



# Independent Special Audit Report

Kitchen Culture Holdings Limited

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

Date: 21 July 2023

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## Glossary

Abbreviation	Description
21 January 2020 Messages	message between Mr Lim and Individual A on potential exchange of monetary benefits for employment passes
27 March 2020 Message	message from Mr Lim to Individual A on or around 27 March 2020
23 June Email	Email on the commencement of the digital business under KCT to the BOD via an email by Mr Lincoln Teo
24 June Email	Email by Mr Lincoln Teo that he had spoken with all members of the BOD except for Mr Yap and was making the final decision to go ahead and instructed Mr Lee to get the necessary banking documents signed
25 June Email	An email by Mr Lincoln Teo explained that the Principal Sum would be paid directly into the Amazon Financing Scheme and KCT would be focusing on Asian market
ACRA	Accounting Corporate Regulatory Authority
Amazon DD Report	Amazon Project Due Diligence Report dated 4 January 2021
Amazon Financing Scheme	KCT would participate in Amazon's merchant/vendor financing scheme
Bank Accounts	All bank accounts that were maintained in Mr Lim's name (whether solely or jointly), which he has control over, whether as bank signatory or otherwise and/or have an interest in (beneficial or otherwise) regardless of whether such bank accounts are held directly under his name or under the name of any third parties that are affiliated to and/or related to him, for the period 1 January 2020 to 31 December 2021, made reference to in his Statutory Declaration
Basic Salary	Remuneration of Mr Du and Mr Wang basic salary as SGD 15,000 each
bMars	Behaviour Model of Association Risk System
BOD	Board of Directors
BVI	British Virgin Islands
C&C	Constitution of the Company
CAD	Commercial Affairs Department
CEO	Chief Executive Officer
Chengxin	USLC International Limited
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 SGD 6,020,000 raised from CLA
Collection Agreement	Collection Agreement among KCT, Sino Allied and Chengxin dated 23 June 2021
COO	Chief Operating Officer
CPF	Central Provident Fund
CSCSE	Chinese Service Centre for Scholarly Exchange
CV	Curriculum Vitae
DD	Due Diligence
Defence dated 1 September 2021	Defence of Mr Lim dated 1 September 2021 filed under HC/S 681/2021
Draft Baker Tilly's Report	Draft Baker Tilly Internal Control Review Report dated 18 June 2021
DRIW	Directors' Resolution in Writing
DTFAS	Deloitte & Touche Financial Advisory Services Pte Ltd
Eccang	Shenzhen Yicang Technology Co. Ltd
EFMA	Employment of Foreign Manpower Act
EGM	Extraordinary General Meeting
Employment Letters	Letters of appointment of Mr Du and Mr Wang
ERP	Enterprise Resource Planning

Abbreviation	Description
FC	Financial Controller
Finance Manual	Group Finance Manual
FinCen	Financial Crimes Enforcement Network
Fixed Allowances	Fixed Allowances included housing, transport, mobile and other allowances
Fund Transfer	Remittance of USD 480,010 in favour of Sino Allied Collection Account
HC/S 681/2021	Suit HC/S 681/2021 commenced under the General Division of the High Court of the Republic of Singapore
HKMT	Hong Kong MeiTien Furniture Co., Ltd
HR	Human Resource
HR Manual	HR Policies and Procedures Manual dated 2013
Intended Business Relationship	Business relationship intended to be entered into with Sino Allied and Eccang referenced to in the Amazon Project DD Report by Mr Lincoln Teo
Interim Report	Report that set out DTFAS' review of the Payroll Matter and Unauthorised Transaction
Investment Opportunity	New business deal relating to Amazon's payment service
Investment Opportunity Agreements	<ol style="list-style-type: none"> <li>1. Sino Allied Agreement</li> <li>2. Wisechain Agreement</li> <li>3. Loan Agreement</li> <li>4. Collection Agreement</li> <li>5. Shortfall Agreement</li> </ol>
IPT	Interested person transaction
IRAS	Inland Revenue Authority of Singapore
KCH / the Company	Kitchen Culture Holdings Limited
KC Medical	KC Medical Supplies Pte Ltd
KCT	KC Technologies Pte Ltd
KHLM	KHL Marketing Asia-Pacific Pte Ltd
KMP	Key Management Personnel
KYC	Know Your Customer
Loan Agreement	Loan agreement among KCT, Sino Allied and Chengxin dated 23 June 2021
LOE	Letter of Engagement dated 15 September 2021
M2B	Machine to Business
Manpower Requisition Date	3 March 2020
Mdm Hao	Mdm Hao Dong Ting, Non-Executive Director, the Group (14 April 2021 to 24 May 2021), Non-Executive Chairperson, the Group (25 May 2021 to 9 November 2022), Non-Executive Non-Independent Director, the Group (10 November 2022 to present) and Director, KHLM (5 August 2021 to present)
Minimum Experience	Minimum experience required for the General Manager of China Business Development and the Head of Corporate Affairs were indicated as between three to five years
MOM	Ministry of Manpower
MOU	Memorandum of Understanding
Mr Ang	Mr Ang Lian Kiat, Independent Director, KCH (1 December 2020 to present)
Mr Du	Mr Du Kun, General Manager, China Business Development, KHLM (1 July 2020 to 30 June 2021)
Mr Koh	Mr Koh Tat Liang, HR Director, KCH (15 July 2021 to 15 July 2022)
Mr Lee	Mr Lee Foo Tuck, FC, the Group (19 September 2017 to 4 June 2022) and Consultant, the Group (6 June 2022 to 31 December 2022)
Mr Lim	Mr Lim Wee Li, Executive Chairman, the Group (25 March 2011 to 24 May 2021), Executive Director, the Group (25 May 2021 to 7 July 2021 and subsequently reappointed on 15 July 2022 to present), CEO, the Group (25 March 2011 to 7

Abbreviation	Description
	July 2021), Director, KHLM (18 August 1992 to present) and Director, KCT (18 February 2021 to present)
Mr Lincoln Teo	Mr Lincoln Teo Choon Han, Executive Director, the Group (14 April 2021 to 15 July 2022), Interim CEO, the Group (8 July 2021 to 15 July 2022), Director, KHLM (5 August 2021 to 15 July 2022) and Director, KCT (18 February 2021 to 15 July 2022)
Mr Loh	Mr Derek Loh, Independent Director, KCH (1 December 2020 to 30 June 2021)
Mr Quek	Mr Quek Wey Lon, COO, the Group (10 January 2020 to 4 June 2022)
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, Lead Independent Director, KCH (1 February 2019 to present)
Mr Yap	Mr Yap Sze Hon (Shon), Independent Director, KCH (1 December 2020 to 18 March 2022)
Ms Ng	Ms Irene Ng, HR Manager, Operations, KCH (1 July 2021 to 15 July 2022)
MSO	Money Service Operators
Ms Wei	Ms Karen Wei Yujing, Director, Corporate Finance, KCT (19 July 2021 to 15 July 2022)
Net Interest	Chengxin had returned the Principal Sum and corresponding interest, net of technical service fees
New Business	Utilisation of bMars to provide credit rating services and credit management services and other technical services in credit loan and other fields via bMars and application of big data, machine learning and artificial intelligence towards providing services
Ooway Group	Ooway Group Ltd and its subsidiaries
OTPL	Ooway Technology Pte Ltd
Payroll Bank Account	KHLM's OCBC Bank account of number XXXXXXXX9001
Payroll Matter	Payroll irregularities of approximately SGD 520,000 arising from the employment of two former employees of KHLM
Payroll Summary	The Company monthly payroll summary report
PRC	People's Republic of China
Principal Sum	Invested capital of USD 480,000 to Chengxin
PSP	Payment Service Provider
Remuneration	Remuneration of Mr Du and Mr Wang of monthly remuneration of SGD 20,000 comprising of SGD 15,000 in basic salary and SGD 5,000 in fixed allowances
Risk Assessment Report	Cross Border E-commerce Risk Assessment Report dated June 2021
SAC	SAC Capital Private Limited
Second NOC	Second Notice of Compliance
SGX RegCo	Singapore Exchange Regulation Pte Ltd
SGX-ST	Singapore Exchange-Securities Trading Limited
SHCQ	Shanghai Chouqin Furniture Co., Ltd
Shenzhen Chengxin	Shenzhen Chengxin Brand Management Co. Ltd
SJZI	Shijiazhuang Integral Cabinet Co., Ltd
Shortfall Agreement	Agreement between KCT and Sino Allied dated 23 June 2021
Sino Allied	Sino Allied (HK) Limited
Sino Allied Agreement	Cooperation agreement between KCT and Sino Allied dated 1 June 2021
Special Auditor	Appointment as independent special auditor by the Company under the Second NOC
Statement	Minutes of Ms Shirley Lim's interview by the Company dated 26 July 2021
Statutory Declaration	Statutory declaration of Mr Lim dated 22 November 2022

<b>Abbreviation</b>	<b>Description</b>
Termination Letters	End of Contract by Mutual Agreement Letters dated 15 June 2021 for Mr Du and Mr Wang
the Group	The Company and its subsidiaries
TransferEasy Account	KCT TransferEasy Account
TT	Telegraphic transfer
Unauthorised Transaction	Unauthorised transaction of USD 480,010
USA	United States of America
USLC Group	USLC and its related entities
Wisechain	Wisechain Fintech (HK) Limited
Wisechain Agreement	Undated information technology service agreement between KCT and Wisechain
Wisecube	Wisecube Hong Kong Limited
Wisecube Group	Wisecube Inc and its subsidiaries
XHCE	Xinjiang Hongtian Construction Engineering Co. Limited
ZABM	Zhejiang Ankui Business Management Co., Limited

# 1 Executive Summary

## 1.1 Background

- 1.1.1 Kitchen Culture Holdings Limited (“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. On 18 February 2021, the Company incorporated KC Technologies Pte Ltd (“KCT”), a wholly owned subsidiary to provide user-related information to enhance risk assessment capabilities and other business support services.
- 1.1.3 On 31 July 2021, the Company announced that through its legal counsel, it had lodged a report with the Commercial Affairs Department (“CAD”) of the Singapore Police Force in relation to suspected payroll irregularities of approximately SGD 520,000 arising from the employment of two former employees of KHLM (“Payroll Matter”).
- 1.1.4 On 10 August 2021, the Company announced via SGX-Net that KHLM had commenced a suit relating to the 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 SGD 520,000.<sup>1</sup>
- 1.1.5 On 11 August 2021, Mr Lim informed the Board of Directors (“BOD”) and the Company’s continuing sponsor, SAC Capital Private Limited (“SAC”), that he had lodged a report with the CAD on 6 August 2021 against Mr Lincoln Teo Choon Han (“Mr Lincoln Teo”), in relation to an alleged unauthorised transaction of USD 480,010 (“Unauthorised Transaction”).
- 1.1.6 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 of the Company’s transactions<sup>2</sup>. Deloitte & Touche Financial Advisory Services Pte Ltd (“DTFAS”) was appointed pursuant to a Letter of Engagement dated 15 September 2021 (“LOE”) to review the matters set out in the Second NOC.
- 1.1.7 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 Payroll Matter and Unauthorised Transaction (“Interim Report”).

## 1.2 Scope of Work

- 1.2.1 Our scope of work as set out in the LOE relating to the Payroll Matter and Unauthorised Transaction comprises:
- (i) Review of the chronology of events, facts and circumstances surrounding the Payroll Matter,

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<sup>1</sup> We understood that on 31 August 2022, the Company announced via SGXNet that KHLM’s claim against Mr Lim, Mr Du and Mr Wang have been discontinued, and Mr Du’s and Mr Wang’s counterclaim against KHLM have also been discontinued while Mr Du’s and Mr Wang’s counterclaim against the Company was still ongoing and transferred to the State Court. We further understand that on 10 January 2023, the Company announced via SGXNet that Mr Du’s and Mr Wang’s counterclaim has been discontinued on or around 9 November 2022 and that the Company is no longer involved in any proceedings in connection with KHLM’s suit.

<sup>2</sup> As per Second NOC, the Special Auditor is to review the following issues: (a) Payroll Matter (b) Unauthorised Transaction and assess if there were other unauthorised transaction(s) (c) Whistleblowing reports (d) issues flagged in the draft Baker Tilly Internal Control Review Report dated 18 June 2021 (“draft Baker Tilly’s Report”).

including but not limited to whether the respective employment contracts were entered into, the payments were made in accordance with the respective employment contracts and whether proper approvals had been obtained for such employment contracts and for such payments; and

- (ii) Review of the chronology of events, facts and circumstances surrounding the Unauthorised Transaction identified by the Group as well as its Board and Key Management to understand the risk attributes and identify the parties involved.

