

SINGAPORE KITCHEN EQUIPMENT LIMITED

(Company Registration No.: 201312671M)

(Incorporated in Singapore)

COMPLETION OF FACT-FINDING REVIEW IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (“**Board**”) of Singapore Kitchen Equipment Limited (“**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements respectively dated 22 March 2021, 25 March 2021, 3 June 2021, 11 June 2021, 5 August 2021, 11 August 2021, 22 October 2021, 11 April 2022, 13 April 2022, and 25 April 2022 (“**Previous Announcements**”). Unless otherwise defined, all abbreviated terms shall have the meanings in the Previous Announcements.

BACKGROUND

The Company’s statutory auditors, BDO LLP, had, in the course of their statutory audit of the Company’s financial statements for the financial year ended 31 December 2020 (“**FY2020 Statutory Audit**”), raised certain queries in relation to 8 payments amounting to S\$1,395,536.17 (“**Eight Transactions**”) that the Company’s majority shareholder, QKE Holdings Pte Ltd (“**QKEH**”), had made on behalf of the Company’s main operating subsidiary, Q’son Kitchen Equipment Pte Ltd (“**QKE**”).

The Board had, on 5 August 2021, announced the decision to suspend the trading of the Company’s shares pending the resolution of the matters relating to the Eight Transactions.

As stated in the Previous Announcements, Drew & Napier LLC was appointed to provide legal advice to the Audit Committee of the Company (“**Audit Committee**”) in the discharge of their duties to the Company, while Rajah & Tann Singapore (“**R&T**”) was appointed to, *inter alia*:

- (1) conduct a fact-finding review of the circumstances surrounding the Eight Transactions (the “**Fact-Finding Review**”), with a primary focus on the documentary alterations made to QKEH’s and QKE’s internal accounting records concerning the Eight Transactions;
- (2) identify any internal control lapses and potential breaches or non-compliance of rules, laws and regulations and the parties responsible for the respective potential breaches or non-compliance; and
- (3) provide legal advice to the Company’s management in the discharge of their duties to the Company.

Pending R&T’s finalisation of the Fact-Finding Review, the Company had, as announced on 22 October 2021, appointed Baker Tilly Consultancy (Singapore) Pte Ltd (“**Baker Tilly**”) as the Company’s internal auditors to review and enhance the Company’s operating procedures and internal controls and report its findings (“**Internal Auditor Findings**”) to the Audit Committee.

The Company wishes to inform shareholders that R&T has since completed the Fact-Finding Review and submitted its finalised report (“**R&T Report**”) to the Board. Baker Tilly has considered the findings of the Fact-Finding Review and has since completed its review of the internal controls of the Company. The Internal Auditor Findings have been submitted to the Audit Committee and a summary of the findings has been incorporated into the R&T Report.

A copy of the R&T Report has been submitted to the Singapore Exchange Regulation and to the Accounting and Corporate Regulatory Authority on 25 April 2022.

The Board wishes to apprise the shareholders on the key findings of the R&T Report. A copy of the Executive Summary of the R&T Report (“**Executive Summary**”) is attached to this announcement as **Appendix A**.

KEY POINTS OF THE EXECUTIVE SUMMARY

The following are the key points of the Executive Summary. Unless otherwise defined, all abbreviated terms shall have the meanings in the Executive Summary.

R&T addressed the following issues at large in the R&T Report:

(1) Arrangement for QKEH to make payments on behalf of QKE (“**Reimbursement Arrangement**”).

The management and the former Group Chief Financial Officer (the “**Former CFO**” who served as Group CFO between 1 November 2020 and 31 August 2021) had explained that sometime in early 2018, SKE’s sponsor for the proposed listing on the Hong Kong Stock Exchange had advised that SKE should conserve as much cash as possible. The management also understood that SKE should refrain from entering into certain categories of transactions including advertising. Mistakenly believing that QKEH could be subsequently reimbursed by QKE without legal implications, the CEO authorised QKEH to make payment for the Eight Transactions on behalf of QKE. R&T has not seen independent evidence supporting the explanation given by the management and the Former CFO.

Crucially, the underlying bases for the Eight Transactions are legitimate as all findings indicate that QKEH had paid for the Eight Transactions on behalf of QKE for the stated purposes, rather than for any other purpose(s).

For more details on the findings of R&T in relation to the Reimbursement Arrangement, please refer to paragraphs 5 to 10 of the Executive Summary.

(2) Alterations of the Company’s documents (“**Document Alterations**”).

R&T’s findings indicate that the Former CFO had unilaterally made and/or instructed the making of the document alterations in order to simplify the external audit process. The altered documents included a bank statement belonging to QKEH. The Former CFO resigned from the Group in August 2021. There is no evidence that the executive directors of the Company had knowledge of and/or participated in the Document Alterations.

