allotted and issued an aggregate of 35,572,000 Placement Shares to such subscribers". And subsequently on 12 August 2020, "...the Company has received an aggregate consideration of SGD1.175 million from a subscriber. Accordingly, the Company has on 12 August 2020 allotted and issued 5,000,000 Placement Shares to such subscriber".

1.3.7 We set out below the summaries of our findings in relation to the fundraising process.

Findings

1.3.8 The then KCH Board relied on Mr Loy to handle the fundraising matters.¹⁴ We understand from KCH's written responses (via Mr Lee) that there were no standard operating procedures in relation to the fundraising exercises, which were planned and coordinated by Mr Loy.

(i) Findings in relation to PL1

1.3.9 First, we note a lack of documented deliberation on the intended use of the proceeds from PL1. Although the then KCH Board was informed about a private placement in February 2020, targeted to raise funds of approximately SGD2 to 3 million during the Board meeting held on 11 February 2020, there was no minuted discussion on the rationale for the fundraising and the intended use of the PL1 proceeds.

1.3.10 Second, we did not note any documented discussion of the then KCH Board on the changes in the key information of PL1 between the time the then KCH Board was informed of the intended PL1 on 11 February 2020 to the announcement of PL1 on 6 March 2020. These include: (a) a change in the target fundraising proceeds from SGD2 to 3 million, to SGD3.5 to 4 million; (b) a change in the intended use of fundraising proceeds to include an allocation of SGD1 million to pursue new business opportunities; and (c) determination of the placement price of each placement share for PL1. We understood from Mr Loy that the amount of fundraising proceeds raised was higher because the amount of monies which the prospective subscribers of PL1 were willing to contribute based on the conversion price was higher;¹⁵ and the placement price was calculated by Mr Tan Chin Hock,¹⁶ considering the threshold of 10% discount set out in the SGX Catalist Rules.

(ii) Findings in relation to the CLA

1.3.11 First, there was no documented deliberation on the intended use of the CLA proceeds prior to the CLA fundraising exercise. In the announcements of 29 April 2020 and 4 May 2020, KCH announced that it "*intends to use the proceeds for the working capital requirements for KC Medical Supplies Pte. Ltd.*". However, based on our review of the KCH Board and AC minutes on 11 February 2020, there was no discussion on the CLA or the intended use of the CLA proceeds. There were no Board or AC meeting minutes identified between 12 February 2020 to 28 April 2020.

¹⁴ We understand from the interviews of the board members of the then KCH Board that as there were investors willing to extend financing, via shares placement / convertible loan, to the Company which was tight on cashflow, the then KCH Board focused on concluding the fundraising exercises as soon as possible. Hence, they left Mr Loy to coordinate the fundraising matters.

¹⁵ During maxwellisation, we understood from Mr Loy "*We did not put up a proper board paper to determine the amount of placement sums to be raised. The figure was determined by how much our investors were willing to put in KCH through TCH [referring to Mr Tan Chin Hock] led fundraising parties.*".

¹⁶ Based on our review, we did not note any formal appointment for Mr Tan Chin Hock to be a consultant of the Company in relation to the fundraising exercises, with the role of providing advice such as placement price.

- 1.3.12 Second, even though KCH announced that it intended to use the proceeds for the working capital requirements of KC Medical, it appears that KC Medical was dormant since its incorporation on 17 April 2020 until at least about two months later.¹⁷ At the material time of the CLA, it appears that there were no immediate working capital requirements of KC Medical to be funded.¹⁸ KC Medical was only involved in the sale of masks business, which was proposed by Mr Lincoln Teo, who joined the Group only about one year later from the time that the CLA proceeds were received (on 27 May 2021).
- 1.3.13 Third, there was no documented deliberation on the determination of the interest of 15% of the convertible loan amount payable on maturity date. Both Mr Loy and Mr Lim confirmed that there was no Board discussion on the 15% interest rate proposed by Mr Tan Chin Hock.¹⁹
- 1.3.14 Fourth, there was no documented deliberation on the determination of the conversion price of SGD0.149, which we understood from Mr Loy, was determined / proposed by Mr Tan Chin Hock.
- 1.3.15 Fifth, in the placement agreement entered into by the Company with UOB Kay Hian as placement agent (the “**UOB Placement Agreement**”), it was stated “... the Company shall not, from the date of this Agreement and up to 6 months (180 days) from the Completion Date [defined as date falling 3 business days after the Listing Approval Date], (i) issue any marketable securities or shares or options thereof ..., without the prior approval of the Placement Agent, such approval not to be unreasonably withheld”. We have requested from KCH but were not provided the approval or waiver which KCH sought from UOB Kay Hian for KCH’s issuance of placement shares and convertible loans via the entry into CLA and PL2, which took place within six months from 19 March 2020 (being the completion date of PL1).

(iii) Findings in relation to PL2

- 1.3.16 First, there was no documented deliberation on the intended use of proceeds. In this regard, there was no minuted Board discussion identified on the rationale for the fundraising and the intended use of the PL2 proceeds.
- 1.3.17 Second, there was no documented deliberation on the determination of the conversion price of SGD0.235. We understood from Mr Loy that there was no deliberate Board discussion on the placement price, and that the placement price was calculated by Mr Tan Chin Hock, considering the threshold of 10% discount set out in the SGX Catalist Rules.

1.4 Use of proceeds

Background

- 1.4.1 The proceeds raised from PL1, CLA and PL2 and received by the Company aggregated to SGD19.308 million. We set out below the summary of our findings in relation to the use of proceeds (net) from PL1, CLA and PL2, amounting to SGD17.616 million. As at the end of the period of review (i.e. 30 January 2022), cash balances in the cashbooks of KCH and / or KHLM amounts to SGD1.692 million.

¹⁷ During maxwellisation, Mr Loy further explained “The setting up of KC Medical was for the purpose of acquiring the respiratory equipment. However, since the deal could not be executed after the funds were raised, KC Medical remained dormant until Lincoln used it to buy the Masks.”.

¹⁸ During maxwellisation, Mr Loy further explained “The CLA carried out was specifically to raise funds for the respiratory equipment. It was not announced as such as we had not signed any SPA or MOU with the equipment supplier at the point of the CLA. The emphasis was to raise the funds to acquire as many of such equipment from a reputable Chinese equipment supplier introduced by a Liu Yan Long”. We were made to understand Mr Liu Yan Long is a representative of Ooway Group.

¹⁹ (a) According to interview held with Mr Loy, Mr Tan Chin Hock is the brother of Mr Tan Chin Tuan (“**Mr Tan**”). Based on annual returns of Precious Glory made on 3 January 2021, we noted Mr Tan is a director and 40% shareholder of Precious Glory since its incorporation on 3 January 2020. (b) During maxwellisation, Mr Loy further explained “The interest paid to the CLA lenders were within market norms (proposed by TCH [referring to Mr Tan Chin Hock] and accepted by the Board (verbally)).”.

Utilisation	Amount (SGD 'million)	Adjusted for amount returned / repaid to the Company (SGD 'million)	Net amount (SGD 'million)
(1) Repayment of amounts owing to various parties	5.477	(0.700)	4.777
(2) Other utilisation for specific purposes	2.034	(1.480)	0.554
(3) Pursue new business opportunities	2.332	(0.652)	1.680
(4) General working capital of KCH / KHLM / subsidiaries in the existing kitchen business	10.786	(0.181)	10.605
Total utilisation (SGD 'million)	20.629	(3.013)	17.616
Cash balances in the cashbooks of KCH and / or KHLM as at 30 January 2022 (SGD 'million)			1.692
Total proceeds raised and received (SGD 'million)			19.308

- 1.4.2 According to the Company's initial intended use of proceeds noted in its announcements, SGD11.704 million of the SGD19.308 million total funds raised and received by the Company from PL1, CLA and PL2, was supposed to be used for pursuing new business opportunities of the Group. Between 1 February 2021 and 7 March 2022, the Company announced revisions to the initial intended use of proceeds up to 31 January 2022. The Company announced on 7 March 2022 that SGD1.579 million²⁰ were utilised for pursuing new business opportunities. However, based on our review, as of 31 January 2022, SGD1.680 million (excluding the reversal of SGD0.652million transaction under KCT, covered in Interim Report) was utilised for such purposes.

Findings

(A) Consultancy fees for fundraising

(i) Findings in relation to the consultancy fees for fundraising

- 1.4.3 Out of the SGD10.605 million proceeds utilised on general working capital of KCH / KHLM / subsidiaries in the existing kitchen business, SGD0.973 million was utilised for consultancy fees for fundraisings. Apart from UOB Kay Hian who was appointed as placement agent for PL1 fundraising, the Company also appointed two external parties to provide consultancy services for the fundraising corporate exercises.
- 1.4.4 On or around 15 November 2019, the Company appointed Ms Oh to carry out the following scope of work: "(a) Explore the suitability and feasibility for the Company to raise funds through placement of new shares in Singapore, taking into account the group's financial condition, current business and its outlook ("Corporate Exercise"); (b) Provide inputs on the type and profile of investors who may be interested to invest in the Company; (c) Provide inputs to enhance the positioning of the Company and recommend suitable marketing strategies vis-à-vis the potential investors who may be interested to explore the Corporate Exercise; and (d) Facilitate communication between the Company and prospective investors, and assist the Company in co-ordination and liaison with the Investors." It was agreed that upon completion of the Corporate Exercise within the terms of the agreement, the Company shall pay a fee of SGD195,000 to Ms Oh for her consultancy services. The Company paid Ms Oh SGD195,000 on 19 March 2020 for her consultancy services using the funds from PL1 (which works out to be 5% of funds raised from PL1).

²⁰ Amount includes consultancy fees and other expenses incurred in relation to CLA, aggregating to SGD437,000.

- 1.4.5 On 31 March 2020, the Company appointed Precious Glory pursuant to two separate appointment letters to carry out the following scope of work: *“(a) Explore the suitability and feasibility for the Company to raise funds issue [sic] of convertible loan in Singapore, taking into account the group’s financial condition, current business and its outlook (“Corporate Exercise”); (b) Provide inputs on the type and profile of investors who may be interested to invest in the Company; (c) Provide inputs to enhance the positioning of the Company and recommend suitable marketing strategies vis-à-vis the potential investors who may be interested to explore the Corporate Exercise; and (d) Facilitate communication between the Company and prospective investors, and assist the Company in co-ordination and liaison with the Investors.”* Precious Glory is entitled to receive a fixed fee of SGD302,500 under one appointment letter and a fee payable *“agreed on a case to case basis based on milestones achieved”* under the other appointment letter. The scope of work is identical to the consultancy agreement entered into between the Company and Ms Oh on 15 November 2019, save that the fundraising mechanism is through the issue of a convertible loan instead of the placement of new shares. The Company paid Precious Glory SGD302,500 on 23 June 2020 (which works out to be 5% of funds raised from CLA) using the funds from PL1 and CLA, and SGD475,000 (which works out to be 5% of funds raised from PL2) on 4 August 2020, using the funds from CLA.
- 1.4.6 We set out our findings in relation to the consultancy fees for fundraising below.
- 1.4.7 First, there were no documented deliverables identified on the services performed by the two private fundraisers justifying the payment of fees. In respect of Ms Oh, there was no documentation on the scope of work carried out pursuant to the appointment letter. Based on our review of the KCH Board meeting minutes between 15 November 2019 (being her date of appointment) and 19 March 2020 (date of payment to her), there was no mention of the suitability and feasibility study for the Company to raise funds through placement of new shares in Singapore, taking into account the Group's financial condition, current business and its outlook.
- 1.4.8 Similarly, in respect of Precious Glory, there was no documentation on the work done and delivered by the Company with respect to the scope of work pursuant to the two appointment letters. Based on our review of the KCH Board meeting minutes between 31 March 2020 (date of appointment of Precious Glory) and 4 August 2020 (date of second payment of variable fee to Precious Glory), there was no mention of Precious Glory carrying out the abovementioned scope of work. It appears that the consultancy fees paid to Ms Oh and Precious Glory were merely commission for sourcing of potential investors. Notwithstanding the consultancy fees paid to Precious Glory were merely commission for sourcing of potential investors, we note that (a) six (of which two of them are substantial shareholders) out of 11 of the named CLA investors are identified as existing shareholders of KCH. It was also noted that 15 out of 21 subscribers²¹ of the PL2 investors were existing shareholders of KCH at the time of announcement.
- 1.4.9 Second, whilst we note that the appointment of UOB Kay Hian with a fee of 2.5% commission as placement agent for PL1 was approved by the then KCH Board, there was no documented discussion / approval by the then KCH Board / the then AC on the need to engage private fundraisers (i.e. Ms Oh and Precious Glory) and the key terms of their appointment. Based on our review of the AC minutes around the dates of appointment of Ms Oh and Precious Glory on 15 November 2019 and 31 March 2020 respectively, we did not note any updates by the then Management to the then AC on the need to source for funds with the requirement to engage external fundraisers. In addition, the consultancy fees paid to Ms Oh and Precious Glory at 5% of the respective funds raised through PL1, CLA and PL2 were higher than the 2.5% commission paid to UOB Kay Hian for the same purpose. During our interview with Mr Loy, he informed us that the consultancy fees paid to Ms Oh and Precious Glory were determined by Mr Tan Chin Hock.
- 1.4.10 Third, we note that the SGX announcement dated 24 July 2020 and status of use of proceeds set out in the Company's Annual Report for the year ended 30 June 2020²² (the **“AR2020”**) regarding the payment of the SGD302,500 commission to Precious Glory inaccurately reported the purpose of the proceeds. In the announcement dated 24 July 2020 and the AR2020, the Company announced a utilisation of SGD303,000 as a *“consultancy fee on potential projects for KC Medical”*. However, based on our review, the fee of SGD302,500 paid to Precious Glory was mainly for the purpose of sourcing for potential investors instead. Mr Lee clarified during his interview that he was not clear

²¹ The 15 subscribers are listed at paragraph 3.2 of the Company's announcement dated 22 July 2020.

²² The Company reported the use of proceeds raised under PL1, CLA and PL2 for the period until 13 October 2020 in its AR2020.

of the payment when the announcement was prepared, and further explained that he was told that there were two proposed ventures on the medical business, but based on his knowledge neither was brought in by Precious Glory.

- 1.4.11 The inaccurate announcement on the use of proceeds on 24 July 2020 and report in the Company's AR2020 may amount to potential breaches under SGX Catalist Rule 704(30) and SGX Catalist Rule 1204(22). SGX Catalist Rule 704(30) provides that "In addition to Rule 703, the issuer must immediately announce ... (30) the use of ... any proceeds arising from any offerings pursuant to Chapter 8 as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in the offer document or the announcement of the issuer. Where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation.". SGX Catalist Rule 1204(22) provides that "The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following: ... (22) If applicable, a status report on the use of ... any proceeds arising from any offerings pursuant to Chapter 8 and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in ... the announcement of the issuer. Where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital. Where there is any material deviation from the stated use of proceeds, the issuer must also announce the reasons for such deviation.".