## 1.3 Methodology

1.3.1 Based on the requirements set out in the Second NOC, our methodology in delivering the relevant scope under the LOE includes:

- (i) Payroll Matter
  - a. Obtain a detailed understanding of the hiring and payroll process at KHLM and/or the Group, vis-à-vis the conduct of the hiring and payroll process relevant to the Payroll Matter;
  - b. Review the payroll information relating to the Payroll Matter against underlying supporting documents (i.e. audit log files of human resource (“HR”) management software, employment contracts, bonus letters, promotion letters, timesheets, overtime forms and other supporting documents, if any);
  - c. Establish the identities of the parties involved in the Payroll Matter;
  - d. Review the qualifications for the alleged roles and the relationships, if any, amongst Mr Du and Mr Wang; and between one or all of them and the Company’s directors / key management;
  - e. Conduct tests of payroll records relating to the Payroll Matter to ensure transactions are properly authorised, approved and accurate;
  - f. Perform month on month analysis on payroll during the employment period of Mr Du and Mr Wang to identify any unusual trends and investigate significant variances relating to the Payroll Matter; and
  - g. Conduct forensic review of supporting documents of the Payroll Matter.
- (ii) Unauthorised Transaction
  - a. Review the chronology of events, facts and circumstances surrounding the Unauthorised Transaction (including but not limited to its business rationale and commercial substance, the negotiation and signing of relevant agreements and the Group’s due diligence (“DD”) and internal deliberations (such as correspondence and minutes of meetings)) to understand the risk attributes of these transactions;
  - b. Establish the identities of the parties involved in the Unauthorised Transaction, and the relationship between them, if any;
  - c. Conduct forensic review of supporting documents of the Unauthorised Transaction.
- (iii) Conduct interviews with the parties involved in the Payroll Matter and Unauthorised Transaction. Table 1.1 summarises the directors/management/employees of the Group who attended or declined our interviews:

Table 1.1

S/No.	Name	Position at the Group
<b>Parties that attended interview</b>		
1	Mr Lim	Former Executive Chairman, the Group, Executive Director, the Group, and Former Chief Executive Officer (“CEO”), the Group, Director, KHLM and Director, KCT
2	Mr Lincoln Teo	Former Executive Director, the Group, Former Interim CEO, the Group, Former Director, KHLM and Former Director, KCT
3	Mdm Hao Dong Ting (“Mdm Hao”)	Former Non-Executive Director, the Group, Former Non-Executive Chairperson, Non-Executive Non-Independent Director, the Group and Director, KHLM
4	Mr William Teo Choon Kow (“Mr William Teo”)	Lead Independent Director, KCH
5	Mr Ang Lian Kiat (“Mr Ang”)	Independent Director, KCH
6	Mr Yap Sze Hon (Shon) (“Mr Yap”)	Former Independent Director, KCH
7	Mr Quek Wey Lon (“Mr Quek”)	Former Chief Operating Officer (“COO”), the Group
8	Mr Lee Foo Tuck (“Mr Lee”)	Former Financial Controller (“FC”), the Group and Former Consultant, the Group
9	Mr Lim Hon Sean	Former Manager, HR/Admin, KHLM
10	Ms Karen Wei Yujing (“Ms Wei”)	Former Corporate Finance Director, KCT
11	Mr Du <sup>3</sup>	Former General Manager, China Business Development, KHLM
12	Mr Wang <sup>4</sup>	Former Head of China Corporate Affairs, KHLM
<b>Parties that did not attend interview</b>		
13	Mr Derek Loh (“Mr Loh”)	Former Independent Director, KCH
14	Ms Shirley Lim	Former HR Manager, KHLM

- (iv) Assess findings to identify potential breaches of Catalist Rules, laws or regulations. Where potential breaches of the Catalist Rules, laws or regulations are noted, to set out clearly the circumstances that led to the potential breaches as well as the responsible parties;
- (v) Provide suggestions to improve the system, procedures and internal controls which may have caused or contributed to the Payroll Matter and the Unauthorised Transaction;
- (vi) Conduct maxwellisation

<sup>3</sup> Since January 2022, our invitations for an interview and requests for information and documents to Mr Du were persistently refused on grounds that the issues in dispute in the suit HC/S 681/2021 commenced under the General Division of the High Court of the Republic of Singapore (“HC/S 681/2021”) overlaps with our review of the Payroll Matter. In December 2022, Mr Du changed his position and eventually attended an interview by DTFAS in January 2023.

<sup>4</sup> Since January 2022, our invitations for an interview and requests for information and documents to Mr Wang were persistently refused on grounds that the issues in dispute in HC/S 681/2021 overlaps with our review of the Payroll Matter. In December 2022, Mr Wang changed his position and eventually attended an interview by DTFAS in January 2023.

- a. We have shown extracts of a draft of this report to the Company<sup>5</sup>, Mr Lim Hon Sean, Mr Lincoln Teo, Mr Quek, Mr Yap, Mr Du and Mr Wang for their comments. Insofar as we have accepted their comments, we have made the necessary amendments to this report. Insofar as we did not agree with their comments or have already adequately dealt with them, we have left the relevant parts of the report intact. This report should be read in conjunction with the comments from Mr Lim and Mr Lincoln Teo set out at Annex 1 and Annex 2 respectively to this report; and
  - b. Where relevant, we have included in this report their comments and our responses to these comments.
- (vii) Finalise the report in consultation with SGX RegCo and SAC.

## 1.4 Payroll Matter

### Background

- 1.4.1 Pursuant to their letters of appointment dated 3 June 2020 (“Employment Letters”), Mr Du and Mr Wang were purportedly appointed the General Manager, China Business Development and Head of Corporate Affairs respectively during their period of employment at KHLM, i.e. 1 July 2020 to 30 June 2021. Both reported directly to Mr Lim, who was the Executive Director and the then CEO of the Company and KHLM and the head of the marketing division of KHLM. Mr Du and Mr Wang were ultimately each employed with a monthly remuneration of SGD 20,000 (“Remuneration”) comprising SGD 15,000 in basic salary (“Basic Salary”) and SGD 5,000 in fixed allowances (“Fixed Allowances”). Fixed Allowances included housing, transport, mobile and other allowances.
- 1.4.2 According to the minutes of Ms Shirley Lim’s interview by the Company dated 26 July 2021 as acknowledged by her (“Statement”), she had prepared and issued the End of Contract by Mutual Agreement Letters dated 15 June 2021 (“Termination Letters”) to Mr Du and Mr Wang to terminate their employment under the instructions of Mr Lim. Under the Termination Letters, the notice period was shortened from three months to one and a half months under mutual agreement. Correspondingly, the last day of employment of Mr Du and Mr Wang were 31 July 2021. During our interview with Mr Lim, he informed us that the last day of service of Mr Du and Mr Wang was brought forward to 30 June 2021 as there was no further work required. Based on the aforementioned, each of them was paid SGD 260,000 comprising 12 months of Remuneration and one month payment in lieu of notice during their period of employment.
- 1.4.3 The HR department of the Group at the relevant time comprised Mr Lim Hon Sean and Ms Shirley Lim, who were both HR managers responsible for payroll processing (i.e. payroll management, calculations and processing, Central Provident Fund (“CPF”) and tax submissions) and HR matters (i.e. non-payroll functions) respectively. Ms Shirley Lim was also in charge of administration work as noted in her resignation letter and DTFAS’ interview of Mr Lim Hon Sean. As Ms Shirley Lim was employed on a part time basis, Mr Lim Hon Sean also performed HR functions in the absence of Ms Shirley Lim. Based on our background searches, Mr Lim, Mr Lim Hon Sean and Ms Shirley Lim are relatives. Mr Lim Hon Sean and Ms Shirley Lim are Mr Lim’s cousin and sister-in-law respectively. Mr Lim Hon Sean and Ms Shirley Lim resigned on 9 July 2021 and 13 July 2021 respectively; and their last day of service with KHLM was 8 August 2021 and 12 August 2021 respectively.
- 1.4.4 We set out below the summaries of our findings in relation to the Payroll Matter.

### **The employment and the determination of compensation appear to lack justification**

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<sup>5</sup> As at the time when the report was circulated for maxwellisation, the BOD of the Company comprised Mdm Hao, Mr Lau Kay Heng, Mr Lim, Mr William Teo, Mr Ang and Mr Peter Lim King Soon.

- 1.4.5 We understood from Mr Lim during his interview and his Defence dated 1 September 2021 filed under HC/S 681/2021 (“Defence dated 1 September 2021”) that Mr Du and Mr Wang were employed to leverage on their significant business contacts and assist to develop KHLM's network within the People’s Republic of China (“PRC”)<sup>6</sup>. However, we have not sighted any minutes of board meetings of KHLM and/or the Company involving business expansion plans in the PRC prior to and during Mr Du’s and Mr Wang’s employment period. The justification for their employment was also not documented in the Manpower Requisition Forms dated 3 March 2020 (“Manpower Requisition Date”) raised by Mr Lim.
- 1.4.6 The monthly basic salary range and roles offered to Mr Du and Mr Wang do not appear to commensurate with their years of relevant working experience (i.e. approximately 10 years<sup>7</sup> and three years<sup>8</sup> respectively in the furniture industry)<sup>9</sup> when compared with other Key Management Personnel (“KMP”) under the Group. Further, their monthly Remuneration exceeded the internal benchmarking for managerial roles within KCH mostly fulfilled by individuals with more than 20 years of relevant experience, and that of some KMP of the Company.
- 1.4.7 Although the career grading or career level guidelines under the HR Policies and Procedures Manual dated 2013 (“HR Manual”)<sup>10</sup> is not pegged to the years of relevant working experience, the minimum experience required (“Minimum Experience”), i.e. between three to five years, as indicated on Mr Du’s and Mr Wang’s Manpower Requisition Forms appears unjustifiable. The Minimum Experience is relatively shorter than managerial roles within the Group, which in general had more than 20 years of experience. The basic salary range proposed on the Manpower Requisition Forms therefore do not appear justified, particularly since Mr Du and Mr Wang who had 10 years<sup>11</sup> and three years<sup>12</sup> of relevant working experience respectively, were offered the same proposed basic salary range.
- 1.4.8 Under the Employment Letters, Mr Du and Mr Wang were each offered a monthly salary of SGD 20,000. Subsequent to the Employment Letters, the Company issued supplementary letters of offer dated 15 June 2020, clarifying that the Remuneration comprised monthly Basic Salary of SGD 15,000 and Fixed Allowances of SGD 5,000<sup>13</sup>. The personnel files of Mr Du and Mr Wang did not document the justification for the re-allocation. According to Mr Lim during his interview, it was intended to cap the monthly payments at SGD 20,000 each, including business expenses as verbally agreed by Mr Lim, Mr Du and Mr Wang; this is notwithstanding they would be required to make trips to the PRC to explore opportunities for KHLM and to carry out business development activities<sup>14</sup>. Based on our review, the capping of remuneration to employees is neither a requirement nor justified by any Group policy or practice.
- 1.4.9 The inclusion of other allowances, such as business and entertainment expenses etc, in the Fixed Allowances is also inconsistent with the HR Manual Policy HR204. Under HR Manual Policy HR204, business, travel (overseas, in particular) and entertainment expenses were to be reimbursed by the Group as incurred. Based on our review of the payroll reports of June 2020 to July 2021 and the employment

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<sup>6</sup> According to both Mr Du and Mr Wang during their respective interviews, their intention was to first join as employees to understand the operations of the Group, and thereafter assist to expand the business channels to the PRC with the long-term view to invest in the Company.

<sup>7</sup> According to Mr Du, he was the Beijing distributor for the brand “Shanghai Ideal Home Furniture” since 2008. We are unable to verify the aforementioned as he is unable to find copies of the agency agreement and has not provided any further documentary evidence to support his contention. In the event the appointment is verified, his relevant working experience would be approximately 12 years instead of 10 years at the time he was considered for his employment at KHLM in March 2020.

<sup>8</sup> According to Mr Wang, he is a business partner of XHCE, a PRC entity in the business of residential construction, engineering construction general contracting, municipal engineering construction, home decoration and decoration engineering construction etc, since 2013.

<sup>9</sup> According to Mr Du and Mr Wang during their respective interviews, the CV submitted to Mr Lim did not include their full work experience. In addition to employment, they are also shareholders in businesses relevant to the Group. In a letter from Mr Du and Mr Wang’s solicitors dated 3 February 2023, they took the position that our request for revised CV setting out their full employment history and/or business and investments track record prior to joining KHLM, with particular emphasis on experience relevant to KHLM’s actual or contemplated business segments “are not relevant as they were not provided to Mr Lim Wee Li at the material time.”.

<sup>10</sup> DTFAS was provided a draft copy of the HR Manual. According to Mr Koh Tat Liang (“Mr Koh”), HR Director, he was unable to locate the signed version of the HR Manual.

<sup>11</sup> See Footnote 7.

<sup>12</sup> See Footnote 8.

<sup>13</sup> According to Mr Du and Mr Wang during their respective interviews, the Remuneration, Basic Salary and Fixed Allowances were proposed and determined by Mr Lim.

<sup>14</sup> According to Mr Du and Mr Wang during their respective interviews, the re-allocation of their monthly salaries was determined by Mr Lim.

contracts, KMPs of the company were not entitled to any fixed allowances. Business and entertainment expenses were not included in fixed allowances and were paid on a reimbursement basis.

- 1.4.10 For completeness, the fixed monthly transport allowances set out at HR Manual Policy HR204 Section 8.1.3 only applies to eligible employees who are required to “travel extensively and frequently on a daily basis and travelling distances in respect of performance and attending to official functions on behalf of the Company for use of employees’ privately owned vehicle for business purpose only” and is restricted to “local travelling expenses” consisting of “petrol, ERP, cark parking at clients / customers’ premises etc”. Accordingly, such fixed monthly transport allowances provided under the HR Manual Policy do not apply to overseas travel expenses (if any).

#### **The hiring process for Mr Du and Mr Wang departed from Company’s policy and practice**

- 1.4.11 The HR department had failed to ensure conformity with company standards, criteria and practices required for the hiring process as stipulated in the HR Manual. Instead, the hiring of Mr Du and Mr Wang were under the instructions of Mr Lim<sup>15</sup>, including the determination of monthly Remuneration. Contrary to the requirements under the HR Manual, the HR department<sup>16</sup>:

- (i) Did not consider suitability of the job openings for internal candidates<sup>17</sup>;
- (ii) Did not advertise the vacancies and no other candidates were identified for the roles;
- (iii) Did not perform any screening on Mr Du and Mr Wang post referral by Mr Lim;
- (iv) Did not perform subsequent interviews with Mr Du and Mr Wang to assess their suitability;
- (v) Did not verify Mr Du’s and Mr Wang’s education certificates and transcripts, past employment records and last drawn salaries; and
- (vi) Did not perform independent benchmarking of the appropriate salary for Mr Du and Mr Wang. Instead, their remuneration was determined on Mr Lim’s instructions.

- 1.4.12 According to the HR Manual, all job vacancies should be advertised. In addition, it is also a Ministry of Manpower (“MOM”) imposed pre-requisite to advertise job vacancies on the MyCareersFuture portal prior to an employment pass application<sup>18</sup>. However, job positions with a fixed monthly salary of SGD 20,000 and above are exempted from this requirement. As the salary declared on the employment pass application for Mr Du and Mr Wang is SGD 20,000 each, such requirement of advertising the job vacancies on the MyCareersFuture portal was exempted. However, as noted in paragraph 1.4.8, both employees were subsequently issued supplementary letters that detailed a revision of their monthly salary to SGD 15,000 each. If the salaries of Mr Du and Mr Wang were intended to be SGD 15,000 each, KCHM would be required under the MOM regulations to advertise the job vacancies.<sup>19</sup>

- 1.4.13 On or around 12 May 2020, Mr Lim Hon Sean submitted applications for employment passes for Mr Du and Mr Wang. According to Ms Shirley Lim’s Statement, at the point of application of the employment passes, she “didn’t check” the qualifications of the two employees. MOM issued the approval-in-principal

<sup>15</sup> According to Ms Shirley Lim’s Statement. We were unable to ascertain or obtain confirmation from Ms Shirley Lim on the accuracy of the contents of the Statement.

<sup>16</sup> Maxwellisation comments from Mr Lim Hon Sean – “This was not unique to Mr Du and Mr Wang. At the time, the HR department was unfortunately unable to fully screen and assess all candidates due to a shortage of manpower.” In respect of 1.4.11 (iv), “at the time, HR did not conduct any interviews for candidates recommended by senior employees, including Mr Lim, Mr Daryl Kwok and Mr Quek Wey Lon. I would like to reiterate that, at the time, I had only just taken over the HR portfolio as the previous HR manager had resigned. I was therefore not entirely familiar with the guidelines in the HR Manual then.”

