

SINGAPORE KITCHEN EQUIPMENT LIMITED

(Company Registration No.: 201312671M)

(Incorporated in Singapore)

(A) UPDATE ON ADDITIONAL REVIEW IN RESPECT OF AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 ("FY2020") AND OTHER MATTERS**(B) VOLUNTARY SUSPENSION**

The Board of Directors ("**Board**") of Singapore Kitchen Equipment Limited ("**Company**" and together with its subsidiaries, the "**Group**") refers to its announcements dated 22 March 2021, 25 March 2021, 21 April 2021, 11 June 2021, 14 June 2021 and 29 July 2021 in relation to the Company's application to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority ("**ACRA**") for an extension of time to comply with the requirement under Rule 707(1) of Section B of the SGX-ST Listing Manual: Rules of Catalist ("**Catalist Rules**") relating to the holding of the Company's AGM for FY2020 and the filing of the Company's annual return for FY2020 ("**Extension Application**"), the Company's announcement dated 2 August 2021 in relation to the Company's request for a trading halt ("**Trading Halt**") and the Company's announcement dated 5 August 2021 in relation to the Company's request for a voluntary suspension of trading (collectively, the "**Previous Announcements**"). Unless otherwise defined, all abbreviated terms shall have the meanings in the Previous Announcements.

(A) Update on additional review in respect of FY2020 financial statements and other matters**1. Additional review in respect of the audit of the FY2020 financial statements**

- 1.1. As announced on 22 March 2021, the Audit Committee had requested additional review and verification be carried out by its statutory auditors with respect to certain transactions between the Group and its major shareholder, QKEH. The Company wishes to provide an update on the additional review.
- 1.2. In March 2021, it was brought to the attention of the Audit Committee that QKEH had issued a debit note for 8 payment transactions, amounting to \$1.395 million ("**Debit Note**"), that were made by QKEH on behalf of the Company and the Group between April 2018 to May 2019 ("**8 Payment Transactions**"). The Board's approval was not sought for the payment of the Debit Note. Details of the 8 Payment Transactions are as follows:

S/No.	RECIPIENT & PURPOSE OF PAYMENT	AMOUNT (SGD)	PAYMENT DATE
(i)	Charitable donation to Willing Hearts. Willing Hearts is a non-profit organisation registered in Singapore.	10,320.00	11 April 2018
(ii)	Fees paid to an unrelated third party, Activa Media Pte Ltd, in respect of Contract Nos. 801140 and 802264, for providing advertising services for Q'son on Google and Facebook.	295,320.00	31 May 2018
(iii)	Security deposit and booking fee to Sabana Shari'ah Compliant Industrial Real Estate investment Trust, for lease of unit #01-02A, 8 Commonwealth Lane.	50,666.62	13 September 2018
(iv)	Payment to Q'son Industries (M) Sdn Bhd for working capital of \$30,610 and employee bonuses of \$169,410 for the year 2018.	200,020.00	21 January 2019
(v)	Employee bonuses for the year 2018.	741,721.55	January 2019
(vi)	Charitable donation to Firefly Mission, as contribution towards the building of the Na Chan Tai Lower Secondary school in Laos	58,868.00	18 February 2019

(vii)	Payment to Full Moon Treks Pvt. Ltd, for staff incentive trip to Nepal from 21 to 26 February 2019.	10,800.00	20 February 2019
(viii)	Fees paid to an unrelated third party, Aactiva Media Pte Ltd, in respect of Contract No. 800489, for SEO services and setup fee, website development, creation of a mobile conversion page, and web hosting services.	27,820.00	29 May 2019
TOTAL AMOUNT		1,395,536.17	

As announced on 22 March 2021, the Company had implemented certain control measures to strengthen its internal controls and enable the Company to complete the statutory audit as soon as possible. These measures were:

- 1.2.1.the engagement of Drew & Napier LLC to provide legal advice to the Audit Committee of the Company in the discharge of their duties to the Company;
- 1.2.2.the engagement of Mr Derrick Tan, an external consultant to strengthen the Company's internal controls and to enhance the Company's accounting team. Mr Derrick Tan has prior experience as an accountant and as a CFO;
- 1.2.3.requiring that all payments of the Group to related parties (including Executive Directors) be reviewed by Mr Derrick Tan and then approved by the Independent Directors.
- 1.3. As part of the Company's statutory audit, the Company's auditors ("**Auditors**") had requested to review the underlying documents for the 8 Payment Transactions and discovered that a bank statement belonging to QKEH (and not the Group) provided to the Auditors had been altered.
- 1.4. Following the discovery of the altered bank statement of QKEH, the Board implemented further control measures to ensure the Company's adherence to proper corporate governance. These measures included:
 - 1.4.1.the engagement of Rajah & Tann Singapore LLP ("**R&T**") to assist in the review of the 8 Payment Transactions and provide legal advice to the Company's management in the discharge of their duties to the Company; and
 - 1.4.2.the appointment of Ms Serine Yeo, who is a Fellow Certified Public Accountant of CPA Australia and has prior experience of being a Chief Financial Officer of a listed company, as the Company's Financial Controller to undertake all aspects of financial management, including corporate accounting, regulatory and financial reporting, budget, cash management, risks management, internal control policies and processes.
- 1.5. Pending the conclusion of the statutory audit, and the fact-finding process which is being undertaken by R&T in respect of the 8 Payment Transactions, QKEH has agreed to refund, and has refunded, the sums paid out under the Debit Note inclusive of interest in March 2021 and August 2021. Accordingly, the Group has not suffered any monetary loss arising from the 8 Payment Transactions.

