



SDAI LIMITED

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

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the board of directors (the "**Board**") of SDAI Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the independent auditor of the Company, Foo Kon Tan LLP (the "**Independent Auditor**"), has issued a disclaimer of opinion ("**Disclaimer of Opinion**") in respect of its Independent Auditor's Report dated 7 April 2025 (the "**Independent Auditor's Report**") for the audited financial statements of the Group and the Company for the financial year ended 31 December 2024 ("**FY2024**") (the "**Audited Financial Statements**").

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

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

Shareholders and potential investors of the Company are advised to read this announcement in conjunction with the Independent Auditor's Report and the Audited Financial Statements that formed a part of the annual report of the Company for FY2024 (which will be released separately on the SGXNet on 7 April 2025) in their entirety, and to exercise caution when dealing in the shares of the Company. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

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

By Order of the Board of
SDAI Limited

Mdm Hao Dongting
Executive Chairperson
7 April 2025

*This announcement has been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**").*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms Yang Zhenni, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of SDAI Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including material accounting policy information.

We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the 'Basis for Disclaimer of Opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of going concern assumption

We draw attention to Note 2 to the financial statements which indicates that the current liabilities of the Group and the Company exceeded their current assets by \$532,590 and \$349,987, respectively, and a deficit in equity of the Group and of the Company of \$7,433,641 and \$7,241,051, respectively, as at 31 December 2024. The Group also incurred a loss for the year of \$1,714,328; and net cash used in operating activities of \$3,400,392 for the financial year ended 31 December 2024. These conditions together with other material uncertainties faced by the Group and the Company as disclosed in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

As disclosed in Note 2 to the financial statements, the management has prepared the financial statements on the basis that the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the financial statements on a going concern basis remains appropriate taking into consideration that the Group and the Company are able to (a) address all matters raised in the Notice of Compliance ("NOC"), (b) successfully complete the corporate turnaround plans and restructuring, and (c) obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 30 June 2026.

The conditions set out in the preceding paragraphs reflect the presence of multiple material uncertainties that are significant to the financial statements as a whole. We were unable to obtain sufficient appropriate evidence that the use of going assumption in preparation of the financial statements is appropriate in connection with the ability of the Group and the Company to (a) address all matters raised in the NOC as disclosed in Note 29(b), (c) and (d) to the financial statements, (b) successfully complete the corporate turnaround plans and restructuring, and (c) obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 30 June 2026. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

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

As disclosed in Note 29 to the financial statements, specifically relating to matters under Note 29(b), (c) and (d), SGX RegCo had issued two separate NOCs to the Company in connection with the Additional Scope of Internal Auditor ("IA") and scope of Special Audit of independent Special Auditor.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SDAI LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

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

As at the date of this report, notwithstanding the draft Special Audit report has been issued, the Special Audit has yet to be finalised. The finalisation of the Special Audit, mentioned under Note 29(b)(ii) to the financial statements, could provide new information or findings. This reflects the presence of uncertainties, potential breaches of laws and regulations and may have a consequential impact on the Group's and the Company's financial statements and the use of going concern assumption, which are presently unknown. Accordingly, we are unable to conclude that the issue has been resolved and our opinion remains as disclaimer for the financial year ended 31 December 2024.

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

We issued a disclaimer of opinion in our independent auditors' report dated 23 October 2024 in respect of the financial statements for the financial year ended 31 December 2023 in respect of appropriateness of the use of going concern assumption, NOC issued by SGX RegCo, opening balances as at 1 January 2023 and the results, changes in equity and cash flows for the financial year ended 31 December 2023 in relation to impairment of property, plant and equipment, as well as investment in an associate. Consequently, our opinion on the current year's financial statements is also modified because of the effects of this matter on the comparability of the current year's figures and the corresponding figures.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matters described in the '*Basis for Disclaimer of Opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SDAI LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters described in the '*Basis for Disclaimer of Opinion*' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

Foo Kon Tan LLP
*Public Accountants and
Chartered Accountants*

Singapore, 7 April 2025

Extract of Notes 2 and 29 to the Financial Statements for FY2024

2. Going concern

As at 31 December 2024, the current liabilities of the Group and the Company exceeded their current assets by \$532,590 (2023 - \$5,565,779) and \$349,987 (2023 - \$7,506,227), respectively, and a deficit in equity of the Group and of the Company of \$7,433,641 (2023 - \$5,572,163) and \$7,241,051 (2023 - \$7,506,227), respectively. The Group also incurred a loss for the year of \$1,714,328 (2023 - \$5,558,223); and net cash used in operating activities of \$3,400,392 (2023 \$1,957,722) for the financial year ended 31 December 2024.

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

- Completion of the special audit by the Special Auditors in connection with the internal control weaknesses identified by the Internal Auditor in its Interim Report, Follow-up Report and AUP Report pursuant to the Notice of Compliance ("NOC") issued by the Singapore Exchange Regulation as disclosed in Note 29(b), (c) and (d).
- Ability of the Group and the Company to realise their assets and discharge their liabilities in the normal course of business.
- Ability of the Group and the Company to complete the corporate turnaround plans and restructuring.
- Ability of the Group and the Company to obtain sufficient new loan financing and further extend the maturity date of the existing loans which will be matured on 30 June 2026.

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

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

- The Group and the Company are able to address all matters raised in the NOC.
- The Group and the Company are able to successfully complete the corporate turnaround plans and restructuring.
- The Group and the Company are able to obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 30 June 2026.