(B) Repayment of amounts owing to various parties

- 1.4.12 We set out in the table below the breakdowns of the repayment of amounts owing to various parties.

Utilisation	Amount (SGD 'million)	Adjusted for amount returned / repaid to the Company (SGD 'million)	Amount net of amount returned / repaid to the Company (SGD 'million)
(a) Repayment of amounts owing to Gold Dynasty International Finance Ltd. (金朝國際金融有限公司) ("Gold Dynasty")	1.898	-	1.898
(b) Repayment of amounts owing to Mr Lim Hon Sean ²³ ("Hon Sean")	0.937	-	0.937
(c) Repayment of amounts owing to Mr Lim	0.700	(0.700)	-
(d) Repayment of amounts owing to other third-party lenders	1.942	-	1.942
Total utilisation (SGD 'million)	5.477	(0.700)	4.777

(ii) Findings in relation to loan repayment to Gold Dynasty International Finance Ltd. using funds from PL1

- 1.4.13 On 18 July 2019, Mr Lim entered into a loan agreement with a Hong Kong incorporated entity, Gold Dynasty in his personal capacity. The loan agreement was signed by Mr Lim in his personal capacity and an unidentified signatory of Gold Dynasty, with the company's seal affixed. Pursuant to the loan agreement, the principal sum of the loan is HKD10 million, with a high interest rate of 21.6% per annum, and repayment of the principal sum is to be made in one lump sum on 18 July 2020 with interest payable over the term of the loan on the principal sum of the loan by 12 equal monthly payments each of HKD180,000.

²³ Former Executive Associate and Manager of HR / Admin, KHLM, also, cousin of Mr Lim.

- 1.4.14 According to an interview held with Mr Lim, we understood that Gold Dynasty did not want to lend to KCH directly, as initially agreed.²⁴ On the same day that the loan agreement was entered into, i.e. 18 July 2019, Mr Lim issued a letter to Gold Dynasty, pursuant to which he authorised and instructed Gold Dynasty to disburse the loan amount of HKD10 million to Kitchen Culture (Hong Kong) Limited (“KCHK”). Gold Dynasty issued a cheque to KCHK for the amount of HKD10 million on 18 July 2019. KCH then transferred HKD8,890,000 to KCH’s bank account in Singapore.
- 1.4.15 On 23 March 2020, the entire loan amount of SGD1,898,028 was repaid from KCH’s Oversea-Chinese Banking Corporation (“OCBC”) bank account to Gold Dynasty, using proceeds raised from PL1. When the Company announced the intended use of fundraising proceeds on 6 March 2020, SGD1.9 million was allocated to ‘Repayment of amounts owing to external parties’.
- 1.4.16 We set out our findings in relation to the loan repayment to Gold Dynasty below.
- 1.4.17 The loan drawdown from (and the high interest paid to) Gold Dynasty by Mr Lim in his personal capacity and loaned by him to KCH Group was obtained without formal authorisation from the then KCH’s AC / Board and was not disclosed. This is a potential breach of Rule 1204(17) / 907 of the SGX Catalist Rules, and not in compliance with Procedures 2.7 (Debt Management) and 8.1 (Interested Party Transactions) in the Signed finance manual updated on 13 June 2011 (“Signed Finance Manual”). The relevant rules and procedures are as follows:
- a) **Rule 1204(17):** *“The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following: ... The information required by Rule 907 in respect of any interested person transactions entered into during the financial year.”*
 - b) **Rule 905:** *“(1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group’s latest audited net tangible assets.”*
 - c) **Rule 906:** *“(1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than: (a) 5% of the group’s latest audited net tangible assets; ...”.* (Note: If the group’s latest audited net tangible assets is negative, the issuer should consult SGX on the appropriate benchmark to calculate the relevant thresholds in Rule 905(1) and 906(1).)
 - d) **Rule 907:** *“An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person, nature of relationship and the corresponding aggregate value of the interested person transactions entered into with the same interested person [excluding transactions less than \$100,000] must be presented ...”*
 - e) **Rule 909:** *“The value of a transaction is the amount at risk to the issuer. This is illustrated by the following examples ... (3) In the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing...”.*
 - f) **Procedure 2.7 (Debt Management):** *“Staff will review the Company’s requirements in terms of short term [sics] financing by monitoring company’s cash flow. Staff will flag out any funds requirements to Management and audit committee on a quarterly basis for review purposes.”*

²⁴ According to an interview held with Mr Lee, we understood at the material time when the loan was recorded in the accounting books, he was not informed that the eventual contracting party was Mr Lim instead of KCH. Mr Lee was only made aware that Mr Lim was the contractual party around April 2021 when findings in the Draft Baker Tilly’s Report were noted.

- g) **Procedure 8.1 (Interested Party Transactions):** Paragraph 6 states “All interested person transactions above \$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction.” Paragraph 8 states “Contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated third parties.” Paragraph 9 states “In addition, we will monitor all interested person transactions entered into by us by categorising the transactions as follows: (i) a “category one” interested person transaction is one where the value thereof is in excess of 5% of the NTA [i.e. net tangible assets] of our Group; and (ii) a “category two” interested person transaction is one where the value thereof is below or equal to 5% of the NTA of our Group. “Category one” interested person transactions must be approved by our Audit Committee prior to entry. “Category two” interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee.”

1.4.18 The loan of HKD10 million, being a loan extended by Mr Lim in his personal capacity to the KCH Group, falls within the definition of an IPT in accordance with Rule 1204(17) / 907 of the SGX Catalist Rules.²⁵ In addition, considering Rule 909 of the SGX Catalist Rules, in calculating the value of an IPT, the value of the transaction (i.e. the interest payable on the loan principal) should have been disclosed in accordance with these provisions. For completeness, no immediate announcement or shareholder approval is required pursuant to Rule 905 and 906.

(iii) Findings in relation to loan repayment to employee, Hon Sean

1.4.19 On 12 February 2018, Mr Lim, KHLM and Hon Sean entered into a Deed of Novation, pursuant to which it was agreed that Hon Sean would substitute Mr Lim as a party to a loan agreement dated 29 April 2015²⁶ (“**Deed of Novation dated 12 February 2018**”) (subsequently revised by a letter agreement dated 28 April 2017)²⁷. Pursuant to that agreement, Mr Lim had extended a loan of a principal amount of SGD250,000 to KHLM, at a simple interest rate of 10% per annum and maturity date of 28 April 2022.

1.4.20 On the same day, i.e. 12 February 2018, Hon Sean (as lender), KHLM (as borrower) and KCH (as guarantor) entered into a loan agreement for Hon Sean to grant a loan of SGD750,000 to KHLM at a simple interest rate of 10% per annum, with the maturity date being 31 December 2018 (“**Loan Agreement dated 12 February 2018**”).

1.4.21 Based on our review, four lenders, namely (1) Goh Kim San, (2) ICH Capital Pte. Ltd. (“**ICH Capital**”), (3) Kang Tze Yong and (4) Ong Lay Tin, had each extended a loan of SGD250,000 to KHLM pursuant to loan agreements dated 29 April 2015 (pursuant to the DRIW set out in paragraph 1.4.37). The abovementioned loan pursuant to the Loan Agreement dated 12 February 2018 arose from amounts owing by KHLM to Mr Lim in relation to the amounts of SGD750,000 repaid to the four lenders, on or around November 2017 to April 2018, by Mr Lim, on behalf of KHLM.²⁸ However, the Loan Agreement dated 12 February 2018 does not state that the loan arose out of Mr Lim’s repayment of the loans to the four lenders.

²⁵ Notwithstanding our findings, during maxwellisation, Mr Lim explained “This loan was not meant to be a personal loan from me to the company, as mentioned, it was a last minute decision by Gold Dynasty at the time not to lend to KCH directly as initially agreed. It was my belief that the loan was still to the company but with myself being the personal guarantor for the loan. This is reflected by the loan being disbursed to the company directly as well as the initial loan agreement with the parties being KCH and Gold Dynasty.”.

²⁶ We noted an AC’s resolution in writing dated 22 April 2015 passed to approve KHLM’s entry into the loan agreement with Mr Lim (the Executive Chairman and CEO as well as controlling shareholder of the Company), noting the transaction constitutes an IPT pursuant to SGX Catalist Rule Chapter 9.

²⁷ See paragraph 1.4.30.

²⁸ For the avoidance of doubt, we sighted cheques aggregating to SGD650,000 issued by Mr Lim to three of the four lenders. For the remaining lender, Mr Lim funded partial repayment of SGD100,000, we were made to understand the cheque was issued by Mr Lim to KHLM and subsequently KHLM made the full repayment to the lender.

- 1.4.22 Between 30 April 2020 to 25 August 2020, KHLM repaid Hon Sean an aggregate of SGD936,736.²⁹
- 1.4.23 We set out our findings in relation to the loan repayment to Hon Sean below.
- 1.4.24 First, there were no documentation or approval at the Board level for the decision to make the loan repayment of SGD500,000 to Hon Sean on 30 April 2020 by drawing cash at the bank, considering that it is a material cash withdrawal which is not a transaction in the Group's ordinary course of business. Further, while the Company does not have any prescribed procedure on cash withdrawals at the bank, the loan repayment in cash was not in accordance with the Company's usual practice for cash withdrawals whereby the Company would issue a cash cheque to the payee.
- 1.4.25 Second, there was no documentation on / no mention of Mr Lim being the original lender of the SGD750,000 loan amount, referred to in the Loan Agreement dated 12 February 2018.
- 1.4.26 Third, we were unable to obtain a satisfactory explanation why Hon Sean substituted Mr Lim as the lender of the SGD1 million loaned by Mr Lim to the Group.
- 1.4.27 Fourth, the repayments to Hon Sean were not one of the intended uses of the funds raised from PL1 / CLA / PL2 and disclosed under the repayment amount owing to third parties instead of an employee. In addition, the said repayments were not reported on a timely basis in the SGX announcements which provided updates on the use of the fundraising proceeds, as set out below.
- a) The actual payment date for the SGD500,000 principal repayment was on 30 April 2020, but the amount utilised was disclosed only at the later date of 21 August 2020.
 - b) The actual payment date for the SGD200,000 and SGD187,146 principal and / or interest repayments was on 4 August 2020 and 6 August 2020 respectively, but the amounts utilised were disclosed only on a later date of 1 February 2021.
 - c) The actual payment date for the SGD49,589 interest repayment was on 25 August 2020, but the amount utilised was disclosed only on a later date of 1 February 2021.
- 1.4.28 Hence, the Company's announcements in relation to the loan repayments to Hon Sean potentially triggers a breach of SGX Catalyst Rule 704(30) and Rule 1204(22) which requires the issuer to immediately announce the use of any proceeds as and when such funds are materially disbursed and any material deviation from the stated use of proceeds and to include in its annual report a status report on the use of proceeds and any material deviation from the stated use of proceeds respectively.
- 1.4.29 Fifth, there was no documented deliberation on the agreed interest rate of 10% charged to KHLM for Hon Sean's loans aggregating SGD1 million. In addition, KHLM paid excess interest to Hon Sean. Based on the Company's interest computation workings,³⁰ the total interest computation on the loans of SGD1 million provided by Hon Sean to KHLM is SGD241,507, which is SGD4,810 more than our computation.

²⁹ The principal balance owing to Hon Sean subsequent to the last payment on 25 August 2020 of SGD304,771 being SGD1 million less SGD695,229 loan principal repayment (i.e. SGD936,736 total repayments less SGD241,507 for interest repayment) appeared to be subsequently recorded as an amount owing by KHLM to Mr Lim, on or around 30 June 2020, and settled with Mr Lim via shares issuance of KCH under the deed between KCH and Mr Lim to settle outstanding shareholder's loans amounting to SGD4.6 million by way of an allotment and issuance of shares in the capital of KCH to Mr Lim ("**Debt Conversion Deed**").

³⁰ Based on a working file of the Company's finance department.

(iv) Findings in relation to SGD700,000 repayment to Mr Lim

- 1.4.30 On 29 April 2015, Mr Lim and KHLM entered into a loan agreement for Mr Lim to extend a principal loan amount of SGD250,000 to KHLM ("**Loan Agreement dated 29 April 2015**"). On 28 April 2017, Mr Lim and KHLM signed a letter agreement to extend the term of the loan for a period of 5 years to 28 April 2022 (the "**Letter Agreement dated 28 April 2017**").
- 1.4.31 As stated at paragraph 1.4.19 above, on 12 February 2018, Mr Lim, KHLM and Hon Sean entered into a Deed of Novation for Hon Sean to substitute Mr Lim as the party to the Letter Agreement dated 29 April 2015 and the Letter Agreement dated 28 April 2017.
- 1.4.32 On 2 April 2020, Mr Lim and KCH entered into a debt conversion deed and a shareholders' loan agreement.
- a) The debt conversion deed recorded that as at 2 April 2020, KCH owes Mr Lim an aggregate sum of SGD4,630,406.33 by way of outstanding shareholder's loans, and recorded the method by which KCH could repay the outstanding amount (or part thereof, amounting to SGD2.66 million) (i.e the Debt Conversion Deed).
- b) The shareholders' loan agreement recorded that as at 2 April 2020, the outstanding amount of shareholders' loans extended by Mr Lim to KCH is SGD4,630,406.33, and that the parties wish to enter into the agreement to formalise the terms of the loan (the "**Shareholders' Loan Agreement**").
- 1.4.33 On 8 May 2020, SGD700,000 was transferred to Mr Lim by KCH via cheque, and debited from the bank on the same day. At the time of the payment, KCH only had PL1 proceeds. On 22 June 2020, Mr Lim repaid KCH SGD700,000 via a cheque payment.
- 1.4.34 We set out our findings in relation to the repayment below.
- 1.4.35 In respect of the amount of SGD700,000 transferred by KCH to Mr Lim and the subsequent loan repayment by Mr Lim to KCH, we note that there was no discussion or resolutions passed by the then Board for these payments. We understood from Mr Lee that the repayment of SGD700,000 would affect the debt conversion amount of SGD4,630,406.33, hence, Mr Lim eventually returned the SGD700,000 to the Company within a short period of time.
- 1.4.36 The repayment to Mr Lim was not one of the intended uses of the PL1 proceeds, notwithstanding it was returned to KCH. It was also not announced as part of the use of funds raised under PL1. Given that the Company did not announce the repayment to Mr Lim in accordance with SGX Catalist Rule 704(30) and Rule 1204(22) which requires announcement on "*any material deviation from the stated use of proceeds...*", there is a potential breach of Rule 704(30) and Rule 1204(22).

