

## LETTER TO THE KCH SHAREHOLDERS

23 November 2022

Dear Shareholders,

1. As you would know by now, a group of 8 shareholders (the “Relevant Shareholders”) led by OOWAY Group Limited (the “OOWAY Group”) has proposed for 5 of the current members of the Board (*i.e.* every director except Mdm Hao Dong Ting (“Mdm Hao”)) to be replaced by 5 new directors led by Mr Yip Kean Mun (“Mr Yip”) as Executive Director.
2. Following the Company’s announcements on the above, a number of shareholders have written to the Company raising concerns and seeking answers as to the OOWAY Group and the promises made by the OOWAY Group to the Company.
3. I am writing this letter in my capacity as Lead Independent Director to address all shareholders, to shed some light on those concerns.

### **Inception of the OOWAY Group in the Company**

4. The kitchen businesses of the Company have not been profitable for some years. As such, when the Board was informed in around April 2020 about the deal to acquire shares in OOWAY Technology Pte. Ltd. (“OOWAY Technology”, and together with its subsidiaries, “OOWAY Technology Group”), there was much excitement at the prospect of new business being injected into the Company.
5. On 12 October 2020, the acquisition of OOWAY Technology was completed. The Company received shares in OOWAY Technology representing 30% of the total number of issued shares of OOWAY Technology at the time, and in consideration 90,000,000 shares in the Company amounting to S\$23,922,000 were issued to OOWAY Group.
6. At the time, the OOWAY Group described itself as a “machine learning and artificial intelligence” company with a unique rating tool called Behaviour Model of Association Risk System (“bMARS”), and in a presentation to the Board and the Company’s investors in January 2021, a team from the OOWAY Group led by key advisor Mr Liu Yanlong (“Mr Liu”) touted its Asian Accounts Receivable Exchange (“AREX”) as the world’s first online platform for the trading of accounts receivable assets.
7. According to Mr Liu, AREX would run on a digital currency, Lantana, and would use bMARS as a big data intelligence tool to assess the credit quality of underlying assets on AREX. The OOWAY Group projected that the value of trades carried out on the platform would reach US\$30 billion in 2023!
8. The OOWAY Group generated significant excitement on the Board over AREX – on the eve of the official launch of AREX, Mr Lincoln Teo Choong Han (“Lincoln”, the co-founder of OOWAY Group and a director of OOWAY Group and OOWAY Technology) shared in an email to the Board that AREX was developing rapidly and there was already more than US\$1 billion in receivables on the platform.
9. AREX was officially launched during an online conference on 23 February 2021, and according to the OOWAY Group’s press release, almost 10,000 participants attended the event.
10. With the launch of AREX, the Board welcomed Mdm Hao (indirectly a 47% shareholder of OOWAY Group) and Lincoln to the Board in April 2021 with great enthusiasm, as the OOWAY

Group (with its AREX platform) was believed to be the “white knight” that would transform the business and propel the future of the Company to great heights.

11. During a Board meeting in April 2021, Lincoln informed the Board that AREX was doing well and that a number of companies were already on the platform including Amazon. He also stated that various banks including DBS were co-financing with AREX.
12. With these developments, in July 2021, the Board entrusted Lincoln with the position of Interim CEO of the Company.

### **AREX now defunct?**

13. What came next was a bolt from the blue.
14. Shortly after Lincoln’s appointment as Interim CEO, in a Board meeting in July 2021, Lincoln suddenly stated that AREX had “nothing to do” with the OOWAY Group, is not owned by the OOWAY Group, and is a “separate exchange altogether”. According to the ACRA’s records, Lincoln had been a 100% shareholder of a company named Asian Accounts Receivable Exchange Pte. Ltd. and had on 12 July 2021 transferred all of his shares to Mr Liu.
15. In spite of this sudden change, the Board remained hopeful that Lincoln and the OOWAY Group would still be able to bring other businesses into the Company – as events have shown, this hope was misplaced.
16. It was only later represented to the Company that AREX was not going to be a part of the Company’s business, but that KC Technologies Pte Ltd would be a “strategic partner” of AREX.
17. In fact, according to OOWAY Technology Group’s financial statements for FY2021, which were provided to the Company in around April 2022 for the preparation of the Company’s financial statements for FY2022, the revenue from their much-acclaimed main business of the provision of credit rating data (including bMARS) was very small. This was even though OOWAY Technology Group has listed a number of big names such as Bank of China, ICBC Bank, DBS Bank and Amazon as their collaborative partners on its website.
18. Instead, as confirmed by OOWAY Technology Group, its main revenue for the financial year ended 2021 and the 6-month financial period ended 30 June 2022, was generated from the business of selling parallel imported cars in the People’s Republic of China (a business with extremely narrow gross margins), and it incurred substantial losses which have reduced the net assets significantly. The Board has also queried Mdm Hao on various aspects of OOWAY Technology Group’s financials, but has not received a reply.
19. These discoveries are extremely concerning. I recently carried out a Google search on AREX and, to my surprise, I could only find two remaining English-language reports on AREX. The AREX website referred to in the press release ([www.sgarex.com](http://www.sgarex.com)) is also no longer active.