Management acknowledges that the above uncertainties remain over the ability of the Group and the Company to realise their assets and discharge their liabilities in the normal course of business. However, the Board of Directors are confident that the Group and the Company are able to (a) address all matters raised in the NOC, (b) successfully complete the corporate turnaround plans and restructuring, and (c) obtain sufficient new loan financing and further extend the maturity date of the existing loans which will mature on 30 June 2026, and therefore, the Group and the Company will be able to meet its obligations as and when they fall due, and that the preparation of the financial statements on a going concern basis remains appropriate. The financial statements do not include any adjustments or any reclassification of assets and liabilities that would result if the going concern assumption is not appropriate.

29. Significant events

- (a) On 12 July 2021, the Company voluntarily suspended its shares trading as the Board of Directors (the “Board”) was unable to confirm that all relevant material information has been announced, pending, *inter alia*, the completion of the additional agreed-upon-procedures or a special audit then being considered by then Audit and Risk Committee (“ARC”) now redesignated as the Audit Committee. Please refer to the Company’s announcement dated 12 July 2021 for further details.
- (b) The Company has on 14 July 2021 and 19 August 2021 received notices of compliance from the Singapore Exchange Regulation (“SGX RegCo”):
- (i) The first NOC issued by SGX RegCo on 14 July 2021 required the Company’s ARC to commission its Internal Auditor (“IA”) to expand its scope of work (the “Additional Scope”) to include, among others, looking into the circumstances that led to breaches and/or potential breaches of the Exchange’s Catalist Rules as well as internal control weaknesses as stated in the IA’s draft interim report (“Interim Report”) which was mentioned in the Company’s announcement dated 12 July 2021.

In December 2021, the ARC (by way of majority votes) has also mandated the IA to perform the following:

- Review the implementation status of the remedial steps taken by management to address the internal control weaknesses and potential lapses as stated in the Interim Report (“Follow-up Review”); and
 - Perform certain Agreed Upon Procedures (“AUP”) for the utilisation of proceeds up to 30 November 2021.
- (ii) The second NOC issued by SGX RegCo on 19 August 2021 directed the Company to appoint a suitable independent special auditor (“Special Auditor”) as recommended by the Company’s continuing sponsor and approved by SGX RegCo. The second NOC superseded the instruction in the first NOC. The Special Audit must cover the following:
- Review the matters raised in the First NOC;
 - Review the circumstances surrounding the payroll matter as disclosed below under (d), including but not limited to whether the payments were made in accordance with the respective employment contracts and whether proper approvals had been obtained for such payments;
 - Review the circumstances surrounding the unauthorised transactions and assess if there were other unauthorised transactions in the past one (1) year;
 - Review the Group’s internal controls, processes and procedures in relation to due diligence performed on acquisitions and disposals in the past one (1) year;
 - Review the Group’s whistleblowing policies, processes and procedures and advise on whether such policies, processes and procedures are adequate and effective. In addition, the Special Auditor must review all whistleblowing reports received by the Company and/or its directors, assess whether internal policies, processes and procedures have been adhered to, whether issues brought up by the whistleblower(s) have been robustly investigated into by non-conflicted persons and addressed in the process;
 - Where internal control weaknesses are noted by the IA (in its Interim Report prior to the issue of the second NOC) and the Special Auditor, the Special Auditor must

make recommendations on enhancements to ensure adequacy and effectiveness of the internal controls going forward; and

- Where breaches/potential breaches of the Exchange's Catalist Rules, laws or regulations are noted, the Special Auditor must set out clearly the circumstances that led to the breaches and / or potential breaches as well as the parties responsible.

The Special Auditor reports only and directly to SGX RegCo and the Company's continuing sponsor.

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

Following the release of the Follow Up Review Report, the management revised the draft Policies, Procedures and Delegation of Authority manual for the ARC's review and recommendation to the Board for Board's approval. In addition, the Board will continue to monitor Management's ongoing implementation of the recommendations raised in the Interim Report and the Follow Up Report.

Following the release of AUP Report, there were certain unmatched expenses items reported by the IA in connection with the utilisation of proceeds up to 30 November 2021. The Management was in the midst of conducting further analysis and investigations of the "unmatched" items quantified in the AUP Report in order to assess the accuracy of (i) the allocated amounts, the utilised amounts and the remaining balance of the proceeds, and (ii) the breakdown of the use of proceeds up to 30 November 2021.

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

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

- Payroll Matter

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

- Unauthorised Transaction

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

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

As at the date of these financial statements, notwithstanding the draft Special Audit report has been issued, the Special Audit mentioned under Note 29(b)(ii) in connection with the internal control weaknesses identified by the IA in its Interim Report, Follow-Up Report and AUP Report has yet to be finalised.

- (e) On 26 June 2023, the Company entered into a loan agreement with Asian Accounts Receivable Exchange Pte Ltd for an interest-free loan of \$4,000,000 with a maturity period of one year. On 27 March 2024, the Company renewed the loan with a new maturity date on 26 September 2025. On 11 November 2024, the Company further renewed the loan with a new maturity date on 30 June 2026.

On 27 March 2024, the Company entered into a loan agreement with a director of the Company for an interest-free loan of \$4,000,000 with a maturity date on 26 September 2025. On 11 November 2024, the Company renewed the loan with a new maturity date on 30 June 2026.

- (f) On 8 October 2024, the Company incorporated a wholly-owned subsidiary, Hainan Blue Code Biotechnology Co., Ltd. (formerly known as Beijing Blue Code Biotechnology Co., Ltd.) in the People's Republic of China, and the said subsidiary is currently dormant.
- (g) On 11 November 2024, the Company entered into four separate redeemable loan agreements with (a) Mr Chee Tuck Hong, (b) Ms Elizabeth Widjaja, (c) Mr Tan Kee Tuan, and (d) Mr Chan Lung Tin for an interest-free loan of an aggregate principal sum of \$1,000,000 with a maturity date on 30 June 2026.