(v) Findings in relation to loan repayment to third-party lenders

- 1.4.37 On 22 April 2015, the then KCH Board passed a DRIW to approve KHLM's entry into separate loan agreements with certain investors to obtain a term loan with minimum subscription tranche of SGD250,000 from each investor on the terms and conditions of the loan agreement.
- 1.4.38 Based on our review of the utilisation of fundraising proceeds raised, SGD1,941,715 of the fundraising proceeds from PL2 were used to repay loans drawn down by KHLM from seven third-party lenders. These repayments were made between 19 to 25 August 2020, shortly after the fundraising proceeds from PL2 were received between 5 and 7 August 2020.
- 1.4.39 The Company's announcement on 21 August 2020 stated that it had utilised the allocated SGD2 million for the repayment of amounts owing to external parties. However, based on our review, only SGD1.927 million (out of total repayment of SGD1,941,715) was used to make repayments to third-party lenders as of the date of the announcement.

- 1.4.40 We set out our findings in relation to the loan repayments to third-party lenders below.
- 1.4.41 Based on the payment voucher sighted for interest payments, aggregating to SGD291,715, we did not note supporting documents indicating the respective computed interest. In addition, save for the entries reflected on the general ledger of the Company, there was no evidence of payments made by Mr Lim on behalf of the Company to two out of seven third-party lenders.
- 1.4.42 Separately, we further note that the Company did not have a complete set of loan agreements entered into with third-party lenders on record. In this regard, we had requested but were not provided with the loan agreements signed by KHLM with three of the third-party lenders to draw down the loans on or around 28 April 2015, 29 April 2015 and 1 December 2017 respectively.³¹ Section 395 of the Companies Act provides that a company must adequately record for future reference the information required to be contained in any company records.³² Hence, the Company is in potential breach of section 395 of the Companies Act.
- 1.4.43 The Company announced on 21 August 2020 that SGD2.000 million was used for the repayment of amounts owing to external parties. However, based on our review of the repayments, only SGD1.927 million³³ as of the date of the announcement (i.e. 21 August 2020) and eventually in total SGD1.942 million (as at 25 August 2020) was used to repay third-parties. Hence, the announcement is inaccurate, and the Company has potentially breached SGX Catalyst Rule 704(30) and SGX Catalyst Rule 1204(22) which requires the issuer to immediately announce the use of any proceeds as and when such funds are materially disbursed and include in its annual report a status report on the use of proceeds and any material deviation from the stated use of proceeds respectively.

(C) Other utilisation for specific purposes

- 1.4.44 Based on our review of the utilisation of the funds raised under PL1, CLA and PL2, we note that part of the proceeds from CLA / PL2 were utilised (a) to purchase cars and (b) loaned to external party. We set out the details in the table below.

Utilisation	Amount (SGD 'million)	Adjusted for amount returned / repaid to the Company (SGD 'million)	Amount net of amount returned / repaid to the Company (SGD 'million)
(a) Purchase of passenger cars	0.834	(0.280)	0.554
(b) Loan to external party	1.200	(1.200)	-
Total utilisation (SGD 'million)	2.034	(1.480)	0.554

³¹ We understood from the Company (via Mr Lee's responses to IRL request) that "we [the Company] were unable to locate / retrieve loan agreements with Steel Industries Pte. Ltd. and Paradise Group Pte. Ltd." and "... [Ong Lay Tin's] agreement not on file...".

³² Pursuant to section 395(4) of the Companies Act, "company record" within the scope of section 395(1) would include "... accounting records ...". In this regard, reference is made to section 4 of the Companies Act where "accounting records" is interpreted to include "working papers and other documents as are necessary to explain the methods and calculations by which accounts of the corporation are made up". The loan agreements which contain terms of the loan, in particular the loan amount, interest payable on the loan and repayment terms would explain "...the calculations by which accounts of the corporation are made up".

³³ Based on our review, total loan amounts extended by the lenders to the Company was SGD1.95 million (one of the lenders extended an amount of SGD0.50 million, instead of minimum sum of SGD0.25 million). Of which, based on the general ledger of KHLM, SGD0.30m was repaid prior to receipt of fundraising proceeds from PL1, CLA and PL2 (for avoidance of doubt, our scope does not cover repayment made prior to PL1, CLA and PL2). The remaining outstanding loan amount of SGD1.65 million, together with interest of SGD0.29 million, aggregating to SGD1.94 million, were repaid using the proceeds from CLA / PL2.

(vi) **Findings on purchase of passenger cars used by Mr Loy, Mr Lim and employees related to Mr Lim**

- 1.4.45 Between 17 August 2020 to 3 September 2020, three passenger cars were purchased by the Company using funds from CLA / PL2. The three cars were: (1) a Mercedes Benz car which the Company purchased from Mr Lim on 17 August 2020 for Mr Loy's usage, for the purpose of networking with investors for fundraising; (2) an Audi car which the Company purchased from Dream Selection Pte Ltd on 28 August 2020; (3) a BMW X6 car which the Company purchased from Performance Munich Autos Pte Ltd for Mr Lim's usage (as a replacement car of equivalent "class" as the Mercedes Benz car). In addition, SGD3,534 of the funds from CLA / PL2 was used to settle hire purchase instalments for a Volkswagen car purchased by the Company in or around October 2017.
- 1.4.46 We set out our findings in relation to the purchase of passenger cars used by Mr Loy, Mr Lim and employees related to Mr Lim below.
- 1.4.47 First, the Company did not implement internal controls over the procurement of fixed assets for the procurement of passenger cars used by Mr Loy, Mr Lim and employees related to Mr Lim. This is not in compliance with Procedure 6.2 (Acquisition of Fixed Assets) and Procedure 6.4 (Custody of Fixed Assets) of the Finance Manual, in particular (i) no Purchase Requisition form was raised by the respective users of the cars, i.e. Mr Loy, Mrs Nancy Lim Sok Khim ("**Mrs Nancy Lim**") and Mr Lim; (ii) no quotations were sourced for the purchase of the Audi although at least two quotations should have been sourced for. In respect of the Mercedes Benz car, while the Company obtained two quotations from two different entities, both entities share a common and sole shareholder and we did not note any evidence on the selection of the best quotation; (iii) we did not note any evidence of verification performed by the Chief Financial Officer ("**CFO**"), or documentation of approval from the CEO for the purchase of the three passenger cars and (iv) the finance department was not involved in assigning the cars to employees.
- 1.4.48 In addition, we note that there was no proper approval process for the payment vouchers. The Company's failure to comply with its prescribed internal controls and maintain a robust control system potentially triggers a breach of SGX Catalist Rule 719(1). According to Rule 719(1), "*An issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management. In arriving at the decision, the audit committee should consider the recommendation of the continuing sponsor.*".
- 1.4.49 Second, based on our review of the Board minutes of KCH and KHLM at or around the material time when the three passenger cars were purchased, there was no documented discussion by the then KCH / KHLM Board, nor any documentation prepared by the then Management for the then KCH / KHLM Board on the business purpose for purchasing the three passenger cars, in particular the purchase of the Mercedes Benz car is an IPT .
- 1.4.50 Third, the Company did not implement internal controls procedures over IPTs for the procurement of the passenger car from Mr Lim. This is not in compliance with Procedure 8.1 of the Finance Manual which requires IPT with value in excess of 5% of the Group's NTA to be approved by the AC prior to entry and IPT with value below or equal to 5% of the Group's NTA to be reviewed on a quarterly basis by the AC. Applying the market capitalisation as suggested in SGX Catalist Rule 905(4) given that the Group was in negative NTA position, based on our computation, we note that the purchase price of SGD270,000 is 0.7% of the market capitalisation of KCH on 14 August 2020, being the last trading day prior to the purchase date of 17 August 2020. Accordingly, based on Procedure 8.1 of the Finance Manual, the purchase of the car from Mr Lim "*need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee*". However, it appears the transaction was only discussed by the then AC on 9 February 2021 at the earliest.
- 1.4.51 The Company also failed to follow the general requirements in relation to IPTs as set out in Chapter 9 of the SGX Catalist Rulebook (see rules set out in paragraph 1.4.17 above). The then KCH AC and the former Sponsor were not made aware of the transaction at the material time when it took place. We note that there may be a potential breach of SGX Catalist Rule 905(4), as the purchase of the Mercedes Benz car from Mr Lim was not disclosed as an IPT at the

material time of purchase.³⁴ As a result, the SGX Regco was not consulted on the appropriate benchmark to calculate the relevant thresholds before entering into the transaction. SGX Catalist Rule 905(4) states *"If the group's latest audited net tangible assets is negative, the issuer should consult the Exchange on the appropriate benchmark to calculate the relevant thresholds in Rule 905(1) and 905(2), which may be based on its market capitalisation."*

- 1.4.52 Fourth, SGD0.834 million was utilised from the funds raised from PL2 to purchase the passenger cars which is inconsistent with the use of proceeds as announced by the Company on 22 July 2020 and reported in its AR2020, i.e. to pursue new business opportunities, general working capital (including meeting general overheads and other operating expenses of the Group), and repayment of loans and borrowings.³⁵ This may constitute potential breaches of SGX Catalist Rule 704(30) and SGX Catalist Rule 1204(22). In the present case, the Company did not announce the reasons for deviation from the stated use of the proceeds.
- 1.4.53 Furthermore, notwithstanding that SGD0.554 million out of SGD0.834 million was utilised by the Company on 17 August 2020 and 3 September 2020, the Company only announced the utilisation on 1 February 2021. In addition, the Company did not announce the utilisation of SGD0.280 million out of SGD0.834 million, for the purchase of the Audi car and which was subsequently sold for the same amount and the proceeds were returned to the Company. These may constitute potential breaches of SGX Catalist Rule 704(30) and SGX Catalist Rule 1204(22) which requires the issuer to immediately announce the use of any proceeds as and when such funds are materially disbursed and to include in its annual report a status report on the use of proceeds respectively.
- 1.4.54 Fifth, KHLM purchased insurance for the Mercedes Benz and BMW cars through an insurance agent, Ms Ting Mee Huang Susan, who is the mother of Hon Sean. However, her relationship with Hon Sean was not disclosed to the Company.

(vii) Findings on loan to external party, Dato Poh Po Lian ("Dato Poh"), using funds from CLA / PL2

- 1.4.55 On 31 August 2020, a cheque for the amount of SGD1.2 million was issued by KHLM to Dato Poh. We sighted a loan agreement entered into between KHLM (as lender) and Dato Poh (as borrower). However, the loan agreement is dated 1 September 2020 (i.e. one day after the cheque was issued by KHLM to Dato Poh). The loan agreement provides, amongst others, that interest shall be calculated at a rate of 8% per annum from the date of disbursement to actual repayment of the loan. In the event that repayment is not made on or before the due date, interest shall apply on such unpaid amounts at the rate of 8% per annum from due date up to the date of actual payment. Further, Dato Poh was also the personal guarantor for the loan.
- 1.4.56 Between 19 and 26 December 2020, an entity, SKL Consultancy Pte. Ltd. ("**SKL**"), repaid the principal and interest on the loan totalling SGD1,223,934 over three tranches on behalf of Dato Poh.
- 1.4.57 We set out our findings on the loan to Dato Poh, using funds from CLA / PL2, below.

³⁴ The purchase of a pre-owned motor vehicle from Mr Lim was disclosed in the Company's result announcement for half yearly ended 31 December 2020 (announced on 10 February 2021).

³⁵ During maxwellisation, we understood from Mr Lim *"I disagrees [sic] and notes [sic] that the report failed to elaborate on how the purchases were contrary to the intended use of the placement proceeds. The motor vehicles were purchased for the Company's operational and business development purposes. Furthermore, the SGX announcement made by the Company on 1 February 2021 titled "CHANGE IN AND USE OF PROCEEDS" had clearly designated more working capital for the Company. In particular, the Announcement stated that the Company had re- allocated the sum of S\$573,000 for the "[p]urchase of motor vehicles", a clear indication that working capital was being used for purchase of the two vehicles. For the Announcement to be made, the Board must have at least accepted that these vehicles constituted valid deployment of working capital of the Company."* However, DTFAS remains of the view that the purchase of passenger cars, being fixed assets for use by key management which is not an entitlement noted in the Company's policy, is not a use of proceeds for general working capital of the Company, as announced by the Company.

- 1.4.58 We note that there was no approval obtained from the then KCH Board for the loan to Dato Poh, considering that it is a transaction not in the ordinary course of KCH Group's business and lacking business justification prior to the loan being disbursed. The then KCH Board was only informed of the loan on or around 17 February 2021 at the earliest, in a draft unsigned board paper prepared by Mr Lee and addressed to the then KCH Board ("**Unsigned Board Paper dated 17 February 2021**").
- 1.4.59 The lack of stringent procedures over the entry into the loan and execution of the loan exposed the Company to potential financial loss. In particular, the Company did not perform a formal background search nor credit assessment on the borrower i.e. Dato Poh, who was also the personal guarantor of the loan.³⁶ The Company also did not assess the loan interest of 8% per annum.
- 1.4.60 Based on an intelligence search conducted on SKL, as of 7 September 2023, Mrs Nancy Lim³⁷ is a director and 90% shareholder of the company since its incorporation on 28 September 1994. During our interview with Mr Lim, we enquired with him on the reason SKL made the repayment of the loan on behalf of Dato Poh. Mr Lim did not provide a satisfactory explanation and alluded that more importantly the monies were repaid to the Company.³⁸
- 1.4.61 The Company had failed to announce the loan to Dato Poh using CLA / PL2 proceeds, which is not one of the intended uses of CLA / PL2 proceeds. As such, the re-allocation of proceeds for the respective utilisations should have been announced accordingly. However, there was no announcement in relation to such re-allocation.³⁹ Hence, there has been a potential breach of SGX Catalist Rule 704(30) and SGX Catalist Rule 1204(22) which requires the issuer to immediately announce the use of any proceeds as and when such funds are materially disbursed and any material deviation from the stated use of proceeds and to include in its annual report a status report on the use of proceeds and any material deviation from the stated use of proceeds respectively.

(D) Utilisation of funds to pursue new business opportunities

- 1.4.62 We set out in the table below the amount utilised from the funds raised under PL1, CLA and PL2 for the purpose of pursuing new business opportunities. Out of the net amount of SGD1.680million utilised to pursue new businesses, only SGD0.541million was used to purchase masks for trading purposes with the remaining SGD1.139 million utilised on professional fees, rental and other miscellaneous expenses for the purposes of pursuing new businesses.