### **Further concerns over the OOWAY Group’s actions**

20. The Board’s concerns over AREX are compounded by other actions of the OOWAY Group and its representatives, Mdm Hao and Lincoln.
21. First, the OOWAY Group has not been able to bring in any significant business to the Company, and the only 2 significant ventures proposed by the OOWAY Group have been tainted with irregularities. The ventures I refer to have been discussed in the Company’s announcements, and I attach a brief discussion of them as an Appendix to this letter.

22. Second, during the short period between July 2021 and July 2022 during which Lincoln was Interim CEO, more than S\$4 million of the Company's funds were depleted. Apart from the 2 significant ventures discussed in the Appendix to this letter:
- Lincoln recruited 4 employees between July to September 2021 from another company where he is a shareholder and director ("Lincoln's Related Company") to launch a digital trade business for the Company to generate revenue and profits, some of whom occupied positions which did not match their job experience. However, this digital trade business did not get off the ground at all. The Company paid an aggregate of S\$408,240 to these 4 employees in salaries, allowances and CPF until their employments were terminated by the new Board in July 2022.
  - Also, instead of leaving the Special Auditor to complete its investigations on irregularities that happened during the past management term to decide on the most appropriate course of action, Lincoln spent more than S\$1.1 million in legal fees in suits against the former CEO and Executive Director Lim Wee Li and 2 Chinese employees of the Company.
23. Third, the OOWAY Group had made various promises about injecting funds into the Company but had never followed through on its promises. By early 2022, the Board raised its concerns about the depleting bank balance with Lincoln and Mdm Hao, which prompted Mr Liu to verbally represent to a gathering of the Board and some of the Company's shareholders in March 2022 that OOWAY Group would extend a loan of S\$3 million to the Company within one week.
24. After this did not materialise, on around 25 April 2022 Mdm Hao then amended the OOWAY Group's promise to state that S\$1.5 million to S\$2 million of funds would be made available to the Company by OOWAY Group in mid-May 2022.
25. That did not happen either.
26. Instead, on around 8 June 2022, Mdm Hao on behalf of the OOWAY Group circulated a term sheet to the Board in which the OOWAY Group offered to extend an interest free loan of S\$1.5 million to the Company from OOWAY Group. However, as mentioned in the Company's press release dated 14 October 2022, this loan came with the pre-condition that a specific candidate had to be appointed as Chief Financial Officer ("CFO") of the Company. This condition could not be accepted after the Nominating Committee's due assessment which found the candidate to be unsuitable to be the CFO of the Company.
27. The term sheet was subsequently revised by the Company's legal advisers setting out terms which the Company could accept, and intended to be legally binding upon execution. The Company responded with a term sheet that was revised by the Company's legal advisers on 9 June 2022. However, OOWAY Group never signed the revised term sheet.
28. Instead, in mid-June 2022, Lincoln sent various other proposals from 2 other investors to the Board. These investors were purportedly found by the OOWAY Group, and contained various conditions. One of those proposals was from Mr Yip, who incidentally is the Executive Director proposed by the Relevant Shareholders. This was followed by an email from Mdm Hao to the Board on 5 July 2022 where she stated that:
- The OOWAY Group would prefer to have the share swap of the Company and OOWAY Technology shares reversed if possible (this would result in an exit of the OOWAY Group from the Company!).

- OOWAY Group had found 2 new investors for the Company. These investors would inject in new businesses and provide the necessary funding to the Company (and not the OOWAY Group).
  - The OOWAY Group would “provide support to [the Company’s] current working capital issues” (without committing to any loan quantum) but only if a further share swap of 25% so that the Company would “have more than 51% shareholding” of OOWAY Technology.
29. Lincoln recommended that the Board accept Mr Yip’s proposal. OOWAY Group’s loan was ranked third (last) in the 3 proposals – presumably, this was as OOWAY Group had expressed their preference to hold their loan proposal to the Company pending the Board’s discussion of the other 2 proposals. Mr Yip’s proposal entailed an effective exit of the OOWAY Group from the Company, which suited the OOWAY Group’s preferences. As such, it was unsurprising that his proposal was preferred.
30. The Board had many concerns over the proposals, and decided to reject all the proposals as both new investors’ proposals did not have clear business plans and, importantly, proof of funds. Mr Yip had in fact been seen working with Lincoln between April and July 2022, purportedly to help bring in funds and projects to the Company but there was nothing to show for those supposed efforts.
31. Further, there were many question marks over the proposed loan from OOWAY Group. It was clear by then that the OOWAY Group does not have a clear plan to continue the business of the Company. Further, as I mentioned above, concerns over the apparently defunct AREX, the financial statements of the OOWAY Technology Group, and failed ventures championed by the OOWAY Group, and the unfulfilled funding promises of S\$3 million, S\$2 million and then S\$1.5 million (none of which the OOWAY Group had provided any proof of funds for) did not inspire confidence in the Board.