For more details on the findings of R&T in relation to the Document Alterations, please refer to paragraphs 11 to 12 of the Executive Summary.

(3) Lapses in the Company’s internal controls (“**Internal Control Lapses**”).

SKE have controls in place to prevent unauthorised payments and/or inaccurate recording of transactions. These controls are set out at paragraphs 13 to 14 of the Executive Summary.

However, as payments for the Eight Transactions were first improperly made by QKEH on behalf of QKE, they were not initially subject to QKE’s internal controls. The Eight Transactions became the subject of scrutiny after they were subsequently recorded in QKE’s accounting records when QKEH was reimbursed by QKE.

For more details on the findings of R&T in relation to the Internal Control Lapses, please refer to paragraphs 13 to 16 of the Executive Summary.

(4) Enhancement of the Company’s internal controls (“**Enhanced Control Measures**”).

The Company had taken various measures to strength its internal controls. As announced by SKE on 11 August 2021, SKE has implemented additional control measures since the discovery of the lapses. Since 5 August 2021, the Company has designated two groups of signatories to approve payments:

- a) The Group A signatories comprise the Executive Directors.
- b) The Group B signatories comprise an Independent Director and the CFO. Mr Ang Chiang Meng (Chairman of the Audit Committee) currently performs the function of Group B signatory.

All payments would have to be authorised by a Group A signatory and a Group B signatory. Where payment amount exceeds S\$200,000, the approval of the Independent Director (Mr Ang) as the Group B signatory is strictly required.

All interested person transactions and all expenses incurred by the Executive Directors would have to be approved by the Board's Independent Directors. Payments from QKE to QKEH are now strictly prohibited to prevent any recurrence.

All control measures to prevent a recurrence of the incident in question have been implemented.

For more details on the findings of R&T in relation to the Enhanced Control Measures, please refer to paragraphs 19 to 26 of the Executive Summary.

(5) Possible breaches of the respective legislations as identified by R&T ("**Potential Breaches**").

Following its findings, R&T has identified the following Potential Breaches (which are not intended to be conclusive and/or exhaustive):

- a) Although unintended by the Management including the Executive Directors, the natural consequence of QKEH making payments for the Eight Transactions on behalf of QKE is that financial statements, which were issued by QKE during the relevant period, would be inaccurate. In relation to any inaccuracies in QKE's financial statements, they may be viewed as breaches of section 201(2) of the Companies Act (Cap. 50, Rev. Ed. 2006) (the "**Companies Act**"), as well as SGX Catalist Rules such as Rules 705(1), 705(3)(b), 709A, 719(1), 745 and 1202. If the inaccuracies to the financial statements are found to be material impacting the market for the Company's securities, potential liability under section 199 of the Securities and Futures Act (Cap. 289, Rev. Ed. 2006) may also arise.

The CEO has accepted responsibility for ensuring compliance with the SGX Catalist Rules which includes the accuracy of the financial statements in question.

- b) Certain employees of QKE had altered a bank statement and other documents unilaterally, without instructions from, and knowledge and/or approval by the Executive Directors including the CEO. There is evidence indicating the involvement and/or participation of the Former CFO in all the instances of document alteration.

There is no evidence that the altered documents were shown to any third parties, save for the SKE Group's external auditors. R&T has not uncovered any evidence to suggest that the purpose(s) behind the alterations of the documents was to facilitate and/or conceal criminal breach of trust and/or fraudulent transactions with third parties.

The alteration of accounting records (including the bank statement, cheque images and invoices) may constitute criminal offences under Singapore law. The unauthorised alteration of a document, if made dishonestly or fraudulently, constitutes forgery as defined under section 463 of the Penal Code (Cap. 224, Rev. Ed. 2008) ("**Penal Code**"). Liability may also accrue under section 477A of the Penal Code.

- c) If it is established that QKE employees and/or officers had with intent to deceive made or furnished, or knowingly and wilfully authorised / permitted the making or furnishing of, any false or misleading statement to an auditor, liability may arise under section 402(1) of the Companies Act.

For more details on the findings of R&T in relation to the Potential Breaches, please refer to paragraphs 27 to 34 of the Executive Summary.

The Board is carefully reviewing the R&T Report and the Internal Auditor Findings and will, in consultation with its internal auditors, Audit Committee, management team and other professional advisors, take such steps to address the areas of concern identified by the R&T Report and the Internal Auditor Findings.

The Company will continue its ongoing efforts to ensure its internal control systems and procedures remain adequate and effective. The Company will make further announcements as may be necessary and appropriate to update shareholders on these matters.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement and the attached summary constitutes full and true disclosure of all material facts or circumstances about the update on the Company including *inter alia* the R&T Report which was prepared by R&T and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board
SINGAPORE KITCHEN EQUIPMENT LIMITED

Chua Chwee Choo
Executive Director and Chief Executive Officer

8 June 2022

This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor are as follows:

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