<sup>17</sup> According to Mr Lim during the maxwellisation process, two employees were initially considered for the roles that were eventually assumed by Mr Wang and Mr Du. However, neither of the two candidates were deemed suitable for the roles; one had resigned in late 2019 while the other candidate was found to be unsuitable to handle the Company’s business in the PRC. However, as the consideration of these candidates at the time was done on a preliminary basis, no formal process was initiated.

<sup>18</sup> MOM Guidelines on Fair Consideration Framework: <https://www.mom.gov.sg/passes-and-permits/employment-pass/consider-all-candidates-fairly>

<sup>19</sup> Maxwellisation comments from Mr Lim Hon Sean - “At the time, my understanding was that the salaries of Mr Wang and Mr Du were fixed at SGD 20,000. Thus, the Company was not required by the relevant regulations to advertise such job vacancies. It was only after Mr Wang and Mr Du were employed by KCH that it was clarified that their salary packages comprised an allowance of SGD 5,000. It was thus not the case that the Company had intentionally sought to flout MOM regulations – the failure to advertise the job vacancies was unfortunately, a genuine oversight on the part of the Company.”

for the employment passes on 28 May 2020. However, on 4 June 2020, Mr Lim signed the declaration forms for submission to MOM, confirming he had verified the authenticity of Mr Du's and Mr Wang's academic certificates.<sup>20</sup>

- 1.4.14 We were unable to validate Mr Du's and Mr Wang's past employments with certain companies located in the PRC or Hong Kong. We requested the Chinese names and the registration/incorporation numbers of these former employers from Mr Du and Mr Wang on or around 25 May 2022 but our requests were initially rejected by them through their lawyers. For completeness, by way of letter dated 3 February 2023 from Mr Du's and Mr Wang's solicitors, Mr Du and Mr Wang provided the Chinese names of these companies but were unable to provide their registration/incorporation numbers. We were unable to locate Hong Kong MeiTien Furniture Co., Ltd ("HKMT")<sup>21</sup> or Shijiazhuang Integral Cabinet Co., Ltd ("SJZI")<sup>22</sup> through the publicly available records of the company registries in PRC and Hong Kong. When we reiterated our request for the registration/incorporation numbers of these companies, Mr Du and Mr Wang indicated through their solicitors' letter dated 10 February 2023 that they *"are unable to provide the registration numbers of [HKMT] or [SJZI] as they did not keep a record of the same and can no longer find the number on any publicly accessible databases."* Mr Du further indicated through his lawyers that he is unable to provide the contact details of Shanghai Chouqin Furniture Co., Ltd ("SHCQ")<sup>23</sup> for us to conduct further checks with this company as he *"is no longer in touch with the persons from the company given the passage of time"*.
- 1.4.15 We were able to validate Mr Wang's, but not Mr Du's<sup>24</sup> period of study and highest academic qualification stated on their respective curriculum vitae ("CV") against their graduation certificates.<sup>25</sup>
- 1.4.16 We were unable to ascertain the suitability of Mr Wang as the Head of Corporate Affairs at KHLM in view of his limited exposure and experience (i.e. approximately three years of relevant working experience). Based on the job descriptions stated under the Manpower Requisition Form, he was responsible for leading a team for the development of brand strategy, executive communications and content marketing strategy appropriate to the PRC market. However, we are not aware of any employee(s) who have been part of his team<sup>26</sup>.
- 1.4.17 The on-boarding of both Mr Du and Mr Wang was unusual and deviated from the Group's practice, and general on-boarding practices for new hires. Items and equipment essential for new hires to perform their day-to-day responsibilities were not issued to Mr Du and Mr Wang. These include IT equipment such as laptops or desktops, email addresses, building and office access cards and assigned seats in the office<sup>27</sup>. Further, no other personnel within the Group had been introduced to Mr Du and Mr Wang, other than Mr

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<sup>20</sup> According to Mr Du and Mr Wang during their respective interviews, they liaised mostly with Mr Lim and Mr Lim Hon Sean. Mr Lim had recruited them and determined their remuneration and Mr Lim Hon Sean was responsible for the paperwork relating to their employment. Ms Shirley Lim liaised with them on the employment contracts.

<sup>21</sup> 香港美庭家具实业公司

<sup>22</sup> 石家庄整体橱柜经销处

<sup>23</sup> 上海酬勤家具有限公司

<sup>24</sup> According to a letter from Mr Du's solicitor dated 3 February 2023, *"Specifically in relation to Mr Du's [redacted] verification document reflecting his candidature at University [redacted] to be between 2006 and 2008, we are instructed that he is unable to find a copy of the underlying certificates. However, as he had responded during the interview, the reflected candidature period is for his specialisation course. The university issued a separate certification for his general course, which candidature period was between 2004 and 2006, which together make up the 2004 to 2008 candidature period reflected in his personal resume. He requests that your clients check with the university."* We contacted the aforesaid university via phone on 18 May 2022 and was informed that the average time to completion for undergraduate studies and Higher Diploma is approximately four years and two years respectively. We are thus unable to verify the graduation certification stated on Mr Du's CV.

<sup>25</sup> On 3 February 2023, Mr Du and Mr Wang provided copies of their certificates dated 25 November 2020 and 12 May 2021 respectively for completing the Master of Business Administration ("MBA") at UON University of Northampton administered by Amity Global Institute. Based on the website of Amity Global Institute, the MBA programme is offered on a part-time or full-time basis and its pre-requisites for admission include a first or second class honours degree from a British university or equivalent and an IELTS 6.5 overall grading in English language.

<sup>26</sup> According to Mr Wang, he was supposed to look for opportunities in the PRC. This did not require him to work with KHLM's employees as he just tapped on his existing contacts in the PRC. However, Mr Wang indicated that progress was hindered as there were travel restrictions worldwide, especially between Singapore and the PRC, up until around 8 January 2023.

<sup>27</sup> During the interviews of Mr Du and Mr Wang, they advised that they have been using their own personal IT equipment to perform their duties. Other than name cards, they were not issued with any other tools and equipment by the Group. However, according to Mr Du and Mr Wang, given the passage of time, they are unable to find their namecards issued by KHLM.

Lim, Mr Lim Hon Sean and Ms Shirley Lim<sup>28</sup>.

- 1.4.18 The HR department continued to deviate from the Group HR policies and practices post-employment of Mr Du and Mr Wang. Contrary to the requirements under the HR Manual, HR<sup>29</sup>:
- (i) Did not procure Conflict of Interest of Declaration Forms from Mr Du and Mr Wang. Based on our background searches, Mr Du holds shareholdings in various private companies, including a company principally engaged in the trading of furniture which may pose potential conflict of interests with the Group;
  - (ii) Did not ensure that probation assessments are duly performed and completed by their supervisor (i.e. Mr Lim) on Mr Du and Mr Wang as required by HR Manual Policy HR103 Section 3;
  - (iii) Did not issue any confirmation letter to Mr Du and Mr Wang post completion of their probation period of six months as required under HR Manual Policies HR102 and HR 103 Section 3; and
  - (iv) Did not ensure that performance assessments are duly performed and completed by their supervisor (i.e. Mr Lim) on Mr Du and Mr Wang as required by HR Manual Policy Revision 1 Section 4.

**The work contribution of Mr Du and Mr Wang could not be independently verified**

- 1.4.19 We were unable to independently verify whether Mr Du and Mr Wang were meaningfully employed by KHLM during their period of employment. Mr Du, together with the regional teams in the PRC, was to be responsible for budgeting, financial planning, standards, process planning development and projects execution. Mr Wang and his team was to be responsible for building the brands under the Company and to develop the marketing strategy appropriate for the PRC market. However, we have not sighted any work products and/or correspondence from either of Mr Du and Mr Wang evidencing the performance of their day-to-day work responsibilities<sup>30</sup>. Also, the BOD (except for Mr Lim) and Mr Quek, were not aware of their purported involvement. Further, Mr Lee had not corresponded with Mr Du before despite Mr Du's responsibility in budgeting and financial planning for KHLM.
- 1.4.20 Mr Lim through his lawyers has provided us with two undated Memorandum of Understanding ("MOUs") between (a) KHLM and Zhejiang Ankui Business Management Co., Limited ("ZABM") and (b) KHLM and Xinjiang Hongtian Construction Engineering Co. Limited ("XHCE")<sup>31</sup>. Whilst Mr Du and Mr Wang were cited as the contact person under the respective MOUs, we did not sight any other contemporary evidence corroborating their involvement in the securing of the MOUs.<sup>32</sup> Also, the BOD (except for Mr Lim) and Mr Quek, were not aware of their purported involvement. Further, we are not aware of any subsequent transactions which materialised from the MOUs, and we understood from Mr Lim that the BOD of the Company were not made aware of the MOUs.

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<sup>28</sup> Mr Du and Mr Wang advised during their interviews that they have not interacted with any individuals from the Group other than Mr Lim, Mr Lim Hon Sean and Ms Shirley Lim.

<sup>29</sup> During the interviews of Mr Du and Mr Wang, they confirmed that such HR processes were not performed for the purpose of their employment.

<sup>30</sup> Mr Du and Mr Wang indicated that they conducted their business activities primarily over WeChat, and that the logs were deleted when they changed phones. Furthermore, according to Mr Du and Mr Wang, their opportunities to contribute meaningfully were significantly curtailed by the fact that their job scope required frequent travel to the PRC. As the entirety of their tenure at KHLM was during the pandemic, there were strict travel restrictions in force within the PRC. Mr Du and Mr Wang also indicated that their employment was also partially to build a relationship between themselves and KHLM, as a possible prelude to them investing in KHLM at some future date.

<sup>31</sup> The undated MOU between KHLM and ZABM was signed by Mr Lim and Bao Chenglong on 26 February 2021 and 23 March 2021 respectively; and the undated MOU between KHLM and XHCE signed by Mr Lim and Huo Lijun on 22 November 2020.

<sup>32</sup> During the interviews of Mr Du and Mr Wang, they advised that the counterparties were connected to them. ZABM is owned by Mr Du's business partners and Mr Wang's uncle is XHCE's largest shareholder. Both Mr Du and Mr Wang did not disclose such relationships to the Group. Based on our background checks, a Mr Bao Chenglong (who bears the same name as the person who signed the ZABM MOU on behalf of ZABM) and Mr Du have common shareholdings in other businesses. Huo Lijun, who signed the XHCE MOU on behalf of XHCE, is the largest shareholder of XHCE, and we are unable to verify the relationship between Huo Lijun and Mr Wang.

### **The termination process for Mr Du and Mr Wang departed from Company's policy and practice**

- 1.4.21 According to Mr Lim, he terminated the employment of Mr Du and Mr Wang as Ooway Group Ltd and its subsidiaries ("Ooway Group")<sup>33</sup> had informed him that they could fulfil the role of business development in the PRC. According to Mr Lim during his interview, he then verbally discussed the details of the termination with Mr Du and Mr Wang in June 2021<sup>34</sup>.
- 1.4.22 The termination process does not appear to be in line with the HR Manual and/or the Inland Revenue Authority of Singapore ("IRAS") Tax Withholding Rules as:
- (i) The HR department did not withhold the salaries of Mr Du and Mr Wang until the tax position has been cleared by IRAS as required by HR Manual Policy HR202 and the IRAS Tax Withholding Rules. KHLM had made funds transfers of SGD 40,000 each to Mr Du and Mr Wang on their last day of service, i.e. 30 June 2021 via Giro, comprising SGD 20,000 for the payment of salary for June 2021, and an additional SGD 20,000 for the advance payment in lieu of notice for July 2021. In the IR21 File Form submitted by Ms Shirley Lim to IRAS on 16 July 2021, we noted that no monies were withheld for tax clearance by KHLM, reason given being "*employee will pay his own tax*"<sup>35</sup>. We also noted that Ms Shirley Lim had submitted the Form IR21 late on 16 July 2021, in breach of IRAS's requirement for employers to submit the Form IR21 at least one month before the last day of the outgoing employee's employment. Based on the personal bank statements of Mr Du and Mr Wang provided to us through the lawyers of Mr Lim, Mr Du and Mr Wang had made payments of SGD 16,201.87 on 23 July 2021 and SGD 15,123.74 on 22 July 2021 respectively to IRAS personally. We also received clarification from the Company that it did not make any payment for Mr Du's and Mr Wang's taxes due to IRAS. Hence, the Group did not suffer any financial loss; and
  - (ii) There were no documented exit interviews before Mr Du and Mr Wang's last day of employment as required by policy HR104 of the HR Manual. We do, however, note that the comment "*Mutual*" was written on the field for "Reason(s) of Leaving" on both their Employment Separation Clearance forms signed by Mr Du and Mr Wang. We are unable to ascertain if discussions took place between the two individuals and the HR managers.

### **The payroll processing practices deviated from the Finance and HR Policies and practices**

- 1.4.23 The Group processes payroll using the software "TimeSoft". According to Mr Lim Hon Sean in his interview, TimeSoft was installed only on Ms Shirley Lim's work computer and access was restricted to both Ms Shirley Lim and Mr Lim Hon Sean. The HR department generates a payroll master report from TimeSoft on a monthly basis for Mr Lim's approval, as Mr Lim was the then CEO of KCH and KHLM, in line with Finance Manual ("Finance Manual")<sup>36</sup> under Section 7.1 for payroll procedures.
- 1.4.24 Upon approval of the payroll, Mr Lim Hon Sean would execute the payment via Giro from KHLM's OCBC Bank account of number XXXXXXXX9001 ("Payroll Bank Account"). The two signatories of the Payroll Bank Account at the material time were Mr Lim and Mr Lim Hon Sean. According to Mr Lee, the Finance department receives a monthly payroll summary report ("Payroll Summary") from Mr Lim Hon Sean, who was in charge of payroll processing. The Payroll Summary provides only a lump sum total of the payroll payment. Finance department would then update the accounting entries for the monthly salary expense.
- 1.4.25 As stipulated in the Finance Manual under Section 7.1 for payroll procedures, the Payroll Summary is to be reviewed together with the payroll master report, for approval by the CEO (i.e. Mr Lim), before the

<sup>33</sup> Ooway Group Ltd is incorporated in British Virgin Islands ("BVI") and it is the ultimate shareholder of Ooway Technology Pte Ltd ("OTPL").

<sup>34</sup> During the respective interviews of Mr Du and Mr Wang, they advised that Mr Lim initiated the termination of their employment as Ooway would be taking over the business development in the PRC.

<sup>35</sup> According to Mr Du and Mr Wang during their interviews, they agreed to pay taxes as they were unfamiliar with the regulations in Singapore.