³⁶ In both the then Management comments set out in the Draft Baker Tilly's report, as well as the Unsigned Board Paper dated 17 February 2021, it was noted that Dato Poh had previously purchased several of KHLM's premium kitchen systems and high-end branded appliances in 2019 for SGD338,988, and made full payments for his purchases a few months ahead of the delivery dates. However, we note that the fact of Dato Poh being a customer of good credit rating in 2019 is not relevant to his credit rating at a much later time of 31 August 2020, when the loan agreement was entered into. During maxwellisation, we understood from Mr Lim "*At the material time, there was excess cash in KHLM. The short-term loan generated interest income of approximately S\$23,000 for the Company. The remaining cash after the loan was disbursed was approximately S\$886,000, which was more than sufficient to pay off the overheads of KHLM for the 3-month duration of the loan. Furthermore, as at 30 June 2020, the Group had cash and cash equivalents of approximately S\$6.4 million and total net asset value of approximately S\$22.9 million.*". However, it remains that DTFAS is of the view that the loan to Dato Poh is not one of the intended use of the funds raised.

³⁷ Former Executive Assistant to CEO and Chairman and Manager of Premium Line of Business (1 November 2016 to 14 September 2021), also, wife of Mr Lim.

³⁸ For the avoidance of doubt, we noted a letter from Dato Poh to KHLM dated 28 December 2020, on the subject matter "*Full Settlement of Loan*", notifying KHLM "*... The following amount of principal SGD1,200,000 and agreed upon interest SGD23,934.24 has been remitted to your UOB bank account number XXXXXX2033 [redacted] by SKL Consultancy Pte Ltd on my behalf.*".

³⁹ We were made to understand Mr Lee was on medical leave for his leg surgeries for the periods from 21 September 2020 to 5 October 2020, 30 October 2020 to 13 November 2020 and 28 December 2020 to 22 January 2021. For period between 6 October 2020 and 29 October 2020 when Mr Lee was back in office before taking another medical leave, the finance team (including him) were rushing to meet the deadline for the completion of the audited financial statements and annual report for FY2020. After Mr Lee was back from medical leave, he started to clear the backlog of the internal financial reporting matters, including analysing / reviewing the use of proceeds from PL1, CLA and PL2."

Utilisation	Amount (SGD 'million)	Adjusted for amount returned / repaid to the Company (SGD 'million)	Amount net of amount returned / repaid to the Company (SGD 'million)
(a) Expenses relating to acquisition and / or general working capital of OTCL (held via OTPL)	0.414	-	0.414
(b) Working capital of KC Medical – Purchase of mask	0.541	-	0.541
(c) Working capital of KCT: Participation in e-commerce merchants financing	0.652	(0.652)	-
(d) Expenses relating to rental of new office space for purpose of pursuing new business opportunities	0.607	-	0.607
(e) Other expenses relating to new businesses including, KC Medical, KCT, 3L Asia and other new business opportunities	0.118	-	0.118
Total utilisation (SGD 'million)	2.332	(0.652)	1.680

(viii) Findings on purchase of masks

- 1.4.63 On 14 April 2020, the then KCH's Board approved the incorporation of KC Medical to undertake the trading of medical and related supplies. KC Medical was incorporated on 17 April 2020 with an issued and paid-up share capital of SGD100,000 to undertake the trading of medical and related supplies.
- 1.4.64 However, it was only on 27 July 2020 when KCH's shareholders approved the Company's diversification of the Group's core business to *"include business comprising the trading of medical and related supplies..."*.
- 1.4.65 On 31 May 2021, KC Medical entered into a contract with Beijing Health Box Technology Co., Ltd. (北京健康盒子科技有限公司) ("**Beijing Health**"), pursuant to which KC Medical agreed to purchase 200,000 copper oxide masks from Beijing Health. On 4 June 2021, KCH paid RMB2.415 million to Beijing Health for the purchase of 200,000 masks.
- 1.4.66 Based on the records available, (1) on or around 14 June 2021, 2,000 masks were delivered to *"Kallang Avenue #09-02 CT Hub Singapore 339407"*; and (2) on 7 July 2021, 198 cartons of masks (each containing 1,000 pieces) were delivered to *"60 Benoi Road #01-06 S629906"*. The order was not acknowledged by the receiver.
- 1.4.67 On 3 September 2021, KCH employed Ms Koh Joo Gaik Jennifer ("**Ms Koh**") as a Regional Marketing Director with effect from 1 September 2021. Based on the manpower requisition form requested and approved by Mr Lincoln Teo for Ms Koh's employment, her responsibilities include, amongst others, *"sales growth and profitability of KC Medical Supplies"*.
- 1.4.68 On 1 April 2022, Ms Koh had signed off on a "Storage Space Rental Agreement" with an individual, Mr Ethan Keng June Hao ("**Mr Keng**"), in her personal capacity. While the agreement states that Mr Keng and the Company are lessor and lessee respectively, Ms Koh, instead of the Company, is identified as the "lessee" under the "contact" provision, as well as the signing page.
- 1.4.69 We set out our findings on the purchase of masks below.

- 1.4.70 First, notwithstanding there were brief discussions documented in the board meeting held on 22 April 2021 and subsequently email correspondence, on or around 27 May 2021, on the purchase of masks, there was no business plan prepared, and no in-depth deliberation by the then Management and the then Board of KCH / KC Medical on the Group's entry into the business to sell copper oxide masks. In particular, the then KCH Board was not given sufficient time to consider the proposal to purchase masks using the fundraising proceeds given that the then KCH Board was first made aware of the purchase of masks via Mr Lincoln's Teo email of 27 May 2021, where he sought the then Board's approval for the use of proceeds for the purchase of masks. The purchase contract was thereafter signed within four days.
- 1.4.71 Second, there was a lack of stringent procedures over the entry into and signing of the purchase contract. In particular, we did not note any documentation on the assessment for Beijing Health to be the selected supplier of the copper oxide masks to KC Medical and there was no review of the purchase contract by a legal adviser, despite concerns raised by the then KCH board member(s). In addition, there were no control / process set out to manage the sale of the masks, inventory movements and KC Medical did not have bank accounts to receive the sales proceeds. Further, we did not note any DRIW passed by the then KCH Board in respect of the purchase of masks, in particular, considering the business is new to the Group.
- 1.4.72 Third, there was a lack of justification for the compensation received by Ms Koh, who was employed by Mr Lincoln Teo. We noted the commission paid to her included masks not sold by her (according to the Company's sales listing records).⁴⁰
- 1.4.73 Fourth, the use of proceeds for the purchase of masks of SGD506,072 paid on 3 June 2021 was only announced on a much later date of 18 January 2022. This is in potential breach of SGX Catalist Rule 704(30), which requires the issuer to immediately announce the use of any proceeds arising from offerings as and when such funds are materially disbursed.

(E) General working capital for the Group's existing kitchen business

- 1.4.74 We set out in the table below the amount utilised from funds raised under PL1, CLA and PL2 for the general working capital for the Group's existing kitchen business. Our findings on the payments in relation to the consultancy services fees concerning fundraisings were set out in paragraphs 1.4.3 to 1.4.11.

Utilisation	Amount (SGD 'million)	Adjusted for amount returned / repaid to the Company (SGD 'million)	Amount net of amount returned / repaid to the Company (SGD 'million)
(a) Consultancy services fees concerning fundraisings	0.973	-	0.973
(b) Remaining expenses concerning fundraisings	0.203	-	0.203
(c) Other Operating expenses (including staff costs and other miscellaneous expenses)	9.610	(0.181)	9.429
Total utilisation (SGD 'million)	10.786	(0.181)	10.605

(ix) Findings on salaries of specific employees recharged by KHLM to KCH

- 1.4.75 Out of SGD9.429 million utilised on "Other Operating expenses (including staff costs and other miscellaneous expenses)", SGD0.798 million pertains to payments from KCH to KHLM for salaries of specific employees recharged by KHLM to KCH.

⁴⁰ Ms Koh was promoted from Regional Marketing Director to the position of Vice President, B2B Trade within seven months when she was first employed by KCH. She was entitled to commission under her first employment contract, from 1 September 2021 to 30 March 2022 (i.e. last day before her promotion).

- 1.4.76 On 29 July 2011, KCH and KHLM entered into and signed a management agreement pursuant to which KCH agreed to provide administrative and management services, as well as financial support and services to KHLM to enable it to operate its business efficiently (the “**Signed Management Agreement dated 29 July 2011**”).
- 1.4.77 There is an unsigned and undated Addendum to the Signed Management Agreement dated 29 July 2011, which purports to revise the amount of management fees to SGD35,000 per month with effect from 1 July 2014. We further note that there is an unsigned agreement dated 5 August 2020 for monthly management fees of SGD55,730 (billed by KHLM to KCH) effective from July 2020.
- 1.4.78 Between January 2020 to March 2021, KCH recognised management fee income from KHLM on a quarterly basis in accordance with the Signed Management Agreement dated 29 July 2011. At the same time, KHLM was paying the salary of Mr Lim, whose employment was with KCH, on behalf of KCH.
- 1.4.79 Between March 2020 and May 2021, KHLM billed KCH for a portion of the salaries of specific employees recharged to KCH for the months of February 2020 to May 2021. KCH paid KHLM using fundraising proceeds from PL1, PL2 and CLA.
- 1.4.80 We set out our findings on the salaries of specific employees recharged by KHLM to KCH below.
- 1.4.81 There was no signed agreement / formal arrangement for the monthly payment of management service fees by KCH to KHLM. Based on our review of the Board minutes of KCH and KHLM at or around the material time during which the salaries were recharged by KHLM to KCH, there were no board minutes, discussions, nor DRIW / agreement for KCH to be charged the salaries of KHLM’s staff using fundraising proceeds.
- 1.4.82 We note that part of Mr Lim’s salary was included in the salary of specific employees recharged by KHLM to KCH. There is no basis for KHLM to do so as Mr Lim’s employment was with KCH and the payment of his salary was set off against the management fees charged by KCH to KHLM under the Signed Management Agreement dated 29 July 2011.

(x) Findings on other operating expenses (including staff costs and other miscellaneous expenses)

- 1.4.83 Based on the Company’s announcements on the fundraisings (dated 22 April 2020, 29 April 2020 and 22 July 2020 for PL1, CLA and PL2 respectively), at the material time when the respective proceeds were raised, only SGD3.631 million was allocated for “General working capital (including meeting general overheads and other operating expenses of the Group, as well as the expenses pertaining to the proposed placement)”.
- 1.4.84 However, based on actual utilisation, the Company eventually spent SGD9.429 million recorded under other operating expenses (including staff costs and other miscellaneous expenses) mainly for the kitchen businesses and SGD1.176 million (consultancy services fees concerning fundraisings of SGD0.973 million and remaining expenses concerning fundraisings of SGD0.203 million), which is higher than the allocated amount of SGD3.631 million. Based on our review, the bulk of the use of proceeds of SGD9.429 million were not announced on a timely basis, i.e. the amount utilised between (a) 14 October 2020 to 1 February 2021 (of SGD3.756 million) were only announced on 1

February 2021⁴¹ and (b) 2 Feb 2021 to 30 Nov 2021 (of SGD2.748 million) were announced on 18 January 2022. Additionally, the amounts of use of proceeds on operating expenses (including staff costs and other miscellaneous expenses) as announced in its announcements of 1 February 2021 were inaccurate. In addition, the breakdowns with specific details on the use of proceeds in relation to the general working capital of KCH and / or KHLM – Operating Expenses were not announced in the announcements made before 1 February 2021. The Company only announced the specific details of the use of proceeds for general working capital in the announcements made on 1 February 2021, 18 January 2022 and 7 March 2022. Hence, there has been a potential breach of SGX Catalist Rule 704(30) which requires the issuer to immediately announce the use of any proceeds as and when such funds are materially disbursed and SGX Catalist Rule 1204(22) which requires the issuer to include in its annual report a status report on the use of proceeds.

1.5 Use of proceeds reported in the Company's announcements and / or annual reports

- 1.5.1 As highlighted in the respective sections of this report set out above, there are certain inaccuracies and / or untimeliness of the Company's use of proceeds made in its announcements and / or reported in its annual reports which trigger potential breaches of SGX Catalist Rule 704(30) and / or Rule 1204(22).⁴²
- 1.5.2 We further note that there was a lack of documentation on the deliberation on the intended use of proceeds, and no cashflow planning / allocation on the use of proceeds. In particular, we noted that there was a lack of control over the reporting on / monitoring of the use of proceeds at least up to December 2020. SGX Catalist Rule 719(1) states that *"An issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management. In arriving at the decision, the audit committee should consider the recommendation of the continuing sponsor."* The Company may potentially breach SGX Catalist Rule 719 (1) as it does not have a policy and standard operating procedures over the allocation of proceeds raised, monitoring of utilisation and reporting of the use of proceeds at the material time when the PL1, CLA and PL2 proceeds were raised and utilised.

⁴¹ We understood from the Company (via written response from Mr Lee), *"Due to the numerous exchange of email with AC members, the announcement [on the utilisation of funds up to 19 December 2020 and meant for release in January 2021] was released on 1 February 2021."* Noted Mr Lee mentioned the end date of the period of utilisation to be 19 December 2020 and also in the ARC minutes of 22 April 2021, *"...although the 1st February Announcement disclosed that the utilisation of Proceeds was as at date of announcement, the information was in fact as at 19 December 2020"*. However, we did not note subsequent announcements on the use of proceeds correcting the end date of the period of utilisation announced on 1 February 2021 from 1 February 2021 to 19 December 2020. For the avoidance of doubt, our review of the announcement made on 1 February 2021 is based on the end date of 1 February 2021. In addition, it is noted in the ARC minutes of 22 April 2021, other than informing the then ARC the untimely and inaccurate reporting for the use of proceeds noted in the announcement of 1 February 2021, Mr Lee presented the utilisation of the proceeds from 20 December 2020 to 31 March 2021. It appears the untimely and inaccurate reporting noted were primarily findings from the Draft Baker Tilly's Report received by the Company's then Management on 8 April 2021.

⁴² We were made to understand Mr Lee was on medical leave for his leg surgeries for the periods from 21 September 2020 to 5 October 2020, 30 October 2020 to 13 November 2020 and 28 December 2020 to 22 January 2021. For period between 6 October 2020 and 29 October 2020 when Mr Lee was back in office before taking another medical leave, the finance team (including him) were rushing to meet the deadline for the completion of the audited financial statements and annual report for FY2020. After Mr Lee was back from medical leave, he started to clear the backlog of the internal financial reporting matters, including analysing / reviewing the use of proceeds from PL1, CLA and PL2."

1.6 Acquisitions and Disposals

(A) Disposal of 60% shareholding in Kitchen Culture Sichuan Co., Ltd.