### **Reconstitution of the Board**

32. The Board was reconstituted in July 2022 and has in the short 4 months since then achieved much for the Company including:
- Reducing the running costs of the Company by terminating the employment of dismissing staff recruited from Lincoln’s Related Company (receiving almost S\$600,000 in combined salaries and allowances annually).
  - Securing an initial S\$1 million loan to settle immediate urgent debts as part of at least S\$3.2 million to be raised to provide sufficient working capital for the Company for at least the next 12 months.
  - Settling the outstanding legal suits with external parties which our legal advisors have opined that the continued pursuit will not be cost beneficial to the Company, without inhibiting the Company recourse against the Parties should the Company is required to take certain actions required by the authorities.
  - Negotiating payment terms for liabilities incurred during Lincoln’s tenure, including outstanding rental arrears for the Company’s office premises and unpaid salaries.
  - Working expeditiously with the Special Auditor to endeavour to clear the Special Audit as soon as practicable.
33. This is despite the fact that the Board has had to spend significant time and effort dealing with persistent distractions from the Relevant Shareholders led by the OOWAY Group.
34. Considering the Board’s concerns set out above and the achievements of the Board in the short time since its appointment, there are serious question marks around why the Relevant Shareholders, led by the OOWAY Group, are now mounting their attempt to remove the current

Board (save for Mdm Hao, its own representative) and are going about their efforts in such an antagonistic manner.

35. In view of all of the circumstances above, the Board considers that there may be a need for further investigation into the representations made by the OOWAY Group, in particular regarding AREX and bMARS. The Board will consider these matters carefully, and will do the necessary in the coming days to safeguard the interests of the Company and the general body of shareholders as a whole.

Yours faithfully

William Teo Choon Kow  
Lead Independent Director

## **Appendix: Discussion of the 2 significant ventures proposed by the OOWAY Group**

As discussed in my letter, the following is a brief discussion of the only 2 significant ventures proposed by the OOWAY Group so far. Both ventures were tainted with irregularities.

1. KC Technologies Pte Ltd ("KC Technologies"), a subsidiary of the Company, had entered into the following agreements, where it was intended for KC Technologies to participate in a scheme to provide support to e-commerce merchants in the business of selling goods over the internet ("Scheme"):

- (a) an agreement dated 1 June 2021 between KC Technologies and Sino Allied (HK) Limited; and

- (b) an undated agreement between KC Technologies and Wisechain Fintech (HK) Limited

(collectively, the "Transactions").

Pursuant to the Transactions, the Company had, on 25 June 2021, made a transfer of US\$480,010 to Sino Allied (HK) Limited in respect of the Scheme ("Transfer").

However, Board approval was not obtained before execution of the Transactions and the Transfer (see the Company's announcement dated 29 September 2021). The Company and the Board were given insufficient documents and due diligence assessment on the Hong Kong entities prior to the execution of the Transactions. Even the above-mentioned agreements were provided to the Board only weeks after the Transfer was made.

Mr Lim Wee Li ("Mr Lim"), Executive Director of the Company, had lodged a report with the Commercial Affairs Department ("CAD") on 6 August 2021 against Lincoln, which contained allegations against Lincoln including, *inter alia*, that the Transfer had been carried out by Lincoln without the requisite approval of the Board.

Fortunately, as the Company announced on 14 October 2021, the Transactions were terminated and KC Technologies was able to recover a net amount of US\$492,259.97 from Sino Allied (HK) Limited pursuant to the termination of the Transactions.

The Transactions is presently under the review of the Special Auditor.

2. In April 2021, amid health concerns of the COVID-19 pandemic, OOWAY Group recommended through Lincoln that the Company purchase more than S\$600,000 worth of face masks from Anhui Health Box Technology Co. Ltd. for resale.

The Board raised concerns on the saleability of the masks, but Lincoln had represented to the Board that the OOWAY Group had buyers on hand to purchase the masks, that one of the transacting parties would be the Government of the United States of America, and that the masks would be sold through B2B channels at good margins.

However, after the masks were purchased, Lincoln carried out B2C retail sales of the masks instead. Staff of the Company were assigned to carry out these sales, including a "Regional Marketing Director" hired for this purpose at a monthly salary of S\$6,000 which was later increased to S\$10,000 (the Company eventually paid S\$121,760 in total salary and allowances to this staff member between September 2021 and September 2022).

As at the date of this letter, the total sales achieved for the masks is S\$41,624 while the total costs incurred in this business amounted to S\$797,046 (including S\$121,760 paid to the "Regional Marketing Director" employed by Lincoln for mask sales). Earlier this year, the

OOWAY Group through Lincoln had offered to purchase the remainder of the masks from the Company, but this was not done. The effective usability period of the masks will expire in January 2023.