<sup>36</sup> DTFAS was provided a draft copy of the Finance Manual. According to Mr Quek, the Company is unable to locate the signed version of the Finance Manual.

payments are authorised. We noted that the Payroll Summaries for the months of July 2020 through June 2021 were duly signed by Mr Lim.

- 1.4.26 We noted that the Remuneration of Mr Du and Mr Wang were categorised as a regular salary under the payroll master report. However, the Basic Salary and Fixed Allowances should have been clearly segregated, in line with other employees' payroll details in the payroll master report.

#### Potential exchange of employment passes for monetary benefits

- 1.4.27 According to Individual A, the potential irregularities surrounding the Payroll Matter was first surfaced to him on 19 July 2021 by three other individuals, B, C and D. Subsequent to the Company's exit interview with Ms Shirley Lim on 26 July 2021, Individual A was prompted to review his [REDACTED] [REDACTED] to assist in the review of the Payroll Matter.

- 1.4.28 We have been provided with a written account from Individual A, including screenshots [REDACTED] [REDACTED] with Mr Lim [REDACTED]. Based on the following events, there is reason to question whether Mr Wang's employment pass was procured even though his employment was not required, which raises doubt over the legitimacy of Mr Wang's employment by KHLM<sup>37</sup>. If this was indeed the case, Mr Wang's employment pass may have been obtained in contravention of sections 22 (1) (d), 22A (1) and 22B of the Employment of Foreign Manpower Act ("EFMA") and anyone who abetted in the application for this employment pass would also have committed an offence under section 23 of the EFMA:

- (i) On or around 21 January 2020, Mr Lim informed Individual A via [REDACTED] that "[w]ith a china man, he is willing to upfront give us [\$]1.2m[illion] for 3 employment passes...then every month we disperse [\$]15k each as salaries for two years[.] Good upfront money. Can do up to 5 people they have"; and "Eventually may become investors too" ("21 January 2020 Messages")<sup>38</sup>. According to Mr Lim during his interview, he shared the information with Individual A. This was one of many opportunities that he had come across. Ultimately, he did not proceed.; and
- (ii) On or around 23 March 2020, Mr Lim informed Individual A via [REDACTED] that "[m]eaning you will get 500k injection per ep[.] 20k a month[.]. Individual A sought clarification from Mr Lim and asked "[t]hat means 10k per year or 20k profit over 2 years. Can negotiate fees of 1 month pay for every year of EP? Note also that CPF, taxes, levies etc they have to pay." Mr Lim responded with "[t]oo little left[.] I meeting them tonight and will ask more".<sup>39</sup>
- (iii) On or around 27 March 2020, Mr Lim forwarded a [REDACTED] message to Individual A ("27 March 2020 Message"), indicating that "[h]ave confirmed with [MOM].. Can be done because this client is

<sup>37</sup> Mr Wang at his interview took the position that his employment was not an exchange for an employment pass.

<sup>38</sup> We have reviewed the bank statements of KHLM and the Company for the period 01 March 2020 to 31 July 2021 and did not note any funds receipts that appear to be associated with Mr Du and Mr Wang.

<sup>39</sup> Maxwellisation comments from Individual A – "At that point in time, I presumed that [Mr Lim] was referring to the China nationals which he mentioned on 21 Jan 2020 via [REDACTED]. It is not explicit from the message what "500k injection" and "20k a month" meant. My presumption, following his 21 Jan 2020 message, is that there would be a disbursement of S\$20k per month as salaries for 2 years, but there could be a business transaction e.g. a contract or loan to the Company amounting to S\$500k (since [Mr Lim] had mentioned in his previous messages that they could be investors), which could result in a net cash gain to the Company of S\$20k. But if the cost of CPF, levies etc were not taken into account, then the net cash gain to the Company would be less than S\$20k over two years, which did not seem to be worthwhile financially unless there were new contracts, new sales or new sources of funds etc. that the new hires would bring to the Company. Hence, my comment on asking for more "fees" was in the context of securing a minimum financial gain for the Company, so that even if for example, these were investors and they required the Company to employ their own representatives, CPF, levies etc. had to be accounted for so that there would be a worthwhile financial return to the Company. I framed my comment in the language of "fees for every year of EP" because I presumed that this was a continuation of the 21 Jan 2020 messages that [Mr Lim] sent me and so from a financial perspective, my intention was for [Mr Lim] to calculate whether it would be worthwhile or not at that point in time. Hence, I interpret his reply "too little left" as meaning that he thought it was not worthwhile financially. **To be clear, my response was purely from the limited perspective of the cash impact on the Company, based on the sparse information given at what seemed to be preliminary discussions, so that [Mr Lim] could take that into consideration in his discussions.** Whilst framed in the language of "injection," "fees," and "EP," this was because it was a continuation of the 21 Jan 2020 messages from [Mr Lim]. I presumed that since this was only preliminary, the eventual structure could be different e.g., a new contract, new sale or even new source of funds, which would require agreements and approvals by the Board before it was executed. However, since [Mr Lim] had previously told me that it was "under control," I left it at that. It seemed to me he was only sounding me out on the financial perspective. I was not privy to the discussions which [Mr Lim] had with the other parties, so I did not know what they were going to be hired for nor whether there would be any other financial returns resulting from their hire, such as new contracts, new sales or even new funds for the Company. Therefore at that point in time, I could not factor in any other financial impact save for what was made known to me in the message. Subsequently, [Mr Lim] verbally informed me that he was going to hire them for business development in China, given that the Company was going to enter into a strategic relationship with Ooway (paragraph 4 of my statement dated 02 Mar 2022). However, as HR and China were not within my scope of responsibility, I was not involved in their employment processing nor what these China nationals would be doing once employed."

*currently in sg under student visa".* Forthwith, Mr Lim forwarded the CV, an image of Mr Wang's passport details and education certificates to Individual A, and messaged that *"This guy keen to do epass"*.

- 1.4.29 In Individual A's response to Mr Lim's 21 January 2020 Messages, he commented that *"[w]e receive s\$1.2m and payout s\$1.08m for the 3 guys over 2 years?"* and *"[w]e make s\$200k not bad[.] Have to see how to structure it though because a few s\$15k salaries will attract attention. Maybe part salaries and part loan repayment will be below radar"*. According to Individual A, he was newly recruited as the [REDACTED] of the Company on [REDACTED] and was uncertain how to respond to Mr Lim's 21 January 2020 Messages. Further, the discussion was preliminary and any subsequent arrangements, if any, had to be properly approved and substantiated with sound basis. During our maxwellisation process, Individual A clarified that *"how to structure it"* was that *"eventually there had to be proper legal agreements and approvals"*.
- 1.4.30 We understood from Individual A that he was not involved in the finalisation of any employment terms, application of employment pass and payroll processing and review as these were handled by the HR department who reported directly to Mr Lim. Further, he had never met or corresponded with Mr Du or Mr Wang before. In or around May or June 2021, Individual A was informed by Mr Lim Hon Sean that the HR department was going to terminate two Chinese nationals.
- 1.4.31 In addition, during Mr Lim's interview, he denied that the employment of Mr Du and Mr Wang were for the purpose of exchanging employment passes for monetary benefits. During our maxwellisation process, Mr Lim provided us with copies of the bank statements of all accounts that he said were maintained in his name (whether solely or jointly), which he has control over, whether as bank signatory or otherwise and/or have an interest in (beneficial or otherwise) regardless of whether such bank accounts are held directly under his name or under the name of any third parties that are affiliated to and/or related to him, for the period 1 January 2020 to 31 December 2021 (collectively, "Bank Accounts")<sup>40</sup>. He also provided a statutory declaration dated 22 November 2022 ("Statutory Declaration") that up to the date of the Statutory Declaration, he has never received any payments, and /or any other non-monetary forms of benefits or favours from Mr Du and/or Mr Wang and/or their representatives, whether directly or indirectly, in connection with the Payroll Matter; and he is no longer in possession of the device(s) used to correspond with Individual A and also has not retained and/or backed up any historical text messages, including messages that were exchanged with Individual A, Mr Lim Hon Sean, Mr Du and Mr Wang as he has never used or activated any Cloud back-up function for the message applications on his devices. For completeness, by way of letter dated 9 February 2023 from Mr Lim's solicitors, Mr Lim advised and clarified that he had inadvertently omitted to include the bank statements of certain Bank Accounts along with the Statutory Declaration and provided the remaining bank statements of the omitted Bank Accounts.
- 1.4.32 Our review was restricted to the bank statements and/or supporting documents which Mr Lim provided; we have relied on Mr Lim's representation that the bank statements provided by him under the cover of the Statutory Declaration and as supplemented in subsequent correspondence, constitutes all of such accounts which he has an interest in, control over and/or held directly under his name or under the name of third parties that are affiliated and/or related to him, i.e. Bank Accounts. Further, such statements and supporting documents were only made available up to 31 December 2021 and primarily for individual transactions of a value of SGD 50,000 or more – a value threshold which Mr Lim set and insisted on keeping to, notwithstanding our objections.
- 1.4.33 In light of the foregoing, whilst there are circumstances which raise doubt over whether Mr Du and Mr Wang's employment passes were procured even though their employment were not required and/or whether the said employment passes were procured in contravention to Sections 22(1)(d), 22A(1) and 22B of the EFMA, we are unable to arrive at any definitive conclusion or finding on this issue.

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<sup>40</sup> DTFAS had requested for the bank statements up to the date of request. However, Mr Lim had only agreed to provide the bank statements up to 31 December 2021.

## 1.5 Unauthorised Transaction

### Background

- 1.5.1 On 23 June 2021, Mr Lincoln Teo proposed to the BOD via an email (“23 June Email”) that KCT commence the digital business via participating in Amazon’s merchant /vendor financing scheme (“Amazon Financing Scheme”). According to Mr Lincoln Teo, under the new business, KCT would participate in the Amazon Financing Scheme by providing a capital of USD 480,000 (“Principal Sum”) and the Principal Sum would be fully protected and would generate a return of 10% (“Investment Opportunity”). The Investment Opportunity would benefit the Company through the collection of data for input into OTPL Behaviour Model of Association Risk System (“bMARS”) to analyse the vendors’ trading behaviour.
- 1.5.2 All seven members of the then BOD and Mr Lee received the 23 June Email. The then BOD are set out in Table 1.2 below:

**Table 1.2**

S/No.	Name
1	Mr Lim
2	Mr Lincoln Teo
3	Mdm Hao
4	Mr William Teo
5	Mr Ang
6	Mr Yap
7	Mr Loh

- 1.5.3 We have not sighted any email approvals or responses from the BOD following their receipt of the 23 June Email. Subsequently, Mr Lincoln Teo responded to his email informing the BOD on 24 June 2021 that he had spoken with all members of the BOD except for Mr Yap to obtain verbal approval for the Amazon Financing Scheme and that he had asked Mr Lee to prepare the necessary documents in relation to the fund transfer application of USD 480,010<sup>41</sup> to a “Sino Allied Collection Account” (“Fund Transfer”) due to the *“urgency for us to start moving towards revenue generation for [KCT]”*.
- 1.5.4 During his interview, Mr Lincoln Teo stated that he approached Mr William Teo, Mdm Hao, Mr Loh and Mr Ang via phone calls to obtain their verbal confirmations on the Fund Transfer. He also stated that (a) Mdm Hao and Mr William Teo<sup>42</sup> had expressed verbal approval for the disbursement of USD 480,000, (b) Mr Ang<sup>43</sup> and Mr Loh had abstained, and (c) Mr Lim and Mr Yap had not been contacted.
- 1.5.5 Subsequently, we noted that Mr Lee prepared the Fund Transfer, which was approved by Mr William Teo and Mr Lee on 25 June 2021. According to KCH’s bank statement, the Fund Transfer was completed on 28 June 2021.

<sup>41</sup> The sum of USD 480,010 consists of USD 10 in remittance costs.

<sup>42</sup> Maxwellisation comments from Mr William Teo: *“When Lincoln Teo came on board, he proposed a new business plan to diversify KCH by injecting new business related to Ooway which has its own proprietary [b]Mars software; a tool using AI for data analytic. The first hint of the new business rolling in was a call from Lincoln in June informing me that he is collaborating with Sino Allied (HK) “to invest” US\$480k to finance the merchants which have posted their goods for sale in the Amazon e-platform; and the latter will pay the merchants on a 90 days credit term after collecting the monies from the buyers of the goods. The e-commerce Amazon is well known globally and I have no reason to dis-believe him; hence I told him I approve on condition that all the supporting documents are available for me to read. On 24th June, Lincoln called me and said he needed me to sign the bank remittance form urgently. He then came to Moun[t]batten Square office where I was having a business meeting with another party. I took a break from the meeting and met him briefly to sign the bank remittance form as he said the 90 days cycle for the funding of the merchants commencing soon. I had the impression from him that all the other directors had approved the investment and I reminded him again to give me the supporting documents. I have asked from him at least 3 times for the supporting documents but he did not g[i]ve me.”*

<sup>43</sup> According to Mr Lincoln Teo during his interview, he thought Mr Ang had given approval by mentioning *“for good order’s sake, please explain these points...”*. Based on our review, Mr Ang in his email dated 24 June 2021 indicated *“[f]or good order can you elaborate on the proposed digital business?”*.

- 1.5.6 Based on the supporting documents provided, the Principal Sum was transferred from KCH's bank account to KCT's virtual account maintained with TransferEasy<sup>44</sup> ("TransferEasy Account"), a funds remittance platform. On 28 June 2021, Sino Allied (HK) Limited ("Sino Allied")<sup>45</sup> funded an additional USD 120,000 into the TransferEasy Account. The funds aggregating USD 600,000 were then transferred to a third party, USLC International Limited ("Chengxin"), on 28 June 2021.
- 1.5.7 Between the 23 June Email and August 2021, Mr Lim, Mr Yap and Mr Ang sought clarification from Mr Lincoln Teo on the Investment Opportunity and Fund Transfer. On 6 August 2021, Mr Lim lodged a report with the CAD against Mr Lincoln Teo in relation to the Unauthorised Transaction.
- 1.5.8 The Company announced via SGX-Net on 29 September 2021 that the BOD had deliberated the circumstances surrounding the Investment Opportunity and the Fund Transfer and have resolved to instruct KCT to take steps to unwind the Investment Opportunity and the Fund Transfer. However, we have not observed any such steps taken by KCT. By 26 September 2021, Chengxin had returned the Principal Sum and corresponding interest, net of technical service fees ("Net Interest"), to KCT in line with the terms of a loan agreement entered into by KCT, Sino Allied and Chengxin dated 23 June 2021 ("Loan Agreement").
- 1.5.9 Subsequent to the Company's announcement on 29 September 2021, the Company announced on 14 October 2021 that KCT has recovered the net amount of USD 492,295.47 and that the Company has proceeded to terminate the Investment Opportunity with Wisechain Fintech (HK) Limited ("Wisechain")<sup>46</sup> and Sino Allied via termination agreements dated 15 October 2021.
- 1.5.10 Based on the statement of KCT's TransferEasy Account for the month of September 2021, Chengxin had paid the Net Interest to KCT's TransferEasy account on 16 September, 22 September and 26 September of USD 149,990, USD 154,278.89 and USD 188,056.58, respectively, aggregating USD 492,325.47 and subsequently the fund was transferred to the Company CIMB's bank account on 27 September 2021<sup>47</sup>.