Background

- 1.6.1 On 31 March 2014, KCH announced that KHLM, a wholly-owned subsidiary of the Company, had incorporated KCSC with a registered capital of RMB1 million. Over the years, KCSC's share capital increased from RMB1 million to RMB10 million; KCSC was KCH Group's only active subsidiary located in the People's Republic of China ("PRC").
- 1.6.2 On 22 April 2020, Mr Quek informed Mr Loy that a Chinese investor had purportedly agreed to take a 60% stake in KCSC ("**60% Disposal**") and provided Mr Loy a draft shares transfer agreement which was provided by the Chinese investor, Zhejiang Wanhao (i.e. Draft Disposal Agreement).
- 1.6.3 The transaction envisaged KHLM transferring 60% of the shares of KCSC to Zhejiang Wanhao at a nominal transfer price of RMB1, in exchange for Zhejiang Wanhao paying RMB6 million into KCSC, of which RMB4,019,534 will be for the balance registered capital and RMB1,980,466 as capital reserve. Any loans which KHLM has extended to KCSC shall remain with KCSC as working capital and KHLM shall waive the obligation of KCSC to repay these loans. KHLM shall also ensure that KCSC's directors, senior management and core personnel shall sign service agreements with KCSC, which may contain anti-competition clauses that inhibit KCH's personnel from doing business in China.
- 1.6.4 By way of an email to KCH's then Board dated 14 May 2020, Mr Quek submitted the proposed disposal of 60% of KCH's shareholding in KCSC and requested that the BOD "*render [their] approval by 5pm*" on the same date so that KCH "*can make the announcement by close of business tomorrow.*"
- 1.6.5 On 21 May 2020, KCH's then Board approved the release of the announcement by KCH of the 60% Disposal in KCSC. Mr Lim executed the share transfer agreement dated 21 May 2020 for and on behalf of KHLM and KCSC. By way of a DRIW dated 26 May 2020, KCH's then BOD approved and ratified the 60% Disposal to Zhejiang Wanhao.
- 1.6.6 By way of an email dated 8 June 2020, Mr Bryan Cheng, then supervisor of KCSC (based on our background search conducted), informed Mr Lee that Zhejiang Wanhao had effected the capital injection of RMB6 million into KCSC's bank account.
- 1.6.7 On 10 June 2020, KCH announced that KCSC had handed over the financial records, company seal, financial seal and bank tokens of KCSC to Zhejiang Wanhao and that the latter had effected the capital injection of RMB6 million into KCSC's bank account. Zhejiang Wanhao was also officially reflected as holding legal title to 60% of the shareholding in KCSC as at 19 June 2020.
- 1.6.8 Subsequent to 5 April 2021, KCH has lost contact with KCSC,⁴³ notwithstanding its remaining 40% shareholding in KCSC.
- 1.6.9 We set out below the summaries of our findings in relation to the KCSC 60% Disposal.

Findings

- 1.6.10 We note a lack of a formalised internal control or standard operating procedures over any disposals of shareholdings or interests in entities within the Group at the material time of the 60% Disposal.

⁴³ We understood from the Company via Mr Lee there was no further communication with KCSC after Mr Bryan Cheng's email of 5 April 2021. In addition, Mr Lim also informed him that the new investor had not taken his calls nor replied to email.

- 1.6.11 We did not note any documentation of any deliberate discussion on the business rationale for the KCSC 60% Disposal. The only documented record of the business rationale of the KCSC 60% Disposal is set out under the section titled "Background" in Mr Quek's Memorandum dated 14 May 2020, titled "Request or Approval to Execute Agreement to Dispose 60% stake in KCSC" ("**Memorandum**"). In brief, KCSC has been operating for several years but has not been able to achieve profitability. KCSC was in a net liability position and had accumulated losses as at 31 December 2019.⁴⁴ The 60% Disposal would purportedly benefit KCH as Zhejiang Wanhao was looking to drive the business of KCSC and this would allow KCH to stem the cash bleed needed to keep KCSC going. Should Zhejiang Wanhao be able to turn KCSC profitable, KCH's remaining indirect 40% shareholding interest in KCSC will increase in value.
- 1.6.12 We have not sighted any documented discussion or deliberation by KCH's then Management or then BOD on the financials of KCSC to conclude that the consideration of RMB1 of 60% of the shareholding in KCSC is justifiable prior to the signing of the execution of the share transfer agreement dated 21 May 2024. KCH's justification for the RMB1 consideration appears to be limited to the fact that KCSC was in net liability position and accumulated loss position.⁴⁵ We did not note any evidence of discussion on the assessment of the quality of assets that KCSC possesses (for example, whether the inventory is required to be revalued) or any valuation or any record of discussion or deliberation by the then KCH's Management or BOD as to whether a valuation should be conducted of KCSC's 60% shareholding before the approval of the KCSC 60% Disposal.
- 1.6.13 Notwithstanding that KCSC was KCH Group's only active subsidiary in the PRC, we did not note any formal solicitation process to source for a prospective buyer for the 60% shareholding of KCSC to see if the KCH Group is able to attain a price that is above RMB1 and any formal due diligence performed on the proposed business partner of KCSC, Zhejiang Wanhao, given that KHLM remains as the 40% shareholder of KCSC post-60% Disposal.
- 1.6.14 Based on our background search on Zhejiang Wanhao, it is not recorded as being in the kitchen industry business. According to the Qichacha (企查查) ("**QCC**") report of Zhejiang Wanhao (and as announced by the Company on 21 May 2020), the principal activities include investment management, investment consulting, economic information consulting, financial management consulting and business management services. We did not note any documented justification on how the KCH Group determined whether Zhejiang Wanhao could turn KCSC profitable.
- 1.6.15 We did not note any evidence that the KCH Group engaged a professional to review the disposal agreement drafted by Zhejiang Wanhao,⁴⁶ as a step to safeguard the interests of the KCH Group. Although Mr Loy indicated in his written responses that Opal Lawyers LLC ("**Opal Lawyers**") was appointed to review the agreements, we did not note evidence of their appointment for the purpose of reviewing the Draft Disposal Agreement or the executed share transfer agreement dated 21 May 2020, nor any documented evidence of review performed by Opal Lawyers.
- 1.6.16 We did not note any documented discussions or deliberations of the proposed amendments and / or comments from the directors of the inherent risks arising from the terms of the Draft Disposal Agreement by Zhejiang Wanhao.
- 1.6.17 Although Mr Loy raised a comment on 23 April 2020 for the capital injection of RMB6 million to be included as one of the conditions precedent instead of subsequent to the completion of the disposal, we did not note any discussion by the then KCH's Management on Mr Loy's comment, prior to Mr Quek's email of 14 May 2020 which raised the KCSC 60% Disposal proposal and the draft agreement to the then KCH BOD for approval. The arrangement remained unchanged in the signed agreement, where the injection of capital will only take place post-shares transfer from KHLM to Zhejiang Wanhao. Mr Nair and Mr Lau also raised comments for the timing of the capital injection of RMB6 million to coincide with the handing over of the financial records, company seal and bank tokens to Zhejiang Wanhao.

⁴⁴ For completeness, we separately noted the date of incorporation of KCSC based on our background search is inconsistent with the dates reported in the audited financial reports of KCH Group: (a) KCH Group's Annual Report for the financial year ended 31 December 2014 indicated KCSC was incorporated on 31 March 2014; and (b) KCSC's audited financial statements for the financial year ended 30 June 2019 indicated KCSC was incorporated on 5 August 2014 instead. That said, the nothing turns on the discrepancies in the date of incorporation.

⁴⁵ We understood from Mr Lee, Mr Lim and Mr Quek and the then KCH's Board at the material time of disposal (except Mr William Teo) (via interviews), the main reason for disposal was the Group could not sustain cashflow required for KCSC to continue its operations.

⁴⁶ Based on the Memorandum enclosed in Mr Quek's email of 14 May 2020, "*The draft investment agreement (see attached) has been drafted by the investor*".

However, we did not note evidence of subsequent discussion by the then KCH Board to address the comments of Mr Nair and Mr Lau.⁴⁷ Although the capital injection of RMB6 million was eventually effected prior to the official transfer of legal ownership, KCH Group was exposed, at the material time when the Company signed the agreement, to the risk of not receiving the capital injection after the legal ownership of 60% stake of KCSC is transferred.

1.6.18 We also did not note any documented deliberation on the implication of KCH Group's future business in the PRC arising from the non-compete clauses in the signed agreement or the safeguards to be implemented to mitigate the risk of KCH losing oversight of KCSC subsequent to handing over the financial records, company seal and bank tokens to Zhejiang Wanhao. No director representing the interest of KCH Group in KCSC was appointed subsequent to the completion of the 60% Disposal. Subsequent to 5 April 2021, KCH lost contact with KCSC notwithstanding its remaining 40% shareholding in KCSC. Without access to the financials of KCSC, KCH would not be able to account for the share of profit / loss of its 40% equity interest in KCSC (in accordance with SFRS(I) 1-28 Investments in Associates and Joint Ventures) and therefore could have difficulties complying with:

- a) Companies Act 201(2) "... the financial statements ... must comply with the requirements of the Accounting Standards and give a true and fair view of the financial position and performance of the company"; and
- b) SGX Catalist Rule 705 (3A) "An issuer that prepares its financial statements under Rule 705 in accordance with Appendix 7C must also prepare such financial statements in accordance with the relevant accounting standards for interim financial reports under Singapore Financial Reporting Standards (International) ("SFRS(I)s"), or International Financial Reporting Standards ("IFRS"), or US Generally Accepted Accounting Principles ("US GAAP")".

1.6.19 We note certain inaccuracies in the Company's announcement of relative figures computed on the bases set out in Rule 1006. Notwithstanding KCH's incorrect computation, the Company correctly assessed the KCSC 60% Disposal as a transaction which does not require shareholders' approval in accordance with Practice Note 10A 4.4 and 4.6 and has announced the KCSC 60% Disposal accordingly. The inaccurate announcement of figures on 21 May 2020 may also amount to potential breaches under SGX Catalist Rule 703(4)(a) which states an issuer must observe the Corporate Disclosure Policy set out in Appendix 7A referenced to in Chapter 7 to provide timely disclosure of material information in accordance with this policy and "each announcement should be factual, clear and succinct".

(B) Acquisition of Ooway Technology Co., Ltd. through a 30% shareholding in its holding company, Ooway Technology Pte. Ltd. ("the Acquisition")

Background

1.6.20 On 16 February 2020, KCH executed a letter of appointment (addressed to Mr Tan) appointing Precious Glory to "[s]ource for and introduce [KCH] to suitable vendors of shares in the target business, Ooway Technology Co., Ltd., for the Company to acquire ("Target")" ("Introducer Service Agreement").

1.6.21 On 31 March 2020, KCH announced its strategic business review of the Group's business segments, with a view to strengthen the core business of the Group whilst maximising potential value for all stakeholders. In particular, KCH announced that "[m]oving forward, the Group will introduce new brands and products to target broader market segments in the retail renovation market, as well as identify opportunities in new market segments."

⁴⁷ Mr Nair commented via an email on 14 May 2020 "My only comment is that paragraph 6.1 should stipulate 15 days or an otherwise agreed time to coincide with the handing over of the financial records, company seal and bank tokens to the new investor." Mr Lau commented via an email on 14 May 2020 "... Also, we should stipulate a[n] undertaking from the acquirer to a time line [sic] from completion of the sale and purchase to complete the much needed capital injection. I would think it should be contemplated within 15 days. The handing over of the stamps, books and all regulatory documents, bank tokens should be done only after the registration of the transfer with the relevant authorities have been approved and completed with the relevant authorities."

- 1.6.22 On 17 April 2020, KCH announced that it entered into a non-binding MOU with OTPL for the proposed acquisition of shares in OTCL. The terms of the MOU required parties to (i) consider the feasibility of the bMARS business; (ii) conduct necessary due diligence in connection with the sale and purchase of the shares of OTCL; and (iii) negotiate on the terms and conditions of a sales and purchase agreement. The bMARS business refers to the Credit 3.0 platform in China named Behaviour Model of Association Risk System ("**bMARS**") which purportedly utilises machine learning and artificial intelligence to quantify corporate behaviour into credit value, through which OTCL provides credit rating services for importers and exporters in China.
- 1.6.23 On 23 June 2020, KCH announced that "*based on current negotiations, the acquisition will involve [KCH] acquiring a 30% stake in the target group with the acquisition consideration to be satisfied through the issue of new shares by KCH*" and that it has appointed professionals to conduct (a) a valuation on OTCL, (b) legal due diligence investigations and (c) financial due diligence investigations on the target group.
- 1.6.24 Based on an email dated 10 August 2020 from Mr Loy to Mr William Teo, Mr Nair, Mr Chua and Mr Lau (with Mr Lim, Mr Lee and Opal Lawyers copied), a KCH Board meeting was held on 12 August 2020 over Zoom "*to go through the Due Diligence Report of Ooway and seek [the then KCH Board's] approval on our proposed [OTCL] acquisition*". We understand from the former corporate secretary of KCH that "*the [KCH] Board meeting [held on 12 August 2020] was not formally minuted*".
- 1.6.25 KCH then entered into a Sale and Purchase Agreement with Ooway Group Ltd. ("**OGL**") dated 13 August 2020 ("**SPA**"). The SPA provided, *inter alia*, that the purchase consideration being SGD23.922 million shall be settled by way of the allotment and issuance of 90 million new consideration shares by KCH to OGL at the issue price of SGD0.2658 per share. The completion of sale and purchase of 300 ordinary shares in the capital of OTPL (representing 30% of the total number of issued shares of OTPL), the holding company of OTCL (i.e. the Acquisition), is conditional on condition precedents. Through the Acquisition, KCH will acquire an indirect interest in OTCL.
- 1.6.26 In conjunction with the SPA, KCH also entered into a shareholders' agreement with OTPL and OGL dated 13 August 2020 ("**SHA**"). The SHA provided, *inter alia*, that parties agree that OTPL shall principally carry on the business, being the establishment of Credit 3.0 platform in China named bMARS and shall not engage in any other business unless mutually agreed among all shareholders and the business shall be conducted in the best interests of the KCH.
- 1.6.27 A DRIW dated 13 August 2020 was also signed by four of five directors in the then KCH Board⁴⁸ to (1) approve the proposed Acquisition; (2) note and approve the form and substance of the SPA to be entered between KCH and OGL and SHA to be entered between KCH, OGL and OTPL; and (3) approve the draft announcement relating to the proposed Acquisition. KCH announced on 13 August 2020 that it had on the same date "*entered into a sale and purchase agreement (the "SPA") and a shareholders' agreement (the "SHA") with OOWAY Group Ltd. (the "Vendor") in relation to the proposed acquisition by [KCH] of 300 ordinary shares in the capital of OOWAY Technology Pte. Ltd. (大路网络科技有限公司) (the "Target"), representing 30% of the total number of issued shares of the Target at a purchase consideration of SGD23,922,000 (the "Purchase Consideration") (the "Proposed Acquisition")*".
- 1.6.28 In a valuation report dated 31 August 2020, AVA Associates Limited ("**AVA**") determined that the Market Value of the 100% equity interest in OTCL and its subsidiaries was reasonably stated in an amount that ranged from SGD74 million to SGD90 million as at the valuation date and in accordance with the International Valuation Standards (2017 edition).
- 1.6.29 An unsigned DRIW dated 21 September 2020 was also passed by the then KCH Board setting out, *inter alia*, the resolution to approve the shareholders' circular for the purpose of providing shareholders with further details on the (a) proposed Acquisition of 300 ordinary shares in OTPL from OGL at a purchase consideration of SGD23,922,000; (b) proposed allotment and issuance of 90 million new ordinary shares at the issue price of SGD0.2658 per share to OGL; (c) proposed transfer of controlling interest in KCH to OGL upon allotment and issuance of the 90 million shares; (d) proposed allotment and issuance of 4,500,000 new shares at the issue price of SGD0.2658 to Precious Glory as introducer fees for the proposed acquisition; and (e) proposed diversification of the core business of the Group to include the proposed new business comprising artificial intelligence, machine learning and data science.