2. Auditor's report to Minister of Finance

- 2.1. Additionally, the Auditors informed the Company around 5 pm on 30 July 2021 that they had lodged a report to the Minister of Finance pursuant to section 207(9A) of the Companies Act (Cap. 50) ("**Companies Act**") in mid-June 2021. Section 207(9A) of the Companies Act provides that if an auditor of a public company or a subsidiary corporation of a public company, in the course of the performance of his duties as auditor, has reason to believe that a serious offence involving fraud or dishonesty is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Minister.
- 2.2. The Company has not been provided with a copy of the report and all parties are requested not to speculate on the contents of the report.

3. Fact-Finding Report by R&T

3.1. On 6 August 2021, R&T presented its draft report to the Company (**R&T Draft Report**) for the Company's comments. Whilst the Board reviews and discusses with R&T the matters required for finalising the R&T Draft Report, it is noted that the R&T Draft Report contains the following preliminary findings:

3.1.1. certain employees of the Company had altered a bank statement and other documents unilaterally, without the instructions from, and knowledge and approval by the two Executive Directors including the CEO; and

3.1.2. thus far, there has been no evidence to suggest that the purpose behind the alterations of the bank statement and other documents was to facilitate and/or conceal criminal breach of trust and/or fraudulent transactions with third parties.

3.2. Once there is clarity and updates to the fact-finding process undertaken by R&T, the Board will report its findings to the SGX RegCo and update the market accordingly. Upon the conclusion of the fact-finding process, the Board will make a final decision on the effect of the 8 Payment Transactions and other steps to be taken.

3.3. The Board would like to state that the Board's final determination may result in changes to past financial statements that have been announced. The Board will make an announcement on its decision in relation to the 8 Payment Transactions and the others steps to be taken, in due course.

4. Control Measures

4.1. In view of the preliminary findings in the R&T Draft Report, the Company intends to appoint a suitably qualified accounting firm to review and enhance the Company's operating procedures and internal controls. The Company also intends to appoint an external IT consultant to enhance its IT and computer systems.

4.2. In the interim, to enhance the Company's internal controls, the Company has instituted the following procedures in addition to the usual management approval process:

4.2.1. On 5 August 2021, the Company has designated two groups of signatories to approve or sign off on cheque payments, namely, Group A comprising of Chua Chwee Choo (Executive Director and Chief Executive Officer of the Company) and Lee Chong Hoe (Executive Director) and Group B comprising of Ng How Kwan, Kevin (Independent Director and Chairman of the Remuneration Committee) and Serine Yeo Ngen Huay (Financial Controller).

4.2.2. For cheque payments or online payments with amounts equivalent to or above \$200,000, such cheques or online payments will have to be jointly signed / approved by anyone from Group A and Ng How Kwan, Kevin of Group B;

4.2.3. For cheque payments or online payments with amounts below \$200,000, such cheques or online payments will have to be jointly signed / approved by anyone from Group A and anyone from Group B;

4.2.4. For all payments to third parties with amounts equivalent to or above \$200,000, the original invoices and supporting documents for such payments will have to be (a) verified by Mr Derrick Tan, or any such person appointed by the Independent Directors and (b) approved by the Independent Directors; and

4.2.5. Since 24 March 2021, for all payments to the Executive Directors and parties related to the Company, the original invoices and supporting documents for such payments will have to be (a) verified by Mr Derrick Tan, or any such person appointed by the Independent Directors and (b) approved by the Independent Directors.

(B) Voluntary Suspension of Trading

- 5.1. In view of the foregoing matters, the Company had on 2 August 2021 requested a trading halt and had on 5 August 2021, voluntarily made an application to suspend the trading of the Company's shares. The Company will continue the trading suspension until the Company has resolved all the foregoing matters.

(C) Conclusion

- 6.1. The Board will endeavour to complete the foregoing matters as soon as possible and would like to assure shareholders of the Company that the Group will continue to comply with its continuing disclosure obligations and keep the market updated as and when appropriate, should there be any material developments relating to the Company or the Group

By Order of the Board

SINGAPORE KITCHEN EQUIPMENT LIMITED

Eileen Tay-Tan Bee Kiew
Chairman of the Board

11 August 2021

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Mr Eric Wong (Director, Investment Banking) at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: +65 6337 5115.