#### Genesis of the Investment Opportunity

- 1.5.11 By 23 June 2021, Mr Lincoln Teo had already executed five agreements on behalf of KCT which appear to be connected to the Investment Opportunity without informing the BOD. As a result of the agreements, KCT and Sino Allied jointly extended a loan of USD 600,000 to Chengxin at an interest rate of 12% per annum:
- (i) The cooperation agreement between KCT and Sino Allied dated 1 June 2021 (the "Sino Allied Agreement") to jointly set up a structured finance scheme for one year ended on 31 May 2022, to support Amazon's e-commerce merchants with their procurement. KCT was to fund 80% (i.e. USD 480,000, the Principal Sum) of the total investment amount (i.e. USD 600,000) and Sino Allied was to fund the remaining 20% (i.e. USD 120,000);
  - (ii) An undated<sup>48</sup> information technology service agreement between KCT and Wisechain (the "Wisechain Agreement") to jointly cooperate on the optimisation and improvement of their respective systems through statistical, machine learning and other AI Big Data technology;

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<sup>44</sup> TransferEasy is also a participating Payment Service Provider ("PSP") of Amazon according to the website: [https://sellercentral.amazon.sg/gp/help/external/help.html?itemID=HP8M87Z5W6XTSTL&ref=efph\\_HP87Z5W6XTSTL\\_cont\\_G2](https://sellercentral.amazon.sg/gp/help/external/help.html?itemID=HP8M87Z5W6XTSTL&ref=efph_HP87Z5W6XTSTL_cont_G2) set out in Mr Lincoln Teo's summary the BOD sent via email on 19 July 2021.

<sup>45</sup> 華融(香港)有限公司

<sup>46</sup> 易匯數科香港有限公司

<sup>47</sup> The amount funded a net amount of USD 492,295.47 (less USD 30 remittance fee) back into the Company's CIMB bank account.

<sup>48</sup> According to Mr Lincoln Teo in his interview, the Wisechain Agreement was drafted and signed prior to 23 June 2021.

- (iii) The loan agreement for KCT and Sino Allied to extend a loan of USD 600,000 for 90 days at interest of 0.033% per day, for the purpose of Chengxin's operations on Amazon's website<sup>49</sup> under the account name "NextX\_TOYS\_US";
- (iv) The collection agreement among KCT, Sino Allied and Chengxin dated 23 June 2021 (the "Collection Agreement"), authorising Sino Allied to deduct the principal and interest in full due under the Loan Agreement from Chengxin's account maintained with Sino Allied, and for Sino Allied to collect the payments on behalf of KCT; and
- (v) The agreement between KCT and Sino Allied dated 23 June 2021 (the "Shortfall Agreement") under which Sino Allied agreed to guarantee the shortfall between the actual amount collected from Chengxin vis-a-vis the amount due to KCT under the Loan Agreement, if any.  
  
(collectively the "Investment Opportunity Agreements")

1.5.12 Based on our background searches and review of the purported DD reports provided by Mr Lincoln Teo:

- (i) Ooway Group provided data analytic services to Wisechain and/or Shenzhen Yicang Technology Co. Ltd ("Eccang")<sup>50</sup> for the identification of the Amazon merchant. Post identification of the purported Amazon merchant, i.e. Chengxin, OTPL utilised its bMARS model for the credit assessment of Chengxin<sup>51</sup>;
- (ii) According to Mdm Hao in her interview, Sino Allied was introduced by Eccang to participate in the Investment Opportunity. Sino Allied is a licensed remittance service provider in Hong Kong. Therefore KCT had collaborated with Sino Allied to facilitate the funds transfer to Chengxin via Sino Allied<sup>52</sup>; and
- (iii) KCT and Sino Allied provided the funds for financing to Chengxin, i.e. the USD 600,000 loan under the Loan Agreement.

1.5.13 Although the loan was extended to Chengxin, Mr Lincoln Teo relied on the bMARS credit assessment of an entity incorporated in the PRC, Shenzhen Chengxin Brand Management Co. Ltd ("Shenzhen Chengxin")<sup>53</sup>, under the "Cross-Border E-Commerce Risk Assessment Report" dated June 2021 ("Risk Assessment Report") provided by Mr Lincoln Teo. While the relationship between Shenzhen Chengxin and Chengxin cannot be independently established, we noted that Shenzhen Chengxin and Chengxin are possibly related companies within the USLC group of entities ("USLC Group"). The USLC Group designs, develop and sources consumer products for international trade. While Shenzhen Chengxin is an Amazon merchant, we are unable to independently verify that Chengxin is an Amazon merchant.

1.5.14 One of the purported DD reports provided by Mr Lincoln Teo is the Amazon Project DD Report dated 4 January 2021 ("Amazon DD Report"), which was prepared under Ooway's letterhead. According to Mr Lincoln Teo during his interview, he prepared the Amazon DD Report with Ooway. It is clear from this report that a business relationship was contemplated with Eccang and Sino Allied by leveraging on Eccang's selection of the merchant for assessment under Ooway Group's bMARS and Sino Allied's involvement as an investment partner ("Intended Business Relationship"). The involvement of KCT/the Company/the Group is not stated in the Amazon DD Report.

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<sup>49</sup> Amazon website:

[https://www.amazon.com/sp?\\_encoding=UTF8&asin=&isAmazonFulfilled=1&isCBA=&marketplaceID=ATVPDKIKX0DER&orderID=&protocol=current&seller=A1IH8USA YPTUKM&sshmPath=](https://www.amazon.com/sp?_encoding=UTF8&asin=&isAmazonFulfilled=1&isCBA=&marketplaceID=ATVPDKIKX0DER&orderID=&protocol=current&seller=A1IH8USA YPTUKM&sshmPath=)

<sup>50</sup> Eccang is listed as a customer/partner of Ooway Group under Ooway's website.

<sup>51</sup> Based on a Cross-Border E-Commerce Risk Assessment Report dated June 2021 provided by Mr Lincoln Teo.

<sup>52</sup> Based on a report titled "Amazon Project Due Diligence Report" dated 4 January 2021 provided by Mr Lincoln Teo.

<sup>53</sup> 深圳市承信品牌管理有限公司

### Background of the parties involved in the Investment Opportunity

- 1.5.15 We performed background checks on the parties, focusing on identifying information related to their corporate affiliations, such as a directorship or shareholding positions, in order to ascertain whether they were potential non-disclosed interested person transactions (“IPT”s) and/or non-disclosed relationships.
- 1.5.16 We did not note any business relationships between the directors of the Company and the parties under the Investment Opportunity Agreements including Sino Allied, Wisechain and Chengxin.
- 1.5.17 On 19 August 2021, Mr Lincoln Teo stated in his email to the BOD and SAC that *“Ooway has gifted this [Investment Opportunity] to KC Technologies”* and also confirmed in the same email that Ooway has no interests in the parties involved, Sino Allied and Wisechain and that *“Ooway do[es] not have any ownership or other forms of beneficial rights within the stated entities”*. Subsequently, Mdm Hao replied to the email thread on 24 August 2021 reaffirming that Ooway and Sino Allied, Wisechain are business partners, stating that *“Sino Allied, Wisechain and Ooway Group is purely business relationship and all the business cooperation and arrangements are strictly reviewed by the lawyers of all parties and everything is in accordance to the contract. There is no related party transaction or business interest with the parties involved.”*
- 1.5.18 However, based on our background searches and the Wisecube Group structure<sup>54</sup> comprising Wisecube Inc and its subsidiaries (“Wisecube Group”) provided by Mr Lincoln Teo, Wisechain is affiliated to Sino Allied and Eccang in the following manner:
- (i) TransferEasy Inc is a shareholder of Wisechain (i.e. 40% shareholdings) and Sino Allied (i.e. wholly owned). However, the shareholder(s) and the UBO of TransferEasy Inc cannot be independently identified;
  - (ii) Both Wisechain and Eccang are ultimately controlled by two PRC individuals, Mo Mingyi and Chen Lei, via their shareholdings in Wisecube (a HK entity holding 60% of the equity interests in Wisechain); and
  - (iii) Shenzhen Rending Shengtian Technology Co., Ltd<sup>55</sup> collaborated with Chen Lei and Mo Mingyi via variable interest entity arrangement over Eccang. Therefore, Wisechain is related to Eccang via the Wisecube Group.
- 1.5.19 Mr Lincoln Teo commenced his directorship with KCT and KCH on 18 February 2021 and 14 April 2021 respectively. Prior to his appointments with the Group, Mr Lincoln Teo had been associated with Ooway Group via his following appointments:
- (i) a director and shareholder of Ooway Big Data Pte Ltd since 3 November 2020;
  - (ii) a director of Ooway International Pte Ltd since 6 August 2020;
  - (iii) a director of OTPL from 6 August 2020 to 3 June 2022; and
  - (iv) the risk control director of Ooway Group Ltd since January 2021<sup>56</sup>.
- 1.5.20 KCH had acquired 30% in OTPL on 13 October 2020 via share swap of KCH shares. Other than Mdm Hao and Mr Lincoln Teo, the remaining directors of OTPL were not involved in the management and/or BOD of the Company or KCT. Thus, although OTPL is an associate of the Company, Mr Lincoln Teo should have had disclosed to the BOD of the Company that Ooway Group had a direct involvement in the Investment Opportunity and provided sufficient supporting documents and background of the parties involved in the

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<sup>54</sup> To the extent possible, we have verified the group structure provided by Mr Lincoln Teo. However, we are unable to verify the shareholdings above TransferEasy Inc and Wisecube Inc.

<sup>55</sup> 深圳人定胜天科技有限公司

<sup>56</sup> <https://www.kcholdings.com.sg/board-of-directors>

Investment Opportunity for the BOD's due consideration and assessment of any potential IPT(s).

### **The Investment Opportunity and Fund Transfer were unauthorised**

#### ***The Board and shareholders of the Company did not approve the Investment Opportunity***

- 1.5.21 There was no signed Directors' Resolution in Writing ("DRIW") in relation to the Fund Transfer. As acknowledged by Mr Lincoln Teo in his interview, he had not obtained formal approval from the BOD and only informed the BOD via the 23 June Email as per his usual practice.
- 1.5.22 According to Mr Lincoln Teo in his interview, he had obtained majority Board approval of 60%<sup>57</sup> verbally. Out of the seven members of the BOD, three directors had verbally approved the Investment Opportunity and Fund Transfer, comprising Mdm Hao, Mr William Teo and himself. According to Mr Lincoln Teo, both Mr Loh and Mr Ang had abstained from voting and the remaining two directors, i.e. Mr Lim and Mr Yap were not contacted for their vote on the Fund Transfer.
- 1.5.23 According to Mr Ang in his interview, he had not abstained from voting and was pending further information from Mr Lincoln Teo relating to the Investment Opportunity before forming an opinion on whether to approve the Investment Opportunity and Fund Transfer. According to Mr Lim and Mr Yap, they were not contacted and had not provided any formal approval or objection prior to the Fund Transfer. Both Mdm Hao and Mr William Teo<sup>58</sup> confirmed in their respective interviews that they had provided their consent to the Investment Opportunity and Fund Transfer.
- 1.5.24 According to the corporate secretarial agent of KCH, Opal Lawyers LLC, under the post-minutes notes of the minutes of the meeting of the BOD held on 15 July 2021, unless due to reasons of conflict, abstained votes are to be considered as objecting votes under the terms of the Constitution of the Company ("C&C") of KCH. Therefore, Mr Lincoln Teo had not received majority approval for the Fund Transfer.<sup>59</sup> By the interpretation of the C&C, only 42.9% (i.e. three approving votes against seven members of the BOD) in approval had been obtained verbally by Mr Lincoln Teo. KCH had also announced via SGX-Net on 29 September 2021 that "[f]ormal Board approval was not obtained before execution of the Transactions and the [Funds] Transfer."

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<sup>57</sup> According to Mr Lincoln Teo in his interview, he excluded Mr Ang and Mr Loh from his computation of the majority board approval and therefore he computed based on three approvals divided by five members instead of seven members.

<sup>58</sup> Maxwellisation comments from Mr William Teo: "When Lincoln Teo came on board, he proposed a new business plan to diversify KCH by injecting new business related to Ooway which has its own proprietary [b]Mars software; a tool using AI for data analytic. The first hint of the new business rolling in was a call from Lincoln in June informing me that he is collaborating with Sino Allied (HK) "to invest" US\$480k to finance the merchants which have posted their goods for sale in the Amazon e-platform; and the latter will pay the merchants on a 90 days credit term after collecting the monies from the buyers of the goods. The e-commerce Amazon is well known globally and I have no reason to dis-believe him; hence I told him I approve on condition that all the supporting documents are available for me to read. On 24th June, Lincoln called me and said he needed me to sign the bank remittance form urgently. He then came to Moun[t]batten Square office where I was having a business meeting with another party. I took a break from the meeting and met him briefly to sign the bank remittance form as he said the 90 days cycle for the funding of the merchants commencing soon. I had the impression from him that all the other directors had approved the investment and I reminded him again to give me the supporting documents. I have asked from him at least 3 times for the supporting documents but he did not give me."

<sup>59</sup> Maxwellisation comments from Mr Lincoln Teo: "Lincoln Teo made the following errors of judgment leading to the insufficient approval of the Investment Opportunity. It was an honest mistake and not deliberate. The interpretation of sufficient votes is due to the following: (a) Lincoln Teo relied on the understanding that abstaining from a vote do not count as an objecting vote. He had mistaken that 3 votes out of 5 (due to two Directors who abstained) would be deemed as sufficient. (b) The impending departure of Mr Loh, who has stated on many occasions that he will recuse from any Board decisions led Lincoln Teo to form the opinion, albeit incorrectly, that the board of directors deciding will be six (6) and not seven (7). Lincoln Teo, after sending out the email to the Board of Directors on 23 June 2021, also subsequently clarified with the Sponsor SAC Capital on the new businesses and the processes that needs to be put in place for it to continuing business. Lincoln Teo has intended to make the transaction fully authorised but miscalculated the sufficiency of the Directors' votes. The Sponsor and the Board of Directors are fully aware of the existence and directions of such a transaction.". According to the minutes of the BOD meetings held on 8 July 2021 and 15 July 2021, SAC had informed that the Company was not mandated by shareholders to be in the financial technology or financing business and only mandated for technology business. Such transactions require board approval and are subject to the requirements of Chapter 10 of the SGX Catalist Rules. Accordingly, the funds transfer was not in the ordinary course of business of the Group, as the Company had obtained shareholders' mandate for business diversification in the area of technology. We further understood from SAC they were only made aware of the Unauthorised Transaction, and its directions, after the transaction was executed, i.e., during the BOD meetings in July 2021.