⁴⁸ Mr Lim, Mr Loy, Mr William Teo and Mr Lau signed the DRIW. Mr Nair's signature was not sighted on the DRIW.

- 1.6.30 The EGM Circular dated 22 September 2020 was then issued to shareholders to seek shareholders' approval for (a) proposed Acquisition of 300 ordinary shares in OTPL from OGL at a purchase consideration of SGD23.922 million; (b) proposed allotment and issuance of 90 million new ordinary shares at the issue price of SGD0.2658 per share to OGL; (c) proposed transfer of controlling interest in KCH to OGL upon allotment and issuance of the 90 million shares; (d) proposed allotment and issuance of 4.5 million new shares at the issue price of SGD0.2658 to Precious Glory as introducer fees for the proposed acquisition; and (e) proposed diversification of the core business of the Group to include the proposed new business comprising artificial intelligence, machine learning and data science ("**EGM Circular**"). The shareholders' approval was obtained for the above matters at the EGM on 7 October 2020.
- 1.6.31 On 12 October 2020, KCH announced the completion of acquisition in accordance with terms and conditions set out in the SPA. KCH announced on 13 October 2020 that it allotted and issued 90 million consideration shares to OGL pursuant to the Signed SPA dated 13 August 2020, and 4,500,000 introducer shares to the introducer as introducer fee for the proposed acquisition.
- 1.6.32 Eight days after the completion of the Acquisition, OTPL entered a share subscription agreement with Pegasus Investments Pte. Ltd. ("**Pegasus**") on 21 October 2020 in relation to the Series A financing of OTPL, which resulted in OTPL issuing 85 ordinary shares in the capital of OTPL to Pegasus on 2 December 2020 for a subscription consideration of USD5 million ("**Pegasus Transaction**").⁴⁹ OTPL's issuance of new shares to Pegasus diluted KCH's interest in OTCL by 2.35% (30% - 27.65%). Following the completion under the share subscription agreement, the total issued and paid-up share capital of OTPL was adjusted to 108,500 shares on 17 December 2020, of which OGL holds 70,000 shares, the Company holds 30,000 shares and Pegasus holds 8,500 shares.⁵⁰
- 1.6.33 We set out below the summaries of our findings in relation to the Acquisition.

Findings

- 1.6.34 First, we note KCH lacked a formalised internal control or standard operating procedures for acquisition or disposal transactions at the material time of the Acquisition.
- 1.6.35 Second, we did not note any documented discussion by the then KCH BOD at the material time on the rationale and / or the choice to diversify the Group's business into artificial intelligence, machine learning and data science (the "**New AI Business**"), the industry in which OTCL operates in. We have only sighted document(s) setting out the reasons for the Group's diversification into the New AI Business after KCH entered into the SPA; details and considerations including but not limited to risk factors relating to the proposed New AI Business are set out in the EGM Circular. Based on our interviews with the then Management and the then KCH BOD, we are given to understand that there was no demonstration on bMARS and they were not able to articulate how bMARS operates or works. We also did not note records or documentation setting out any discussion or studies on the feasibility of the bMARS business.⁵¹
- 1.6.36 Third, we also did not note any documented discussion on the proposed Acquisition in OTCL which we understood was spearheaded by Mr Loy, prior to the entry into the MOU dated 17 April 2020 and the SPA dated 13 August 2020.

⁴⁹ During maxwellisation, the Company explained "Since September 2019, OOWAY has started its IPO plan and Series A fundraising and has conducted multiple roadshows. Some investors want to invest in OOWAY and have visited OOWAY in Beijing many times. The number of investors grew to more than ten, with the lowest investment amount of US\$200,000 and the highest of US\$2 million. Finally, some investors decided to incorporate a company in Singapore as an investment entity to invest in OOWAY. OTPL's Series A fundraising is an independent event. It has nothing to do with the share swap transaction between OTPL and KCH."

⁵⁰ Based on the Company's announcement of 10 February 2021.

⁵¹ We understood from Mr Quek (during maxwellisation) "As I was not involved in the acquisition, I do not know how the company considered the feasibility of bMars. Personally, I did not see a demo of the software and do not know how it works."

- 1.6.37 Fourth, we did not note any documentation on how the findings in the valuation, financial due diligence and legal due diligence reports on OTCL and / or OTPL were considered by the then Management and then KCH BOD prior to the Acquisition. While a KCH BOD meeting was held on 12 August 2020 over Zoom "to go through the Due Diligence Report of Ooway and seek [the then KCH Board's] approval on our proposed [A]cquisition",⁵² the former corporate secretary has confirmed that the meeting was not minuted, even though Section 188 of the Companies Act provides for such requirement.⁵³ Although the reports from third-party professionals identified a number of potential risks, we did not note records of any deliberation by the then Management and then KCH BOD on whether these findings had an impact on the consideration paid by KCH for the interest in OTCL.
- 1.6.38 For completeness, the valuation report indicates that the market value of the 100% equity interest in OTCL and its subsidiaries is in the range from SGD74 million to SGD90 million. The purchase consideration of SGD23.922 million for the interest in OTCL falls within the above range determined by AVA (where 100% equity interest would aggregate to SGD79.74 million).
- 1.6.39 Fifth, we note that in relation to the issuance of shares by OTPL to Pegasus,⁵⁴ although Clause 10 of the SHA requires any new shares in OTPL (save for shares issued to employees under any share incentive plan) to first be offered to the shareholders on a pro rata basis, we did not note any documents to suggest that the then KCH Board was aware of the Pegasus Transaction.⁵⁵ We understood from Mr Loy (via his interview), as the nominee director of KCH on the then OTPL board, he was aware of the shares issued to Pegasus. As the share price of OTPL's shares issued to Pegasus was higher than the subscription price of KCH, Mr Loy did not think that it is advisable for KCH to take up these shares, hence, he did not inform the then KCH Board on the Pegasus Transaction.⁵⁶ We also note that at the material time of the Acquisition, there were five individuals, with beneficial interests in OGL, holding shares in KCH. Amongst them include individuals who were also beneficial owners of Pegasus, on or around the issuance of new shares of OTPL to Pegasus.
- 1.6.40 Sixth, there was a lack of oversight of the business of OTPL post-Acquisition. Notwithstanding Clause 3 of the SHA which provides that KCH is entitled to appoint one director on OTPL's board, there were no directors representing KCH's interests on OTPL's then board following the cessation of Mr Loy's position as the KCH-nominated director on or around 31 January 2021.
- 1.6.41 Based on the above, we have identified the following potential breaches:

⁵² Mr Loy, Mr Lau, Mr Chua and Mr Nair confirmed to us during their respective interviews that the Zoom meeting was held on 12 August 2020 and it was a long meeting of approximately four to five hours.

⁵³ During maxwellisation, (1) we understood from Mr Loy "... the [12 August 2020] board meeting to deliberate the acquisition of OTPL was attended by our sponsor SAC and our corp secretary, Opal. Why it was not minuted was a surprise to me as well. In fact all our announcements were also vetted by SAC before being released.". (2) Separately, we understood from the former Sponsor, SAC "We wish to clarify that we did not attend the meeting".

⁵⁴ Based on our background checks, Pegasus was incorporated on 22 September 2020.

⁵⁵ During maxwellisation, we understood from Mr Lim "The company was unaware of the share issuance to Pegasus at that time [referring to the material time shares were issued by OTPL to Pegasus]. This issue was brought up multiple times during board meetings and via emails to Lincoln Teo subsequent to the share issuance to which no explanation was provided.". Based on our review of the minutes of meetings held during our period of review, noted in the board meeting held on 8 July 2021, Mr Lim raised the matter involving the issuance of shares by OTPL to Pegasus and requested clarification from Mdm Hao. However, we did not note any response recorded in the minutes.

⁵⁶ We were provided with an email from Dr Eve Yang of Ooway Group (one of the co-founders) to Mr Loy on 19 October 2020 enquiring with Mr Loy whether KCH would like to subscribe to issuance of 85 additional shares of OTPL's common stock at a price of US\$5 million, under OTPL's Series A financing. To which Mr Loy responded on 20 October 2020 "... 虽说我们会否购, 但还需要你提供更完整的资料以做备案。" (i.e. requesting for more complete information for the Company's reference).

S/No.	Relevant Rule	Potential breaches
1	Catalist Rule 703(4)(a) states an issuer must observe the Corporate Disclosure Policy set out in Appendix 7A referenced to in Chapter 7 to provide timely disclosure of material information in accordance with this policy and “each announcement should be factual, clear and succinct”.	The announcement of 17 April 2020 that OTCL is a “wholly-owned subsidiary” of OTPL at the material time of the MOU dated 17 April 2020 is inaccurate. OTPL wholly owned OTCL via its interest in Ooway Data Technology (Beijing) Co., Ltd. (大路数据科技(北京)有限公司) (“Ooway Beijing”) effective from 24 August 2020.
2	Section 188 of the Companies Act - Minutes of proceedings (1) Every company must cause — (a) minutes of all proceedings of general meetings and of meetings of its directors and of its chief executive officers (if any) to be entered in books kept for that purpose within one month of the date upon which the relevant meeting was held; and (b) those minutes to be signed by the chairperson of the meeting at which the proceedings were had or by the chairperson of the next succeeding meeting.	The Company did not maintain signed minutes for the KCH Board meeting held on 12 August 2020, held for the purpose of discussing the financial due diligence findings on OTCL and to obtain the then Board's approval for the proposed OTCL acquisition.

1.7 Payroll

Background

- 1.7.1 We have been instructed to perform a review of the hiring and payroll transactions of KCH and its Singapore subsidiaries, namely KHLM, 3L Asia and KCT for the period between 1 January 2020 and 31 August 2021 (i.e. Review Period).
- 1.7.2 We set out below a summary of the findings in relation to the Company’s hiring and payroll processes.

Findings

- 1.7.3 Although the Company’s standards, criteria and practices required for the payroll process are stipulated under Procedure 7.1 of Finance Manual, we note that the actual payroll process deviated from the prescribed procedure and was more simplified / streamlined. Due to turnover within the HR Department and the developments of the KCH Group, there are three identified timeframes during which the different payroll practices are observed.
- 1.7.4 Based on our review, the payroll transactions for KCH, KHLM and KCT were authorised and approved by the proper persons with authority. The monthly “Payroll Summary” were signed by the CEO / Interim CEO of the material time as required by Procedure 7.1 of Finance Manual for payroll procedures. However, we note a number of variances when we traced the net wage recorded on the monthly Payroll Summary to the bank statements to ensure that the payments were made accurately for the Review Period.
- 1.7.5 As 3L Asia was incorporated in October 2020 and had ceased operations by January 2021, only three months of payroll transactions were recorded for three employees during the period of October 2020 to January 2021. Although we did not note any variances when we traced the net wage recorded on the monthly Payroll Summary to the bank statements to ensure that the payments were made accurately for the Review Period, the payroll practice is inconsistent with the practice that is prescribed in the payroll process, where Nicholas Tan’s signature – who was the preparer of the monthly payroll reports – is not sighted on the monthly payroll reports.

- 1.7.6 Our background searches identified three instances where Mr Lincoln Teo shared common directorship and / or shareholdings in entities with the 19 new joiners sampled (separately noted in the case of Mr Loy, KCH appointed him to be a director in OTPL and would be aware of the appointment). One new hire was the company secretary of eight entities in which Mr Lincoln Teo was a shareholder / director.
- 1.7.7 Based on the audit logs provided to us and what was sampled, we noted a number of discrepancies in the Company's records of its employees in the following areas which may give rise to payroll errors and disputes between the Company and its employees:
- a) Missing entries on the marital status, location and branch codes;
 - b) Missing entries and / or incorrect entries on the education level of employees;
 - c) Missing entries on the probation period which may lead to discrepancies between the contractual terms and the company's internal processes, such as probation confirmation and evaluation;
 - d) Missing entries and / or incorrect entries on the confirmation dates which may lead to untimely update(s) and inaccuracies any salary changes;
 - e) Incorrect entries for sick leave and hospitalisation leave; and
 - f) At least one incorrect entry where an employee was reflected as having 28 days of childcare leave, which is 22 days in excess of the six days of childcare leave provided for in the HR Manual.
- 1.7.8 Based on our review, we also note that the hiring process was not in compliance with the HR manual. Such discrepancies include:
- a) Copies of the manpower requisition forms were not located for nine new employees sampled;
 - b) There was no indication that internal candidates were considered nor that advertisements were placed for suitable candidates;
 - c) There was no indication that the candidates were screened;
 - d) Copies of the (certificates, education transcripts, past employment testimonials, last drawn payslips) were not properly verified.
- 1.7.9 We performed a month-on-month analysis of the monthly net wage paid by KHLM (also for payroll under KCH and KCT) for the Review Period. While we have not observed any unusual fluctuations, we note the following observations:
- a) Four cash cheques aggregating to SGD10,000 – In July 2020, four cash cheques of SGD2,500 each were issued to four employees as staff housing allowances but were eventually not collected by and / or paid to the intended employees.
 - b) Payroll Matter – Beginning July 2020, SGD20,000 per month were paid to Mr Du and Mr Wang each for the period between 1 July 2020 and 30 June 2021. Additional payments of SGD20,000 were also paid to Mr Du and Mr Wang each in June 2021 as salary in lieu following the end of their employment. This is the "Payroll Matter" as set out in our Interim Report.
 - c) Return of Special Savings Deductions ("SSD") – SGD4,150 in Special Savings were paid out to two employees in the amounts of SGD1,000 and SGD3,150 respectively in December 2020.

- d) The joint employment of the same Singaporean employees by both KHLM and HAUS Furnishings and Interiors Pte. Ltd. ("**HAUS**") to meet the quota for foreign workers.

