

**BOLDTEK HOLDINGS LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 201224643D)

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**QUALIFIED OPINION ON THE FY2022 AUDITED FINANCIAL STATEMENTS**

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Pursuant to Rule 704(4) of the SGX-ST Listing Manual Section B: Rules of Catalist, the Board of Directors (the "**Board**") of Boldtek Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its independent auditor, Foo Kon Tan LLP (the "**Independent Auditor**"), has included a qualified opinion (the "**Qualified Opinion**") in its report dated 14 January 2023 (the "**Independent Auditor's Report**") on the audited financial statements of the Group for the financial year ended 30 June 2022 (the "**FY2022 Financial Statements**").

An extract of the nature and contents of the qualification for the Qualified Opinion is set out below. The Independent Auditor's Report and the FY2022 Financial Statements will form part of the Company's Annual Report for FY2022 (the "**FY2022 Annual Report**").

Shareholders are advised to read the Independent Auditor's Report and the FY2022 Annual Report in its entirety.

**Extract of the Independent Auditor's Report**

**Qualified Opinion**

We have audited the financial statements of Boldtek Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

**Basis for Qualified Opinion**

***Contract assets and revenue recognition***

The Group's contract assets were carried at \$59,334,000 in the consolidated statement of financial position as at 30 June 2022 and the Group's revenue for the financial year ended 30 June 2022 amounted to \$52,651,000.

**(a) Construction works**

Based on the final payment certificates issued by the customers for certain construction projects, we noted that the contract sum amount stated in these final payment certificates were lower than the original contract sums. Consequently, contract assets balances relating to these projects of \$8,577,000 as at 30 June 2022 were recorded in excess of the revised contract sum stated in the final payment certificates. Out of the total balances of \$8,577,000, final payment certificates were received in prior years in respect of construction projects with contract assets balances of \$7,392,000, which were only made known to us during the course of our audit for the financial year ended 30 June 2022. For the remaining construction project with contract asset balance of \$1,185,000, the final payment certificate is only received in the current financial period.

Management is still in the process of negotiation with the customers to claim for these contract assets balances of \$8,577,000. However, management did not perform an impairment assessment to determine the recoverability of these balances as at 30 June 2021 and 30 June 2022 despite receipt of these final payment certificates in the relevant periods. As such, we were unable to obtain sufficient appropriate audit evidence as to the recoverability of these contract assets aggregating to \$8,577,000 as at 30 June 2022. Consequently, we were unable to determine whether any adjustments to these amounts were necessary in the current and prior financial periods.

**(b) Building and maintenance**

The Group had been applying percentage of completion method (cost-based input approach) to recognise revenue for its Term Contracts with customers. In these Term Contracts, the Group was engaged by the customers to perform work scope involving maintenance work, addition & alteration to existing structure, general repairs and redecoration, fit-out work, turfing, planting & fertilising etc which are generally short term in nature.

For these Term Contracts, the measure of the progress of work was determined based on the input method i.e. proportion of actual contract costs incurred to date to the estimated total costs for each Term Contract. This percentage of completion ("POC") is then applied to the total contract sum stated under the contract. The contract sum includes provisional sums for additional works and services that may be expended either in whole or in part or to be omitted at the discretion of the customer and may not be appropriate to be applied in full when computing the contract revenue to be recognised under the POC using the input method. In addition, the budgeted cost for each Term Contract is computed based on a certain percentage of the total contract sum (with a pre-determined gross profit margin) without any supporting documents made available to us.

For significant projects identified by management, contract assets amounting to \$17,518,000 and revenue of \$18,806,000 were recognised under building and maintenance services in the consolidated statement of financial position as at 30 June 2022 and the consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2022 respectively in relation to work services carried out under these Term Contracts.

Based on the comparison between the contract revenue recognised in the financial statements and the actual billings made, which coincides with the amount of work performed by the customers' quantity surveyors, during the financial periods ended 30 June 2021 and before, the above-mentioned POC method resulted in over-recognition of revenue of \$10,809,000 in respect of the prior years, and an over-recognition of revenue of \$1,116,000 during the current financial year. Consequently, the contract assets were also overstated by \$11,925,000 as at 30 June 2022.

In view of the above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to accuracy of the carrying amount of the Group's contract assets as at 30 June 2022 and the Group's revenue for the current and prior financial periods. Consequently, we were unable to determine whether any further adjustments to these amounts were necessary or would have a consequential significant effect on the Group's financial statements for the year ended 30 June 2022 and the related disclosures. Our opinion on the current year's financial statements is also modified because of the possible effects of the above matters on the comparability of the current year's figures and corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Board's comments**

In the Independent Auditor's Report, the Independent Auditor highlighted two bases which resulted in the Qualified Opinion. The first basis relates to the recoverability of certain contract asset balances amounting to an aggregate of S\$8,577,000 (the "**First Basis**"). The second basis relates to the manner in which the Group had applied the percentage of completion method (cost-based input approach) to recognise revenue for its term contracts with its customers, resulting in an over-recognition of revenue of S\$1,116,000 for FY2022 (the "**Second Basis**").

#### **(a) The First Basis**

In relation to the First Basis, management wishes to highlight that the Company is in the process of negotiating with the relevant customers to recover such amounts. Management notes that the Company has, in the past, successfully recovered such amounts from other customers and intends to continue such efforts with the customers in question. The Company will update shareholders as and when there are material developments.

#### **(b) The Second Basis**

In relation to the Second Basis, management notes that the Second Basis relates only to the Term Contracts and wishes to highlight that the Group has been utilizing the POC method since its listing, and, prior to the audit in connection with the FY2022 Audited Financial Statements, had not previously encountered any material issues with its use of such methodology.

Management also wishes to highlight that it has been proactively working with the Independent Auditors to address all accounting issues identified by the Independent Auditors in the course of the audit of the FY2022 Financial Statements. This has necessitated the Company seeking two extensions of time from the Accounting and Regulatory Authority and the Singapore Exchange Regulation to issue its annual report and convene its annual general meeting for FY2022. Under its most recent extension, and as disclosed by the Company on 20 December 2022, the Company is required to issue its

annual report and the notice of annual general meeting, on or before 14 January 2023. Notwithstanding this, the Company only received a complete set of the workings from the Independent Auditors on the afternoon of 13 January 2023. As such, management has not had the time to review and to consider the Independent Auditor's workings for their Qualified Opinion, especially for the Second Basis. Management continues to engage with the Independent Auditors on this issue, and will update shareholders as and when there are material developments.

In light of the above and the developments to-date, the Company will be requesting to convert the trading halt to a voluntary suspension with effect from 16 January 2023. The Company will make an application for a resumption of trading when it has resolved the above matters with the Independent Auditors.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, shareholders and potential investors are advised to seek independent advice from their bankers, stockbrokers, solicitors or other professional advisers.

### **By Order of the Board**

Phua Lam Soon  
Chief Executive Officer  
14 January 2023

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

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

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