- 1.5.25 On 7 October 2020, the shareholders of the Company had approved via an extraordinary general meeting (“EGM”), the utilisation of bMARS to provide credit rating services and credit management services and other technical services in credit loan and other fields via bMARS and the application of big data, machine learning and artificial intelligence towards providing services (“New Business”).
- 1.5.26 The Investment Opportunity Agreements had cumulated in KCT extending a loan to an external party, Chengxin. The extension of a loan to external parties is neither part of the day-to-day business activities of KCH and/or the Group nor the New Business as approved by the shareholders of KCH.

***Mr Lincoln Teo did not have the authority to enter into the Investment Opportunity and to set up the TransferEasy Account***

- 1.5.27 In the absence of a DRIW by the directors of KCT, we noted that the BOD of KCT had not authorised Mr Lincoln Teo to set up the TransferEasy Account.

***The Principal Sum was not an approved use under the funds raising exercise on 3 May 2020***

- 1.5.28 The Principal Sum was funded by the Company’s net proceeds from a convertible loan agreement entered into by the Company and various individual investors on 3 May 2020 (“CLA”) for the purpose of working capital requirements for the Company’s wholly owned subsidiary, KC Medical Supplies Pte Ltd (“KC Medical”). KC Medical is engaged in the trading of medical and related supplies.
- 1.5.29 Notwithstanding the Company’s announcement dated 4 May 2020 via SGX-Net that the net proceeds from the CLA could be utilised for any other purposes on a short-term basis as the directors may deem fit in the interests of the Group, the Investment Opportunity and the Fund Transfer were neither approved by the shareholders nor the BOD of KCT and the Company. Hence, the utilisation of net proceeds from the CLA for the loan to Chengxin was unauthorised.

***Mr Lincoln Teo continued to provide minimal information to address the Board’s queries post Fund Transfer***

- 1.5.30 We have not been provided with records and correspondence indicating that Mr Lincoln Teo had provided supporting documents relating to the Investment Opportunity and Fund Transfer (such as business proposals, agreements, DD reports, IPT checks amongst others) to the BOD to conduct a robust and in-depth discussion prior to approving the same.
- 1.5.31 Post Fund Transfer, despite numerous attempts by Mr Lim, Mr Yap and Mr Ang to seek further clarification from Mr Lincoln Teo, he did not on a best effort basis, address the BOD’s queries and concerns. By way of an email dated 14 August 2021 from Mr Lincoln Teo to the BOD, he confirmed that he had not addressed Mr Lim’s and Mr Yap’s queries as he had perceived their behaviour as acts of harassment.
- 1.5.32 Based on our review, the queries posed to Mr Lincoln Teo under the following circumstances were not unreasonable in the circumstances:
- (i) On 1 July 2021, Mr Yap requested for copies of the signed agreements with the relevant parties, and commented that the Investment Opportunity has to be reviewed for any potential IPT(s);
  - (ii) On 4 July 2021, Mr Lim requested for the inclusion of discussion of the approval of the Fund Transfer under the agenda of an 8 July 2021 board meeting. Further, he commented that a search on “eecang.com” did not return anything of substance and we noted that Mr Lincoln Teo provided the BOD with an inaccurate website of “eecang.com” instead of the actual website <https://www.eccang.com/>;
  - (iii) At the BOD meeting of the Company held on 8 July 2021, Mr Lim indicated that the BOD needed clarity and information on the Fund Transfer to “Eecang.com”, which was not authorised by the BOD and proper DD was not performed; and

- (iv) On 12 July 2021, Mr Lee sought clarification from Mr Lincoln Teo via email on whether the USD 480,010 transferred to “DBS Hong Kong” was still considered the asset of KCH, and the nature of the asset, i.e. whether it was a deposit, cash at bank or an investment in a foreign entity. We have not sighted any written response from Mr Lincoln Teo to Mr Lee but noted that Mr Lincoln Teo at the BOD meeting held on 15 July 2021, had opined that the Principal Sum was considered as an investment or deposit.
- 1.5.33 However, Mr Lincoln Teo did not adequately address the concerns raised by members of the BOD. It was only on 19 July 2021 that Mr Lincoln Teo provided the supporting documents relating to the Investment Opportunity, after Mr Lim in his email at or around 3.08pm of even date stated that Mr Lincoln Teo was put on notice that in the event the BOD *“do not receive the agreements within the next few hours, you are put on notice that this US\$480,000 transaction will now be deemed suspicious and the relevant authorities will need to be informed”*. The documents provided by Mr Lincoln Teo included a brief summary of the Investment Opportunity, the Sino Allied Agreement and Wisechain Agreement, and certain email correspondence between Mr Lincoln Teo and the BOD.
- 1.5.34 Between 20 July 2021 and 11 August 2021, the BOD, SAC and the FC, continued to seek clarification from Mr Lincoln Teo on the Investment Opportunity:
- (i) On 24 July 2021, Mr Lim sought further clarification on the relationship between Wisechain, Sino Allied and “Eecang”; and the date(s) that the Sino Allied Agreement and the Wisechain Agreement were signed;
  - (ii) On 27 July 2021, Mr Lim and SAC requested Mr Lincoln Teo to respond to Mr Lim’s email on 24 July 2021;
  - (iii) On 1 August 2021, Mr Lim indicated that Mr Lincoln Teo had yet to respond to his email dated 24 July 2021;
  - (iv) On 2 August 2021, Mr Lim informed Mr Lincoln Teo that a report would be made to the relevant local and foreign enforcement agencies if there is no response and/or clarification to Mr Lim’s email dated 24 July 2021;
  - (v) On 3 August 2021, Mr Yap sought clarification from Mr Lincoln Teo on the reason for not dating the Wisechain Agreement; reason for entering into the Sino Allied Agreement and Wisechain Agreement without authorisation; the reason for informing the BOD that the Investment Opportunity and Fund Transfer was urgent; to provide the documentation on the activities, data crunching value added by “Eecang” and the customer base provided by TransferEasy; how Mr Lincoln Teo was introduced to the Investment Opportunity; the parties executing the agreements; the date the Principal Sum would be returned to the Group; and how the Sino Allied Agreement and Wisechain Agreement were executed; and
  - (vi) On 4 August 2021, Mr Yap informed Mr Lincoln Teo to provide all documentation relating to the Investment Opportunity and the Fund Transfer before the BOD take the necessary actions.
- 1.5.35 Although Mr Lincoln Teo responded on 2 August 2021, such response only included a suggestion for the BOD to include the review of the Fund Transfer under the special review to be conducted by Baker Tilly. On 5 August 2021, Mr Lincoln Teo provided a presentation deck to the BOD depicting the parties involved and proposed convening a BOD meeting.
- 1.5.36 On 11 August 2021, Mr Lim informed the BOD of the Company that he had lodged a CAD report on 6 August 2021 against Mr Lincoln Teo in respect of the Unauthorised Transaction. On 14 August 2021, Mr Lincoln Teo then provided additional supporting documents to the BOD, including the Amazon DD report; the annual return of Sino Allied; incorporation form of Wisechain; and the Wisecube Group structure.

- 1.5.37 On 14 August 2021, subsequent to the receipt of the documents from Mr Lincoln Teo, Mr Ang raised further questions including the relationship between the Wisecube Group and Sino Allied and the reason for withholding the information instead of providing the same to the BOD earlier. Mr Ang also sought Mr Lincoln Teo's clarification on the plan to address the Unauthorised Transaction.
- 1.5.38 Mr Lincoln Teo has acknowledged during his interview that it was an oversight on his part not to share the DD reports in relation to the Investment Opportunity with the BOD.

#### **Other issues relating to the Investment Opportunity**

##### ***Inadequacies in DD conducted on the Investment Opportunity***

- 1.5.39 Based on the policies provided to us, we noted that these do not include any guidelines and/or information on how DD should be performed; requirements for detailed checks to verify whether the investment involve any IPT; and the nature of DD procedures and/or checks to be performed - such as financial, legal, commercial, as well as independent third-party DD reports.
- 1.5.40 According to Mr Lincoln Teo in his interview, he relied on the Amazon DD Report, the Risk Assessment Report, the money services license of Sino Allied and the Wisecube Group structure to proceed with the Investment Opportunity. The purported DD performed is inadequate due to the following:
- (i) The Amazon project DD report did not explain how the Investment Opportunity works and the roles and responsibilities of the parties involved in the Investment Opportunity;
  - (ii) There was no independent checks conducted on the ultimate beneficial owners, shareholders and directors of the companies involved in the Investment Opportunity namely Sino Allied, Wisechain, Eccang and Chengxin;
  - (iii) There is no assessment for IPT and whether any interested person have been identified in the Investment Opportunity;
  - (iv) The Amazon DD Report, which he prepared with Ooway, had inaccurately identified Wisechain as a wholly owned subsidiary of Eccang. Based on our review, Wisechain was only incorporated in Hong Kong on 17 June 2021 and the shareholders are Wisecube Hong Kong Limited<sup>60</sup> ("Wisecube") and TransferEasy Inc. Wisechain had not existed at the date of the Amazon DD Report; and
  - (v) The BOD of KCT and/or the Company were not apprised of the DD on the Investment Opportunity before the Fund Transfer.

##### ***Deviation from the contractual terms under the Investment Opportunity Agreements***

- 1.5.41 Under the Wisechain Agreement, KCT was to pay Wisechain a technical service fee at 1% per annum over the Principal Sum. Pursuant to an invoice dated 23 September 2021, KCT was to pay the technical service fees to Wisechain's account directly. However, it is unclear why the technical service fees due to Wisechain (USD 1,115.93) was directly deducted from the interest due from Chengxin. This net off is not in line with the terms stated in the Wisechain Agreement and has also resulted in a duplicate payment to Wisechain; A payment voucher dated 8 October 2021 was approved by Mr Lincoln Teo for the payment of the technical service fees due to Wisechain even though the technical service fees had already been netted off from the interest due from Chengxin. We understood from the Company that this payment was made inadvertently and has since been refunded by Wisechain.

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<sup>60</sup> 香港智立方有限公司

1.5.42 The interest due from Chengxin was computed up to the 23 September 2021 instead of up to the date that the Principal Sum was fully repaid on 26 September 2021. As a result, KCT had under charged Chengxin USD 115.98 in interest and was under charged technical service fees of USD 9.63 by Wisechain, deriving at a net uncollected income of USD 106.35.

## 1.6 Review of Potential Breaches of SGX Catalist Rules, Law and Regulations

1.6.1 We have identified potential breaches of SGX Catalist Rules, law and regulations<sup>61</sup> in relation to the Payroll Matter and Investment Opportunity.

1.6.2 For the Payroll Matter, these potential breaches are set out in the table below:

**Table 1.3**

S/No.	SGX Catalist Rule 719	Potential Breaches
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.	<p>We noted the following instances where the Company had failed to implement adequate and effective system of internal controls to ensure that the HR department refrain from deviating from the Group’s HR policies and practices<sup>62</sup>:</p> <ol style="list-style-type: none"> <li>1. HR department did not perform prior screening or conduct an interview with Mr Du and Mr Wang to assess their suitability.</li> <li>2. HR department did not verify Mr Du’s and Mr Wang’s education certificates, transcripts, past employment records.</li> <li>3. HR department did not ensure that Mr Du’s and Mr Wang’s probation assessments and performance assessments are duly performed and completed by Mr Lim.</li> </ol>

<sup>61</sup> Limited to Singapore law and regulations.

<sup>62</sup> Maxwellisation comments from Mr Lim Hon Sean – “This was not unique to Mr Du and Mr Wang. At the time, the HR department was unfortunately unable to fully screen and assess all candidates due to a shortage of manpower.”.

S/No.	EFMA	Potential Breaches
2	<p>Section 22 (1) (d): In connection with any application for or to renew a work pass or for any other purpose under this Act, makes any statement or provides any information to the Controller or an authorised officer or employment inspector which the person knows, or ought reasonably to know, is false in any material particular or is misleading by reason of the omission of any material particular.</p>	<p>We noted that:</p> <ol style="list-style-type: none"> <li>1. Mr Lim had declared for and on behalf of KHLM that KHLM has verified the authenticity of the supporting documents (i.e. academic certificates) from the PRC belonging to the prospective employee Mr Du, as required in Part B of the Declaration by Employer for the Application of Employment Pass, even though the HR Department did not verify the authenticity of the same. This would arguably have resulted in a false declaration; and</li> <li>2. Mr Lim had declared for and on behalf of KHLM that the fixed salary of SGD 20,000 as set out in both Mr Du’s and Mr Wang’s Applications of Employment Pass are <i>“to the best of [his] knowledge, true and correct”</i> even though this amount was shortly clarified in a letter to Mr Du and Mr Wang to comprise SGD 15,000 in base salary and SGD 5,000 in allowances.</li> </ol>
3	<p>Section 22A (1): A person must not deduct from any salary payable to a foreign employee, or demand or receive, directly or indirectly and whether in Singapore or elsewhere from a foreign employee any sum or other benefits:</p> <p>(a) as consideration or as a condition for the employment of the foreign employee, whether by that person or any other person.</p>	<p>We noted that there is correspondence which suggest the purported employment of Mr Du and Mr Wang to be an exchange of employment passes for monetary benefits. However, we are unable to conclusively verify the same as:</p> <ol style="list-style-type: none"> <li>1. We do not have statutory or coercive powers to request for a full imaging of Individual A’s and Mr Lim’s mobile phones to review the full correspondence.</li> <li>2. We have relied on Mr Lim’s representation that he has provided us with bank statements of all accounts that were maintained in his name (whether solely or jointly), which he has control over, whether as bank signatory or otherwise and/or which he has an interest in (beneficial or otherwise) for the period between 1 January 2020 to 31 December 2021 (see paragraph 1.4.31).</li> <li>3. We were not provided with the transaction details of all the bank transactions recorded in Mr Lim’s personal bank statements; the statements provided were only provided up to 31 December 2021 and the supporting documents were primarily limited to details of transactions which were in the sum of S\$50,000 or more.</li> </ol>
4	<p>Section 22B(1): Any person who –</p> <p>(a) obtains a work pass for a foreign employee for a trade or</p>	<p>Based on our findings set out in paragraphs 1.4.28 to 1.4.30, there is a possibility that Mr Wang’s employment pass may have been procured even though his employment was not required, and which</p>