- 1.7.10 In relation to the SSD, we understand from the employment contracts that the purpose of the SSD is for a worker's personal income tax and any other fees that a worker is liable to pay, which shall be returned upon completion or termination of contract. There is no interest on the SSD, and the worker agrees to forfeit the SSD including the balance salary (if any) to pay for the SGD5,000 security deposit made in favour of the authorities to secure payment if either the employer or the worker breaks the law, Work Permit conditions or security bond conditions. The SSD arrangement appears to relate to, and is consistent with, the section titled "Income Tax Clearance" under HR 104 of the HR Manual.
- 1.7.11 A number of concerns arise from both the Company's implementation and practice of the SSD arrangement, notwithstanding that such deductions are provided for under HR 104 of the HR Manual and have been consented to by the employees (for those whose employment letters stipulate such deductions).
- a) First, the deduction of SGD100 from the monthly salary of certain foreign employees under the SSD arrangement is not in accordance with employment laws and / or regulations which do not permit employers to deduct a portion of their foreign employee's salary in order to accumulate sufficient monies for tax clearance under the Employment Act. There is strong basis to suggest that the deductions under the SSD arrangement contravene employment laws.
 - b) Second, there are no clear guidelines as to how the Company selects which worker to be placed under an SSD arrangement or not. The SSD arrangement appears to apply only to two nationalities, namely citizens from PRC and India. We did not note any documented deliberation as to how the Company determined which nationalities will fall under the SSD arrangement and which will not. We further note inconsistent applications of the SSD arrangement within the same nationality.
- 1.7.12 In relation to the joint employment of the same Singaporean employees by KHLM and HAUS, we note four Singaporean employees with headcount concurrently recorded under KHLM and HAUS. Both KHLM and HAUS pay the salaries and contribute Central Provident Fund ("**CPF**") for these four Singaporean employees on a shared basis in differing portions.
- 1.7.13 We did not note any records documenting the rationale for the joint hire and / or why HAUS did not issue any letters of appointment for three out of the four employees. We also did not note any documents setting out requests from the four employees to be jointly employed by two companies.
- 1.7.14 Further to our enquiries, one of the employees jointly employed by the two companies explained verbally that, in his capacity as an employee under joint employment, he understood from the then HR personnel that the reason for the joint hire was to meet the headcount quota for the hiring foreign workers under HAUS. With his employment under HAUS, HAUS would be able to engage one or two foreign employees.
- 1.7.15 In addition, we did note that the salary of one of the employees jointly employed by the two companies was re-allocated twice on a joint basis between HAUS and KHLM, where the final allocation on 1 May 2019 for each of the two companies added the count of one local employee for each company towards the foreign worker quota (as opposed to a single local employee for KHLM and 0.5 employee for HAUS on 1 November 2018).
- 1.7.16 There is basis to assert that the re-allocation of basic salary across HAUS and KHLM arose in order to obtain a higher foreign worker quota for each entity is in potential breach of the relevant laws and regulations.

1.8 Review of Whistleblowing (“WB”) Reports and Policy

Background

- 1.8.1 We note from the period of our review, namely from 1 January 2020 to 21 July 2022, that there were three iterations of WB policies - (i) first, the WB Policy which was approved on 11 August 2011; (ii) second, the WB Policy which was updated and effective from 1 May 2021 (“**WB Policy dated 1 May 2021**”); and (iii) third, the WB Policy updated and effective from 1 October 2021 (“**WB Policy dated 1 October 2021**”). The first WB report received during our period of review was on 28 June 2021. Accordingly, the WB policies which are applicable and relevant to our scope of review are WB Policy dated 1 May 2021 and WB Policy dated 1 October 2021.
- 1.8.2 We noted that, during the period of our review, five WB reports were submitted and received by the then ARC or the then HR Director at the respective material times, all of which occurred within a period of five months between 28 June 2021 and 29 October 2021.
- 1.8.3 We set out below a summary of the WB reports and how the WB reports were attended to in accordance with procedures set out in the applicable WB Policy dated 1 May 2021 / WB Policy dated 1 October 2021.

Findings

WB Report Reference ⁵⁷	WBR1 ⁵⁸	WBR2 / WBR3 ⁵⁹	WBR5	WBR6	WBR7
(A) Details of WB report					
Date WB report received by the then ARC	28 June 2021	26 July 2021 (29 July 2021)	16 August 2021	8 September 2021	29 October 2021
Key concern(s) raised in WB report	Lack of proper financial management and controls in relation to financial transaction and record matters	Report against treatment by certain key management and an employee	Improper "Cashback" arrangement with foreign workers of KCH Group	Unauthorised USD480,000 remittance to Sino-Allied Collection Account	Formal complaint against a key management pertaining to lack of financial support provided by the Company to subsidiary
(B) Details of WB reporting					
Recipients of WB report	Then ARC comprising: - Mr William Teo - Mr Ang - Mr Loh	Then ARC comprising: - Mr William Teo - Mr Ang - Mr Yap; and the former Sponsor	- Mr Koh Tat Liang (“ Mr Koh ”), the then HR Director (Mr Koh subsequently informed Mr William Teo of WBR5.)	Then ARC comprising: - Mr William Teo - Mr Ang - Mr Yap; and the former Sponsor	Mr Lincoln Teo (with (a) the then ARC comprising Mr William Teo; Mr Ang and Mr Yap, (b) Mdm Hao, (c) Mr Lim, (d) Mr Lee, (e) the former Sponsor and (f) the former

⁵⁷ Source: former Sponsor, SAC.

⁵⁸ We understood from the former Sponsor WBR4 is the then AC’s summary of WBR1 instead of a separate WB Report – Based on former Sponsor’s email of 22 July 2022, “WBR4 is the AC’s summary of WBR1 and includes further details / evidence not included in WBR1”.

⁵⁹ We note that WBR3 is an extension of WBR2 which was received from the same whistleblower, with further details on the same main concern raised in WBR2.

WB Report Reference ⁵⁷	WBR1 ⁵⁸	WBR2 / WBR3 ⁵⁹	WBR5	WBR6	WBR7
					Corporate Secretary copied)
Mode of reporting	Email	Email	In person ⁶⁰	Email	Email
(C) How WB report was attended to in accordance with WB policy at the material time					
Were initial inquiries made by recipients of the WB information to determine if an investigation is appropriate?	Inquiries were made by Mr William Teo and / or Mr Ang with whistleblower ⁶¹ .	Inquiries were made by Mr Ang and Mr Yap individually with certain named parties in WBR2 / WBR3.	Details of the concern appears to be obtained by Mr Koh at the same time when he was made aware of the matter during a 1-on-1 in person conversation.	No inquiries were made by the then ARC as DTFAS was engaged to conduct independent review on the matters including matter set out in WBR6.	Inquiries were made via a Zoom call held by Mr Ang and Mr William Teo with whistleblower.
Whether information provided were attended to, considering severity of the issue raised; credibility of the concern or information; and likelihood of confirming the concern or information from attributable sources?	Considerations set out under the 'preliminary assessment' section in the document on update of WBR1 (prepared by Mr William Teo) to the then KCH Board	Based on limited inquiries performed by Mr Ang / Mr Yap, the then ARC was of the view that WBR2 / WBR3 "mostly relate to apparent accusation" of the whistleblower and "not any alleged wrongdoings", hence was considered a "police matter".	Considerations set out under the 'preliminary assessment' section in the draft report of WBR5 (prepared by Mr William Teo) to then KCH Board	No inquiries were made by the then ARC as DTFAS was engaged to conduct independent review on the matters including matter set out in WBR6.	Based on inquiries performed by Mr William Teo / Mr Ang, the then ARC was of the view that "matter was resolved amicably".
If an investigation is necessary, did the recipients of the WB conduct their own	Preliminary investigation was conducted by Mr William Teo, together with Mr Ang and the then	No investigation conducted, limited to initial inquiries made by the then ARC.	Preliminary investigation was performed on the concern raised and the matter was handed to Ministry of	DTFAS was engaged to conduct independent review on the matter set out in WBR6.	Follow-up was limited to inquiries with whistleblower.

⁶⁰ Noted from Company's responses to our IRL, via Mr Koh (email dated 20 December 2021), "The issue (referring to the 'cashback' arrangement) surfaced when I had my 1:1 with all employees including [redacted]. ..." WBR5 maintained is a signed statement by the whistleblower.

⁶¹ Noted Mr Loh's last day in office was 2 days subsequent to receipt of WBR1, on 30 June 2021. We understood from him (via his written responses on 27 November 2023), "Based on my records the lawyers were involved in taking a statement from [redacted] ... I believe that the lawyers took a statement from [redacted] so the best records will likely be with the law firm. I can't recall if I met [redacted]. Looking at the emails sent after I left the company it appears that I may have. I do not have any notes of the meeting that I can locate."

WB Report Reference ⁵⁷	WBR1 ⁵⁸	WBR2 / WBR3 ⁵⁹	WBR5	WBR6	WBR7
investigation or directed an independent party to do so?	Company's lawyer, DMS. ⁶²		Manpower "MOM" and Singapore Police Force ("SPF").		
Was a report on the findings of investigation and follow-up actions submitted to the then Board of Directors?	We did not note evidence that the report was submitted to the then KCH Board. ⁶³	No report to the then KCH Board on the follow-up on / resolution of the matter.	We did not note evidence that the report was submitted to the then KCH Board.	No report to the then KCH Board on the follow-up on / resolution of the matter.	No report to the then KCH Board on the follow-up on / resolution of the matter.
Summary of Outcome	(a) A key management was removed. Certain matters concerning the use of proceeds were investigated by DTFAS. (b) Whistleblower was not updated on the conclusion of how concerns raised were resolved.	No follow-up by the then ARC, considering police reports were made by the whistleblower and a named accused person in WBR2 / WBR3.	Matter reported to MOM and SPF.	Matter investigated by DTFAS.	(a) Then ARC decided not to investigate further as there were no apparent wrong doings. (b) Whistleblower was of view the concern was not addressed.

1.8.4 The Company disclosed under the Corporate Governance Report section in its AR2020, "The Board has, on the recommendation of the AC, implemented a whistle-blowing policy for the Group, 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 matters which they become aware. Details of the whistle-blowing policies and arrangements have been made available to the staff of the Group. It has a well-defined process which ensures independent investigation of issues / concerns raised and appropriate follow-up action, and provides assurance to the whistleblowers that all actions in good faith will not affect them in their work and staff appraisal. No such whistle-blowing letter was received in FY2020."

⁶² According to signed engagement letter dated 11 June 2021, issued by DMS, the firm was appointed to assist the Company "in connection with the review of the Internal Control Review Report dated 28 May 2021 by Baker Tilly Consultancy (Singapore) Pte Ltd".

⁶³ According to written responses from Mr William Teo responding to our information request "... The report was submitted to Sponsor for approval, but they felt the findings were too much as they expected the investigation covered the period from year 2020 and 2021. Hence my report was not put up for Board consideration. ...". During maximisation, we understood from the former Sponsor "SAC wish to clarify the following: 1. The report was submitted for our perusal and not approval. 2. We did not comment that we "felt the findings were too much". 3. In various occasions, we have emphasised to the Board that we expect the ARC to take necessary action as required of the ARC."

- 1.8.5 However, based on our review for the period 1 January 2020 to 30 June 2020, the Company's WB Policy in place at the material time was the version approved on 11 August 2011 where the register of the AC members was not updated. All of the named AC members in the Company's WB Policy dated 11 August 2011 had resigned, with the exception of Mr Kesavan, which may give rise to the situation where any concerned staff of the Group might not know how and / or who were the AC members to reach out to, to raise their concerns or complaints.
- 1.8.6 In addition, the corporate website did not prescribe dedicated whistle-blowing channel for a whistleblower who is an external stakeholder.
- 1.8.7 The above had given rise to the Company's potential non-compliance with Principle 10, Provision 10.1 Singapore Code of Corporate Governance 2018, which provides that *"The duties of the AC include: ... (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns."*
- 1.8.8 The WB Register is incomplete with only WBR1 and WBR6 recorded. The other WB Reports, WBR2 / WBR3, WBR5 and WBR7, were not recorded.
- 1.8.9 We further note that it was mentioned at the meeting of 3 November 2021 that *"the ARC noted that, apart from the report he received where the whistle-blower was a staff of the Company and he had given the report to the then Sponsor, it had not received any other whistle-blowing complaint in FY2021 and until the date of the meeting."* Based on our review, this is inaccurate. Notwithstanding the Company's qualification that *"To the best of the knowledge of the current Directors, during FP2022, the Company did not receive any whistle-blowing reports."*, WBR2 / WBR3, WBR5 and WBR7 were not disclosed in the annual report for the period 1 July 2021 to 31 December 2022 (**"FP2022"**).

1.9 Conclusions and Recommendations

- 1.9.1 Based on our review, we note that the then Management did not update the then KCH Board regularly on the major matters undertaken by the Group and often did not seek the approval of the then KCH Board prior to entering into material transactions with related or third parties.⁶⁴ On the other hand, even if the then Management informed the then KCH Board of the major transactions, the then KCH Board at the material time did not appear to have deliberated discussions and left it to the then Management or certain of the then Board members to handle the matters. There was also no follow up on the queries raised prior to approving the transactions, even if these queries were not answered. These include but are not limited to the following:⁶⁵
- a) The issuance prices for the placements for PL1 and PL2, the conversion price and interest rate for CLA.
 - b) The engagements and consultancy fees (which appears to be excessive) paid to Ms Oh and Precious Glory.

⁶⁴ During maxwellisation, we understood from Mr Lim *"There was a general permissive culture in the Company, where many decisions were made without Board approval, with the understanding that if necessary, retroactive ratification could be obtained later. The Board of Directors had expressed their satisfaction with the risk management and internal controls systems of the Company, as seen in the Company's Annual Reports. This must be seen in light of the general permissive culture in the Company."* However, we do not agree that the 'permissive culture in the Company' justify the lack of board approval necessary for certain transactions as set out in our report.

⁶⁵ During maxwellisation, we understood from Mr Nair *"In all the facts, circumstances and context of the various matters in your draft report, I disagree with any finding and / or conclusion that during my time in KCH Board, even if informed of identified matters, did not have deliberated discussions, and left it to the Management or certain board members to handle matters, did not follow up on queries raised prior to approving transactions, notwithstanding queries were not answered. I also disagree that your findings and / or conclusions amount to or can be construed as a breach of section 157(1) of the Companies or otherwise."* However, on 5 August 2024, we requested for evidence / bases which support his statement but was not provided with any of such evidence / bases.