S/No.	EFMA	Potential Breaches
	<p>business that does not exist, that is not in operation or that does not require the employment of such a foreign employee; and (b) fails to employ the foreign employee,</p> <p>shall be guilty of an offence and shall on conviction be punished with imprisonment for a presumptive minimum term of not less than six months and not more than two years and shall also be liable to a fine not exceeding \$6,000.</p>	<p>could raise doubt over genuinity of Mr Wang’s employment by KHLM.</p>
5	<p>Section 23 (1): Any person who abets the commission of an offence under this Act shall be guilty of the offence and shall be liable on conviction to be punished with the punishment provided for that offence.</p>	<p>Please refer to points 2 to 4 above.</p>
S/No.	MOM Fair Consideration Framework – Tripartite guidelines	Potential Breaches
6	<p>To promote fair employment practices and improve labour market transparency, employers submitting Employment Pass and S Pass applications must first advertise on MyCareersFuture and fairly consider all candidates.</p>	<p>We noted that there may be a breach of the MOM Fair Consideration Framework as a job vacancy needs to be advertised on MyCareersFuture if the salary for the role is less than SGD 20,000. While the basic salary declared for the Application for Employment Passes dated 4 June 2020 for Mr Du and Mr Wang was SGD 20,000 each, this amount was shortly clarified in a letter to Mr Du and Mr Wang to comprise SGD 15,000 in base salary and SGD 5,000 in allowances pursuant to supplementary letters of offer dated 15 June 2020.</p>

1.6.3 For the Investment Opportunity, potential breaches of SGX Catalist Rules, law and regulations are set out in the table below:

Table 1.4

S/No.	SGX Catalist Rule 719	Potential Breaches
1	<p>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.</p>	<p>We noted there were no policies implemented which set out guidelines for new investment proposals during the material time that the Investment Opportunity and Fund Transfer were reviewed. The then BOD had failed to ensure that Management maintain a sound system of risk management and internal controls as required under Principle 9 of the Code of Corporate Governance.</p> <p>While the Company's common practice is for the proposing officer to prepare the details of the investment proposal and circulate it to the BOD for approval, we noted the following inadequacies in executing the Fund Transfer in relation to the Investment Opportunity:</p> <ol style="list-style-type: none"> <li>1. There was no majority approval on the Fund Transfer before the release of the Principal Sum.</li> <li>2. There was no signed DRIW in relation to the Fund Transfer following the verbal confirmation on the Fund Transfer that Mr Lincoln Teo obtained from Mr William Teo and Mdm Hao.</li> <li>3. There was no supporting documents such as agreements, DD reports and amongst others provided to the BOD to conduct a robust and in-depth discussions prior to approving it.</li> <li>4. The Company does not appear to have performed any DD on the parties involved in the Investment Opportunity.</li> </ol>
S/No.	SGX Catalist Rule 302(6)	Potential Breaches
2	<p>For the purposes of this Chapter, a Relevant Person is deemed to have contravened a Relevant Rule when a Relevant Person has:</p> <p>...</p> <p>(6) caused another Relevant Person to omit to do an act which resulted in a breach of a Relevant Rule.</p>	<p>In his capacity as the interim CEO, Mr Lincoln Teo is a Relevant Person for the purpose of Rule 302(6) and did not ensure that the Company and KCT had in place a proper risk management system (in particular, for proper DD to be conducted before committing to the Investment Opportunity).</p>

<b>S/No.</b>	<b>SGX Catalist Rule 103(6)</b>	<b>Potential Breaches</b>
3	(6) directors of an issuer shall act in the interests of shareholders as a whole, particularly where a director or substantial shareholder has a material interest in a transaction entered into by the issuer.	Mr Lincoln Teo, in failing to carry out a proper DD, may have breached this rule.
<b>S/No.</b>	<b>Companies Act</b>	<b>Potential Breaches</b>
4	Under Section 157 of Companies Act, a director must at all times act honestly and use reasonable diligence in the discharge of his or her office.	Mr Lincoln Teo had failed to exercise reasonable diligence in the discharge of his director's duties by failing to procure the approval from KCT's BOD and the signed DRIW for the setting up of the TransferEasy Account for the purposes of the Investment Opportunity and Fund Transfer.

## 1.7 Conclusions and Recommendations

### Payroll Matter

- 1.7.1 The employment contracts, as authorised by Mr Lim, were entered into with Mr Du and Mr Wang and payments were made in accordance with the respective terms. Notwithstanding the aforementioned, in light of our findings set out in paragraphs 1.4.28 to 1.4.30, there is a possibility that the employment of Mr Du and Mr Wang could have been an exchange of employment passes for monetary benefits which if true, would constitute offences under sections 22 (1) (d), 22A, 22B and 23 of the EFMA. For the avoidance of doubt, we were unable to reach any conclusive finding on the same based on the information that was made available to us. We understand that the Company has sought legal advice to take such steps as may be appropriate to safeguard the interests of KCH.
- 1.7.2 The HR department has, purportedly under the instructions of Mr Lim, deviated from the HR Manual and Finance Manual in multiple instances in relation to the employment of Mr Du and Mr Wang. The overriding of controls could be avoided if the Group restricts employees who are related to hold direct supervisory or reporting relationships and also act as bank signatories under the same bank account.
- 1.7.3 Further benchmarking of the salaries under the respective employment contracts should have been undertaken both internally and to the market. Going forward, we recommend a calibrated pay scale be maintained for various job levels in the company. Reference checks and additional interviews with a panel of management personnel can be put in place to ensure that hiring decisions are more robust.
- 1.7.4 In addition to the above, we note the following concerns in relation to the employment procedures and Payroll Matter and provide our recommendations for the Group's consideration<sup>63</sup>:

**Table 1.5**

S/No.	Concern	Recommendations
1	No interviews were conducted by HR team to assess the suitability of the candidate and no proper documentation of the interview and assessment process.	Formal interviews should be conducted for all potential candidates prior to onboarding. All interviews conducted should be properly documented.  The Company should implement a regular audit on HR processes to ensure conformity with the HR Manual.
2	No verification was performed by HR on candidates' certificates, education transcripts, past employment testimonies and last drawn electronic payslips.	HR should conduct background checks and verification of the supporting documents provided by the any potential candidate(s) to ensure the accuracy of the details.  In the event where the candidate is a foreign citizen holding a qualification from the PRC, who would require an employment pass, HR should conduct the verification on their qualification certificates using the platforms recommended by the MOM.
3	No proper documentation maintained on the justification for the range of salary offered to Mr Du and Mr Wang.	HR should perform salary benchmarking on the roles that was offered to Mr Du and Mr Wang via benchmarking existing employees' salary and/or benchmarking with salary offered by their competitors.

<sup>63</sup> Maxwellisation comments from Mr Lim Hon Sean - "At the time, the same employment procedures were applied in the hiring process of most other employees of KHLM, including senior employees such as Mr Quek Wey Lon and Mr Loy Soo Toon. It was not the case that the Company and its management deliberately took special measures for Mr Wang and Mr Du".

S/No.	Concern	Recommendations
		<p>The findings should be documented to support the rationale of the salary offered.</p> <p>HR should create a set of guidelines around how salary for new hires is determined as part of the HR Manual.</p>
4	There are differing views of how KMP is defined and whether the employment of Mr Du and Mr Wang by KHLM should be referred to the Remuneration Committee of the Company.	The Group should have a clear policy setting out the definition of KMP and process of seeking approval from the Remuneration Committee.
5	Inconsistency in assessment and evaluation process conducted by HR. No records of probation performance appraisal form being completed, and confirmation letter issued for Mr Du and Mr Wang.	<p>HR should ensure that an employee's performance appraisal is conducted by either HR or Head of Department. Discussion on the assessment of employees should be documented and approved by HR and Head of Department.</p> <p>HR should issue confirmation letter in a timely manner to inform the employee on their confirmation as a permanent employee of the Company.</p>
6	No background checks on third party databases were conducted on the ZABM and XHCE. Mr Du has a business relationship with Bao Chenglong, a vendor with whom KHLM entered into an agreement with through the MOU. This may pose conflicts of interest.	Management should conduct background checks on the vendors through third party databases to identify potential conflicts of interest for each transaction. The results should be maintained in the Company's records for Management to decide appropriate action, including if any further disclosure requirements are necessary.
7	No proper documentation of employment and termination terms and conditions where they deviate from the standard contract.	In all possible scenarios, employment and termination terms should be aligned with the standard employment contract used by the Company. Should there be a need to alter the terms, such as shortening a notice period, the details, rationale and supporting documents should be documented in writing and signed by HR, the employees and their manager(s).
8	Both signatories (i.e. Mr Lim and Mr Lim Hon Sean) of KHLM's Payroll Account are creditors of KHLM.	The Group should review the bank signatories regularly to ensure that as far as possible, the signatories do not have any financial relationship with the entities within the Group, to reduce the risks of dissipation of assets. Alternatively, the Group should appoint another independent signatory to such bank account where existing signatories have existing financial relationships with the relevant entity.
9	Both signatories (i.e. Mr Lim and Mr Lim Hon Sean) of KHLM's	The Group is recommended to set a clear policy to ensure that employees who are related must not be the

S/No.	Concern	Recommendations
	Payroll Account are related. Mr Lim and Mr Lim Hon Sean are cousins.	only bank signatories. It is recommended to include other non-related employees as the signatories for check and balance.
10	The HR department was controlled by related parties (i.e. Mr Lim, Mr Lim Hon Sean and Ms Shirley Lim).	The Group is recommended to set a clear policy to ensure that employees who are related must not be involved in a supervisory or reporting relationship with one another.

### Unauthorised Transaction

1.7.5 Based on our procedures performed, the Investment Opportunity and Fund Transfer are unauthorised as:

- (i) Mr Lincoln Teo had not obtained majority board approval from KCT or the Company for the Fund Transfer before executing the Fund Transfer. Further, the Investment Opportunity was not under the ambit of the New Business as approved by the shareholders of the Company under the EGM;
- (ii) The Investment Opportunity was not an approved purpose for the utilisation of the net proceeds from the CLA;
- (iii) Mr Lincoln Teo had not obtained approval to set up the TransferEasy Account; and
- (iv) Mr Lincoln Teo had not sought to address the BOD's queries on the Investment Opportunity before and after the Fund Transfer, despite their numerous attempts to seek clarification from Mr Lincoln Teo.

1.7.6 Mr Lincoln Teo, Mr William Teo<sup>64</sup> and Mr Lee had proceeded with the Fund Transfer despite being aware that the BOD was still seeking clarification on the Investment Opportunity.

1.7.7 Mr Lincoln Teo had also disregarded the requirement to seek approval to set up a cash account, i.e. the TransferEasy Account. He had overridden the controls and set up the TransferEasy Account singlehandedly and without account to the BOD.

1.7.8 There was also a lack of proper monitoring of the Investment Opportunity by Mr Lincoln Teo post Fund Transfer:

- (i) The technical service fees due to Wisechain, USD 1,115.93, was deducted from the interest that Chengxin had paid to KCT and subsequently paid to Wisechain by Chengxin on behalf of KCT. Subsequently on 11 October 2021, KCT made a duplicate payment to Wisechain. The Company has confirmed that the duplicate payment was made inadvertently and the amount has since been refunded by Wisechain; and
- (ii) The interest due from Chengxin were computed up to the 23 September 2021 instead of up to the date that the Principal Sum was fully repaid on 26 September 2021. As a result, KCT had under charged Chengxin USD 115.98 in interest and was under charged technical service fees of USD 9.63 by Wisechain, deriving at a net uncollected income of USD 106.35.

<sup>64</sup> Maxwellisation comments from Mr William Teo: "When Lincoln Teo came on board, he proposed a new business plan to diversify KCH by injecting new business related to Ooway which has its own proprietary [b]Mars software; a tool using AI for data analytic. The first hint of the new business rolling in was a call from Lincoln in June informing me that he is collaborating with Sino Allied (HK) "to invest" US\$480k to finance the merchants which have posted their goods for sale in the Amazon e-platform; and the latter will pay the merchants on a 90 days credit term after collecting the monies from the buyers of the goods. The e-commerce Amazon is well known globally and I have no reason to dis-believe him; hence I told him I approve on condition that all the supporting documents are available for me to read. On 24th June, Lincoln called me and said he needed me to sign the bank remittance form urgently. He then came to Moun[t]batten Square office where I was having a business meeting with another party. I took a break from the meeting and met him briefly to sign the bank remittance form as he said the 90 days cycle for the funding of the merchants commencing soon. I had the impression from him that all the other directors had approved the investment and I reminded him again to give me the supporting documents. I have asked from him at least 3 times for the supporting documents but he did not gl[i]ve me."

1.7.9 Mr Lincoln Teo had also failed to ensure that proper DD had been performed on relevant parties prior to the execution of the Investment Opportunity Agreements.

1.7.10 Based on the circumstances noted above, we note the following concerns in relation to the Investment Opportunity and Fund Transfer and provide our recommendation for the Company's consideration<sup>65</sup>:

**Table 1.6**

S/No.	Concern	Recommendations
1	Insufficient time was given to the BOD to understand and discuss about the Investment Opportunity and Fund Transfer.	Management should ensure that the BOD is given sufficient investment review period to internalise the information and discuss the details of the investment proposition provided by the Management. Those discussions should be minuted.
2	No supporting documents such as the agreements, details of the parties involved in the Investment Opportunity, was provided to the BOD prior to the Fund Transfer.	Management should ensure that the BOD receive all the supporting documentations in relation to the investment proposal for the BOD to conduct robust and in-depth discussions prior to approving any investment opportunities.
3	No signed DRIW in relation to the Fund Transfer following the verbal confirmation on the Fund Transfer that Mr Lincoln Teo obtained from Mr William Teo and Mdm Hao.	Management should ensure all board resolutions are properly documented and signed.
4	No background check on third party databases was conducted on the vendors of the Investment Opportunity and Fund Transfer.	Notwithstanding that Mr Lincoln Teo relied on the DD performed by Ooway Group, Management should conduct background check on the vendors through third party databases to identify potential conflicts of interest in addition to the DD received from Ooway Group.
5	There was no policy in the Company that sets out guidelines, approval matrix on how the proposing officer/team should initiate a new investment proposal.	Management should produce relevant policy to govern the initiation of investments and lay out the approval matrix to ensure that all investments are clearly reviewed and approved by the Management and BOD.
6	The Finance Manual did not mention any procedures in setting up the Company's bank account and/or virtual account.	The Finance Manual to include procedures in setting up any bank account and/or virtual account and include the requirement for board approval to be obtained.