- c) The funds raised under PL1, CLA and PL2 were used for the other purposes instead of its intended uses and bulk of the funds raised were not utilised to pursue new businesses. Some of these transactions are related party transactions and / or IPTs.
- d) The then KCH Board placed heavy reliance on Mr Loy to handle the fundraising matters, both Mr Lee and Mr Loy in managing the funds raised under PL1, CLA and PL2 and relied on Mr Lee to monitor the utilisation of the proceeds and the announcements in relation to the utilisation of the use of proceeds.
- e) Very often, the internal control procedures of the Group were overridden by the senior management.
- f) The Group does not have policies and procedures on (i) acquisitions / disposals of assets, investments and new businesses; (ii) allocation of proceeds raised, monitoring of utilisation and reporting of the use of proceeds at the material times of PL1, CLA and PL2 fundraising exercises, 60% Disposal and Acquisition.
- g) There was a lack of time for the then Board (i) to consider and deliberate on the findings of the due diligence and valuation conducted on OTCL considering the Board meeting to discuss the findings were held on 12 August 2020, one day before the signed SPA and SHA; and (ii) to consider the proposal to purchase masks using the fundraising proceeds. The then Management and then Board were not able to articulate how bMARS operates; they have not seen a demo of how it works before the acquisition was made by the Company.
- h) Notwithstanding that the business to sell copper oxide masks was new to the Group, no business plan was prepared, and the then Management and the then Board of KCH / KC Medical did not deliberate upon the Company's entry into the business of selling copper oxide masks.

1.9.2 In relation to the use of fundraising proceeds, key findings include the following:

- a) Based on the Company's announcements made in relation to the fundraising exercises, the Company initially intended for SGD11.704 million of the SGD19.308 million total funds raised and received from PL1, CLA and PL2 to be used for pursuing new business opportunities. However, subsequently, the Company announced revisions in relation to the utilisation of proceeds for pursuing new business from SGD11.704 million to SGD1.579 million (up to 31 January 2022). However, based on our review, as of 31 January 2022, SGD1.680 million was utilised for such purposes.
- b) The remaining proceeds initially intended for pursuing new businesses were re-allocated by the Company for certain specific purposes and / or working capital of its existing kitchen business. We separately noted certain re-allocation were not announced on a timely manner.
- c) In addition, we noted the breakdowns with specific details on the use of proceeds in relation to the 'general working capital of KCH and / or KHLM – Operating Expenses' were not announced in the announcements made before 1 February 2021.
- d) Use of proceed for loan repayment to Mr Lim (of SGD0.700 million) and specific purposes i.e. the purchase of one of the motor vehicles (of SGD0.280 million) and loan to external party, Dato Poh (of SGD1.20 million), were not announced by the Company at the material time of utilisation, notwithstanding the funds were eventually received back by the Company.

1.9.3 The hiring and payroll processes practiced by the Company during the period of our review were not in accordance with existing HR policies and manual procedures of the Company. Certain compensation payments including performance incentive, fixed commission, monthly variable component and skills allowance were not governed by policies or standard operating procedures in the HR Policy of the Company. In addition, there are concerns that the SSD and the joint employment arrangements may be in potential breach of relevant laws and regulations.

1.9.4 There are no procedures set out in the HR manual and / or annual reports which relates to or prohibits employees having any common relationship, except a general guidance under HR304 which relates to conflict of interests.

- 1.9.5 Certain concerns raised via WB reports were not attended to on a timely manner. The only mode of reporting prescribed (on or around the receipt of the WB reports) was via email, which do not protect the identity of the whistleblower.⁶⁶ Communication of resolution(s) subsequent to the recipients' attending to the WB reports were not followed through and / or monitored.
- 1.9.6 In addition, we note that initial inquiries and preliminary investigations conducted were largely limited to enquiries only. The investigation process did not appear robust to address concerns of whistleblowers in entirety.⁶⁷
- 1.9.7 The Company may also potentially be in breach of certain SGX Catalist Rules as follows:
- a) Rule 703(4)(a), see paragraphs 1.6.19 and 1.6.41
 - b) Rule 704(30), see paragraphs 1.4.11, 1.4.28, 1.4.36, 1.4.43, 1.4.52, 1.4.53, 1.4.61, 1.4.73 and 1.4.84
 - c) Rule 705(3A), see paragraph 1.6.18
 - d) Rule 719(1), see paragraphs 1.4.48 and 1.5.2
 - e) Rule 905(4), see paragraph 1.4.50
 - f) Rule 907 and Rule 1204(17), see paragraph 1.4.17
 - g) Rule 1204(22), see paragraphs 1.4.11, 1.4.28, 1.4.36, 1.4.43, 1.4.52, 1.4.53, 1.4.61 and 1.4.84
- 1.9.8 In addition to the potential breaches identified above, the Company may also potentially be in breach of section 188 (see paragraph 1.6.37), section 395 (see paragraph 1.4.42), section 201(2) (see paragraph 1.6.18) and section 157(1) of the Companies Act.
- 1.9.9 Under Section 157(1) of Companies Act, a director must at all times act honestly and use reasonable diligence in the discharge of his or her office. In view of paragraph 1.9.6 above, we note the following instances where the directors of the Company may have potentially breached their duty to act honestly and use reasonable diligence in the discharge of his or her office:
- a) In the event where the Company breached its obligations under SGX Catalist Rule 719(1) to ensure the Company has adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems as set out at paragraph 1.9.7(d).
 - b) In the event where the Company breached its obligations under SGX Catalist Rule 704(30) and 1204(22) to provide timely and accurate disclosure of material information / disbursement of material funds from any proceeds set out at paragraphs 1.9.7(b) and (g).
 - c) In the event where the Company breached its obligations under SGX Catalist Rule 907 to disclose interested person transactions as set out at paragraph 1.9.7(f).

⁶⁶ We understood from the Company that the current WB Policy in place was version revised on 24 August 2023 and the current AC is still in the process of fine tuning the said policy. Based on our review of the current WB Policy against the WB Policy dated 1 October 2021, noted options for whistleblower to report his / her concern "by hand or by post in a sealed envelope marked "Private & Confidential"" to the Company's registered office address or a centralised email to the AC are added.

⁶⁷ During maxwellisation, we understood from Mr Yap "... [R]ight from the first whistleblower report, I had asked for its full disclosure several times but was rejected. That framed the ARC approach and my impression of how the other ARC members treated whistleblower reports: they wanted to handle the issues at their own terms. This is especially so given their alignment with the other Board members. Since I was the minority voice, it would not affect how decisions were eventually made by them."

1.9.10 We recommend that the Company:

- a) Put in place policies and standard operating procedures in relation to fundraising, allocation of proceeds raised, monitoring of utilisation and reporting of the use of proceeds. This includes but is not limited to detailed proposals by management on the key terms of the fundraisings and the intended use to be tabled to the Board for the Board's consideration and discussion before the fundraisings are conducted and concluded. The utilisation of the proceeds should be monitored, disclosed and announced appropriately and timely. This will ensure accountability to investors on the usage of funds and will minimise the ineffective use of proceeds obtained.
- b) Enhance its internal audit function to ensure that the internal control procedures are being adhered to and rectify the internal controls gaps / failures on a timely basis.
- c) Put in place policies and standard operating procedures for a records and documents management system to ensure that the books and records of the Group are not misplaced.
- d) Put in place policies and standard operating procedures over acquisition / disposal transactions/ new businesses to ensure sufficient deliberation by Management and / or the Board and discussion of the risks in relation to the transactions are assessed and considered prior to the Company's entry into the transactions.
- e) Ensure that its HR policies and manual procedures are updated and in line with the present laws and regulations. The Company should ensure compliance with its existing HR policies and standard operating procedures with regards to hiring and payroll processes. The Company should on a regular basis review and update its existing HR policies and standard operating procedures, where necessary, so as to include processes covering compensation payments including performance incentive, fixed commission and monthly variable components included by the Company in employee contracts.
- f) Notwithstanding that general guidance under HR304 relating to conflict of interests stipulates that employees should disclose and avoid personal relationships with other employees where either party may receive or give unfair advantage or preferential treatment because of the relationship, as a matter of good practice, the HR Manual should clearly define personal and / or business relationships that require disclosure, set out the steps and procedures for any conflict checks and prescribe the measures to be set in place (if appropriate) following the disclosure.
- g) To ensure higher standards of compliance for strong corporate governance, the Company can consider engaging an external service provider to manage the WB reports submitted to the Company. By implementing a managed system to handle WB reports, this should improve timeliness of a response to the WB report and enable the Company to acknowledge receipt of the WB report in a timely manner. At the same time, WBs would be more confident of reporting potential misconduct confidentially with guaranteed anonymity as compared to reporting via email sent to ARC as prescribed in the WB Policy.
- h) To consider forming a committee headed by the independent ARC Chair, comprising the CEO, head of finance and head of operations to manage the process to which WB reports are attended to, to ensure concerns raised by WBs are addressed in a reasonable manner and maintain track records of initial inquiries and investigation (if any) conducted by the ARC. The committee should provide updates to the Board on a timely manner on how the WB reports received are attended to, where necessary.
- i) To seek legal advice on the potential breaches in laws and regulations, Companies Act and SGX Catalist Rules, identified above.

1.10 Disclaimers and Limitations

- 1.10.1 Our work has been limited by the time available within which to complete the tasks, the agreed scope of the engagement and nature of the information made available to us during the engagement. We are unable to verify the authenticity, correctness and integrity of any information provided to us.
- 1.10.2 Our work has been limited by access to information sources. In such circumstances, our ability to report adequately may be materially prejudiced and you should not rely on our work and our report as being comprehensive, as we may not become aware of all facts or information that may be regarded as relevant. Some of the documents we requested were given to us by the then Management of the Company as pdf soft copies and we could not verify the authenticity of these documents. We accept no responsibility for matters not covered by our report or omitted due to the limited nature of our review.
- 1.10.3 In carrying out the engagement, DTFAS has assumed that all information made available is complete and reliable for our purposes. We have relied upon the records and representations provided by the Company and the interviewees up to 16 August 2024. In some cases, documentation was not made available to DTFAS for our consideration and inclusion in this report. Our observations may be subject to change if additional information is provided at a later date after the issuance of this report. Any statements provided may result from the subjects' recollection and memory. DTFAS is not responsible for any inaccuracy thereof.
- 1.10.4 For the avoidance of doubt, our work has not included:
- a) Any statutory audit on the information provided to us and we will not accept responsibility for the accuracy of the information provided to us;
 - b) An internal audit on the internal control system of the Group and we will not be assessing the adequacy and effectiveness of the internal control systems;
 - c) The provision of legal advice on the legal implications / consequences;
 - d) Any potential issues that may arise under foreign laws, rules and regulations;
 - e) Any representation or substitution of company management; and
 - f) Any physical investigation within China.
- 1.10.5 Our work and / or procedures performed may not have necessarily resulted in any conclusive findings and / or the uncovering of irregularities such as fraud or corrupt practices. We do not warrant as to the adequacy or sufficiency of the methodology or procedures to be employed.
- 1.10.6 The procedures performed do not and will not constitute an audit, review compilation or attestation services as described in the pronouncements on professional standards issued by the Accounting Corporate Regulatory Authority ("ACRA") or any successor standards setting body nor an evaluation of KCH's internal control systems or an evaluation of compliance with laws, regulations, or other matters.
- 1.10.7 Our work and / or procedures performed have been limited by the fact that we are not conferred any statutory or coercive powers to compel the co-operation of the relevant parties to participate in the review process, maximisation process or the disclosure of documents, information, and / or devices for the purposes of this report. Should parties reject our invitation to participate in the review process, we will have no alternative but to proceed with the information that we are able to gather and finalise the report without the input of such parties and shall not be liable for any damages and / or losses.

(A) Limitations of our Background Check

- 1.10.8 In carrying out corporate intelligence into individuals or entities, we use our professional judgement to identify the online sources, taking into consideration the requested scope and purpose of the scope, the location of the subjects, and budgetary and time considerations. While we have access to numerous potential data sources, we cannot possibly search all of them in the course of any one research assignment. We caution that other professional services firms might reach different judgments about the databases to be searched or produce different findings. In addition, we note that online records can be incomplete or inaccurate, and there may be considerable additional information which has either not been reported or is not available through online sources. Since coverage periods may vary depending upon any database provider, the type of information sought, and the source of the information, the possibility exists that the coverage provided by these databases will not yield the information sought. Accordingly, we assume no responsibility for the accuracy of the information obtained from online sources, nor do we guarantee that we have located all relevant information that might exist regarding a certain subject.
- 1.10.9 Save where indicated to the contrary, it should be assumed that information provided has been obtained from an outside source. Whilst we will endeavour, if requested, to provide as far as possible information on the type of source from which the information we gather has come, this may not be possible in all cases and we retain the right to refuse to identify any such source. We may not be in a position to test the accuracy or completeness of information from an outside source. The source which we use may itself not have direct information and may rely upon another party. We therefore accept no responsibility for, and do not warrant the accuracy or completeness of, any information, or any inference that you draw from that information. Save as specifically provided, we will not analyse the information received and provided to you.
- 1.10.10 Information is provided to you on the basis that the recipient will not rely upon it as the sole basis for any action or decision. Where necessary, should you so wish, you should seek to confirm our findings through an alternative source. You agree that we will not audit or otherwise test or verify the information given to us, in writing or orally, during the course of the services.

(B) Limitation of work on fund tracing on the proceeds from PL1, CLA and PL2

- 1.10.11 Cash inflows arising from the Group's operations are co-mingled with the proceeds from PL1, CLA and PL2. Our work in relation to the fund tracing on the proceeds from PL1, CLA and PL2 to ascertain the actual use of proceeds are based on the following:
- a) Payments recorded in the cash at bank accounts are traced to bank statements and supporting documents to the extent possible.
 - b) Where the cash balances at any particular point in time are minimal and / or negative, subsequent payments made are assumed to be funded by proceeds from PL1, CLA and PL2.
 - c) As the transactions are voluminous, we perform our work to the extent possible. Our work is limited to verifying the transactions against the supporting documents attached to the payment vouchers, which may or may not include all underlying contracts entered into by the Group with certain service providers / suppliers prior to our period of review i.e. before 1 January 2020.
- 1.10.12 Where there are inconsistencies between the payment category recorded in the general ledgers and the supporting documents, we categorised the payment based on the descriptions stated in the supporting documents.

(C) Limitations of maxwellisation

- 1.10.13 Our work and / or procedures performed have been limited by the fact that we are not conferred any statutory or coercive powers to compel the co-operation of the relevant parties to participate in the review process, maxwellisation process or the disclosure of documents, information, and / or devices for the purposes of this report. Should any party reject our invitation to participate in the independent review process and / or choose to only provide limited disclosure of the information and documents requested, we will have no alternative but to proceed with the information that we are able to gather and finalise the report without the input of such parties and shall not be responsible for any incompleteness and / or inaccuracies arising therefrom and shall not be liable for any damages and / or losses incurred by any party as a result of our findings.

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