1.7.11 In relation to the potential breaches of Rule 103(6), Rule 302(6) and Rule 719 of the SGX Catalist Rulebook, EFMA and Companies Act, the BOD should consider seeking legal advice and thereafter, take such steps as

<sup>65</sup> Based on our review of relative figures in SGX Catalist Rules 1006, the Investment Opportunity falls under Rules 1004(a) non-discloseable transactions which are subsequently governed under Rules 1008 and Rules 1009, we have not detected any potential breach of SGX Catalist Rules in connection with the non-disclosure of the Investment Opportunity.

may be appropriate to safeguard the interest of the Company. We understand from our maximisation process with the Company that it has sought legal advice<sup>66</sup> to take such steps as may be appropriate to safeguard the interests of the Company.

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<sup>66</sup> We have not reviewed such legal advice as it extends beyond our scope of work.

## 1.8 Disclaimers and Limitations

- 1.8.1 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.
- 1.8.2 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 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.
- 1.8.3 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 14 February 2023. In some cases, documentation was not made available to DTFAS for our consideration and inclusion in this document. 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.
- 1.8.4 For the avoidance of doubt, our work has not included:
- (i) Any statutory audit on the information provided to us and we will not accept responsibility for the accuracy of the information provided to us;
  - (ii) An internal audit on the internal control system of the Group and will not be assessing the adequacy and effectiveness of the internal control systems;
  - (iii) The provision of legal advice on the legal implications / consequences;
  - (iv) Any representation or substitution of company management; and
  - (v) Any physical investigations within China.
- 1.8.5 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.
- 1.8.6 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.
- 1.8.7 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.

### **Limitations of our Background Check**

- 1.8.8 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.
- 1.8.9 Save where indicated to the contrary, it should be assumed that information provided has been obtained from an outside source. Whilst we will endeavor, if requested, to provide as far as possible with 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.
- 1.8.10 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.

### **Limitations of Maxwellisation**

- 1.8.11 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.

# Annex 1

Where references have been made by Mr Lim relating to the draft Interim Report and such references have been updated in the Interim Report, such amendments are set out below:

Reference to Mr Lim's comments	Reference to the draft Interim Report	Reference to the Interim Report
Point 5	Paragraph 1.4.32	Paragraph 1.4.31
Point 5	Paragraph 2.7.12	Paragraph 2.7.11
Point 5	Footnote 43	Footnote 40
Point 5	Footnote 142	Footnote 139
Point 6	Paragraph 1.4.33	Paragraph 1.4.32
Point 6	Paragraph 2.7.13	Paragraph 2.7.12

### **Introduction**

1. The following is a compilation of comments made by Mr Lim Wee Li ("**Mr Lim**"), in response to the matters raised in the draft Independent Special Audit Report dated 28 April 2023 (the "**28 April Draft Report**") insofar as they concern him. These comments are to be read in conjunction with the 28 April Draft Report. Where Mr Lim has not addressed any of the allegations and points raised in the 28 April Draft Report, it should not be taken as an admission or acceptance of the same.

### **Comments on the 28 April Draft Report**

2. **Paragraphs 1.4.28(i) and 1.4.28(iii) of the 28 April Draft Report:** The aforesaid paragraphs refer to two text messages that Mr Lim had sent to Individual A, on 21 January 2020 and around 27 March 2020. These messages were sent more than two months apart. Given Individual A's position in the Company then, Mr Lim communicated with him on a very regular basis, and there would have been many messages exchanged between them.
3. To-date, neither Mr Wang nor Mr Du has commenced any proceedings against the Company, or alleged that there was no shortfall in the payments due to them.
4. Further, the Special Auditor has also not come across any bank statements or records from KHLM or the Company evidencing any receipt of funds from Mr Wang or Mr Du for the period 1 March 2020 to 31 July 2021. Neither has the Special Auditor concluded that there has been such receipt of funds by Mr Lim from Mr Wang or Mr Du from the bank statements and information provided by Mr Lim to the Special Auditor.
5. **Paragraphs 1.4.32 and 2.7.12 of the 28 April Draft Report (footnotes 43 and 142):** The aforesaid paragraphs and corresponding footnotes state that the Special Auditor had requested Mr Lim to provide copies of his bank account statements till the date of the Special Auditor's request (i.e. 2 November 2022), and that Mr Lim had only agreed to provide his bank statements up to 31 December 2021. However, Mr Lim would like to point out that:
  - (a) **First**, at the start of the first maxwellisation exercise, it was Mr Lim who had volunteered to provide his bank statements on his own accord to assist the Special Auditor in her investigation into the Payroll Matter. The request by the Special Auditor for the provision of the bank statements was made only after Mr Lim had offered to do so.
  - (b) **Second**, Mr Lim had provided his bank statements up to **June 2021**, as this period coincided with the period of employment of Mr Du and Mr Wang, which had been terminated by June 2021.
  - (c) **Third**, without prejudice to his position as set out at paragraph 5(b) above, Mr Lim had also expressed his in-principle willingness to extending copies of his bank statements up to **December 2021**, out of goodwill.
6. **Paragraph 1.4.33 and 2.7.13 of the 28 April Draft Report:** The bank statements that Mr Lim had provided evidenced all the transactions entered into by Mr Lim through the relevant bank accounts for the period up to June 2021, including transactions which were of a value of less than SGD 50,000.
7. Mr Lim had also expressed a willingness to consider any requests by the Special Auditor to provide supporting documents for bank transactions below SGD 50,000. In this regard, given the size and number of these transactions, Mr Lim had requested that the Special Auditor flag up any specific transaction that involved a sum below SGD 50,000 that they wished to review in greater detail, which he would then attempt to provide any supporting documents and/or information related to that particular transaction to the best of his abilities and recollection. Where the Special Auditor had flagged up transactions involving sums below SGD 50,000, Mr Lim provided supporting documents and/or information to account for those transactions, to the best of his abilities and recollection.

8. Finally, Mr Lim was the one who had reached out to Mr Wang and Mr Du and requested that they attend interviews with the Special Auditor, so as to facilitate the investigation process.

# Annex 2

In response to the Independent Review Report conducted by Deloitte for Kitchen Culture Holdings (KCH), on the matter of Unauthorised Transaction, I would like to respond to the following:

Under 1.5.1.

The transaction was part of the new business plans that had been shared with the Sponsor SAC Capital (in an earlier meeting before the one on 29<sup>th</sup> June 2021 and WhatsApp discussion on 23<sup>rd</sup> June 2021 itself), at an earlier shareholder meeting convened in January 2021 and the Board of Directors. It was aimed to bring KCH towards the path of business diversification which has been long delayed since the earlier rounds of fund raising. There was no intention to make it a surreptitious transaction.

KCT was also incorporated in 18<sup>th</sup> February 2021 for the purpose of diversification into new digital related businesses. At no time was Lincoln Teo the interim CEO nor CEO of KCT as that would require disclosure and Announcement on Key Management Personnel.

Under 1.5.3.

At the point of introducing the new business, Lincoln Teo was the Executive Director and had been in the Company and a first-time SGX-listed Director for barely two months. Due to existing issues (in relation to the Baker Tilly Internal Audit), he was unable to draw on earlier policies processes supposedly to be in place within KCH for such transactions.

Subsequently, recognizing the gaps and improvements arising from the Unauthorised Transaction and looking to improve on the management of KCH, Lincoln Teo and his management team drew up and improved on the policies, procedures, guidelines and approval matrix with regards to investments and bank account operations.

Under 1.5.4.

Due to the impending departure of Mr Loh, the independent director has stated on many occasions that he will recuse from any Board decisions as it may be conflicted by his inability to support any decision after leaving KCH. This position was maintained by Mr Loh when briefed on the new business by Lincoln Teo.

Therefore, Lincoln Teo had formed the opinion, albeit incorrectly, that the board of directors deciding will be six (6) and not seven (7).

Under 1.5.7.

There were multiple responses providing through emails and Board meetings. The adequacy of the replies is debatable. However, in view of the divided board of directors arising from the dismissal of the former Chief Executive Officer Lim Wee Li, the opinion formed by Lincoln Teo was that the queries and questions by Board Members Lim Wee Li and Shon Yap were adversarial and meant to frustrate the progress of a bona fide transaction.

In addition, Lincoln Teo has already been working on the new business plans when KCT was incorporated in 18<sup>th</sup> February 2021 for the purpose of diversification into new digital related businesses.

Subsequently, on the due diligence undertaken by Lincoln Teo, whether shared with the Board of Directors or Board Meetings, was acknowledged as the new business to be introduced to KCH for a return towards profitability and greater revenue generation.

Under 1.5.8.

Under the terms of the agreement, the Investment Opportunity was meant to continue upon the return of the funds by Cheng Xin but it did not continue. Steps were already taken to terminate the transaction with the KCH lawyers already preparing for a formal termination agreement.

Under Genesis of the Investment Opportunity

Lincoln Teo wants to stress that he has more than 20 years of experience in the area of risk management having been a developer of credit scoring for international banks since 1997 and also worked on credit analytics data from OTPL's bMARS model. The due diligence conducted also incorporated Lincoln Teo's experience in the subject matter which was deemed to be sufficient.

The risk management processes involved the interpretation of the business operations (at the entity level) and the transactional data (at the Amazon and related platform level).

At all times, Lincoln Teo did not disregard critical data and information. There was sufficient validation of the bMARS model and the interests of KCT or KCH was never compromised at any point.

Lincoln Teo has already been working on the new business plans when KCT was incorporated in 18<sup>th</sup> February 2021 for the purpose of diversification into new digital related businesses. His experience in the area of risk management and statistical models were the underpinning reason for him to join KCT as one of the Directors.

Under 1.5.18

Some of the information concerning the background may not have been provided initially. Lincoln Teo is resubmitting information that would point to the fact that the UBO of TransferEasy is established.

Under 1.5.20

The transaction has always been highlighted as a new business to be given to KCH by OOWAY and the fact was never shielded or hidden from the Board of Directors. For that, the Sponsor SAC Capital, shareholders and the Board sanctioned the incorporation of KCT for the purpose of diversification into new digital related businesses.

Under 1.5.21 to 1.5.26

Lincoln Teo made the following errors of judgment leading to the insufficient approval of the Investment Opportunity. It was an honest mistake and not deliberate. The interpretation of sufficient votes is due to the following:

- (a) Lincoln Teo relied on the understanding that abstaining from a vote do not count as an objecting vote. He had mistaken that 3 votes out of 5 (due to two Directors who abstained) would be deemed as sufficient.
- (b) The impending departure of Mr Loh, who has stated on many occasions that he will recuse from any Board decisions led Lincoln Teo to form the opinion, albeit incorrectly, that the board of directors deciding will be six (6) and not seven (7).

Lincoln Teo, after sending out the email to the Board of Directors on 23 June 2021, also subsequently clarified with the Sponsor SAC Capital on the new businesses and the processes that needs to be put in place for it to continuing business.

Lincoln Teo has intended to make the transaction fully authorised but miscalculated the sufficiency of the Directors' votes. The Sponsor and the Board of Directors are fully aware of the existence and directions of such a transaction.

Under 1.5.27

The TransferEasy, functions like a loan account for only disbursement and repayment purposes akin to a Mortgage account that is usually created for a property loan. It does not serve any other purposes and has no transactions apart from the disbursements and final repayments.

Under 1.5.28 to 1.5.29

The Board of Directors, since the Announcement on the Utilization of Funds (February 2021), has not finalized the allocation of the funds raised. According to the financials, the deployment of the funds used for the transaction could have also come from the non-CLA funds which were raised for new businesses.

Under 1.5.30 to 1.5.38

Lincoln Teo made an error of judgement with this interpretation of the incessant queries and questions form former CEO Lim Wee Li and Independent director Shon Yap as being adversarial and meant to frustrate the progress of new business plans.

As a new entrant to KCH, Lincoln Teo observed that the existing policies do not possess any guidelines and/or information and processes on how Due Diligence should be performed. There were also no requirements on background checks and vetting of UBOs on existing business deals nor on IPTs.

Prior to this, the Baker Tilly Internal Audit Review had already flagged such inconsistencies. Subsequently, recognizing the issues arising from the Unauthorised Transaction and looking to

improve on the management of KCH, Lincoln Teo and his management team drew up and improved on the policies, procedures, guidelines and approval matrix with regards to investments and business operations.

The transaction was not a clandestine effort. Lincoln Teo has already been working on the new business plans when KCT was incorporated in 18<sup>th</sup> February 2021 for the purpose of diversification into new digital related businesses.

#### Under 1.5.39

As a first-time Director in a SGX-listed Company and barely in the role of Executive Director of KCH for only 2 months, Lincoln Teo was unable to rely on a set of robust processes to follow. In fact, the due diligence and background checks on the transaction has already surpassed what was already done or in place for the existing businesses. Given the review conducted by Lincoln Teo on the existing processes, there are evidence of due diligence on existing business deals within KCH.

#### Review of Potential Breaches SGX Catalist Rules, Law and Regulations / Conclusions and Recommendations

1. Lincoln Teo was the Executive Director at the time of the Unauthorised Transaction and also not the Interim CEO of KCH nor KCT.
2. Lincoln Teo became one of the two Directors of KCT when it was incorporated in 18<sup>th</sup> February 2021. He was there for the purpose of diversification into new digital related businesses and did not receive any remuneration until his appointment as Executive Director of KCH on 14<sup>th</sup> April 2021.
3. The various subsidiaries in KCH do not have any operating BOD and all decisions are taken at the KCH BOD level.
4. The requisite due diligence was conducted and work has already started since Lincoln Teo joining KCT when it was incorporated in 18<sup>th</sup> February 2021 for the purpose of diversification into new digital related businesses.
5. Prior to his joining of KCH as an Executive Director on 14<sup>th</sup> April 2021, Lincoln Teo did not have any experience in a listed company.
6. While there was insufficient time given to the BOD to discuss the Investment Opportunity and Fund Transfer, there was never an intent or attempt to deny the BOD the knowledge of the transaction or hide any details.
7. The setting up of the TransferEasy account was used solely for the purpose of the Investment Opportunity in relation to disbursements and repayments. The transactions reports showed that there were no other usage between the disbursement of the sums to ChengXin and the ultimate repayment.
8. Lincoln Teo, as an Executive Director, was unable to draw on earlier policies processes supposedly to be in place within KCH. Subsequently, recognizing the issues arising from the Unauthorised Transaction and looking to improve on the management of KCH, Lincoln Teo and his management team drew up and improved on the policies, procedures, guidelines and approval matrix with regards to investments and bank account operations.
9. The transaction was conducted for the interest of KCH and its shareholders and without any personal benefit or for related parties'.
10. KCH did not suffer any loss but achieved a trading profit instead.

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