

## SINGAPORE KITCHEN EQUIPMENT LIMITED

Incorporated in the Republic of Singapore  
(Registration No. 201312671M)

### DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board of Directors (the “**Board**”) of Singapore Kitchen Equipment Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditors, BDO LLP, have included a disclaimer of opinion (“**Disclaimer of Opinion**”) in their Independent Auditors’ Report dated 22 October 2021 (the “**Independent Auditors’ Report**”) in relation to the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2020 (“**FY2020**”) (the “**Financial Statements**”).

A copy of the Independent Auditors’ Report is attached to this announcement for information.

The Independent Auditors’ Report and a complete set of the Financial Statements is contained in the Company’s Annual Report for FY2020 (“**FY2020 Annual Report**”), which is released on SGXNet on the date of this announcement. Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report.

In responding to the disclaimer of opinion provided, Audit Committee (“**AC**”) is of the view that the Group’s systems of internal controls may not be adequate to address financial, operational, compliance and information technology controls and risk management systems during the year.

The Company has since appointed Baker Tilly Consultancy (Singapore) Pte Ltd, as the Company’s internal auditors to review and enhance the Company’s operating procedures and internal controls. The internal auditors will carry out an internal audit on the system of internal controls and report the findings to the AC. The AC will review the findings of the internal auditor and will ensure that the Company follows up on the internal auditors’ recommendations raised during the internal audit process to address any internal control gaps. In the meantime, as detailed in the Company’s announcement released on 11 August 2021, the Board has taken immediate steps to address the aforementioned lapses that were brought to its attention and had implemented various measures to strengthen internal controls to ensure adherence to proper corporate governance.

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Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

#### BY ORDER OF THE BOARD

**Sally Chua Chwee Choo**  
**Executive Director and Chief Executive Officer**  
**22 October 2021**

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*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 Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist. 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.*

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

## Report on the Audit of the Financial Statements

### Report on the Audit of the Financial Statements

We were engaged to audit the financial statements of Singapore Kitchen Equipment 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 31 December 2020, and the consolidated statement of 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, as set out on pages 50 to 112.

### Disclaimer of Opinion

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

As disclosed in Note 28 to the financial statements, the Group received a Debit Note ("DN") from its ultimate holding company, QKE Holdings Pte. Ltd. ("QKEH") on 30 March 2020 claiming reimbursement of 8 payment transactions ("8 Payment Transactions") that had been paid on behalf of the Group between April 2018 to May 2019. On 1 April 2020, the Group paid the 8 Payment Transactions totaling \$1.39 million to QKEH.

Based on the initial representation by management, these were payments for staff bonus, advertising expenses and donations which relate to previous financial year ended 31 December 2019 ("FY 2019"). It was subsequently determined that the staff bonus was paid in relation to staff performance for the financial year ended 31 December 2018 ("FY 2018"); and the advertising expenses and donations were incurred for FY 2018 and FY 2019. Prior to the receipt of the DN, the Group did not record such expenses in the accounting system.

Other irregularities were subsequently identified and these include, i) uncovering of altered supplier's invoices, cheque images, bank statements; and ii) discovery of payment vouchers which were constructed for payments of the staff bonus described above that were not made out by the Group. Furthermore, there were contracts with customers which were not identified in prior periods resulting in improper recognition of revenue in the previous financial years. We were also presented with new information in relation to arrangements with customers which were inconsistent with those management representations which we had obtained in prior periods.

The above matters were brought to the attention of the Audit Committee and management revisited the accounting records and financial information prepared in prior periods. Consequently, as disclosed in Note 31 to the financial statements, several prior period adjustments have been made and certain financial statements line items have been restated.

In view of the above, we assessed the impact of the various irregularities, inconsistencies in management representation and the potential lapses in internal control over the financial reporting processes. We determined that there may be misstatements in multiple elements of the financial statements, including, but not limited to, "revenue", "costs of sales", "administrative expenses", "income tax expenses", "property, plant and equipment", "inventories", "trade and other receivables", "trade and other payables", "amount due to/from ultimate holding company".

We were therefore unable to obtain sufficient appropriate audit evidence: (a) to conclude whether the accompanying financial statements are materially misstated; (b) to ascertain the existence, completeness, accuracy, rights and obligations, valuation and/or classification, and related disclosures, of various transactions and balances entered into with customers, suppliers and the ultimate holding company, including the prior year adjustments made by management; and (c) to evaluate whether the Group had operated within appropriate internal control and corporate governance frameworks which may have a pervasive effect on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

## **Basis for Disclaimer of Opinion (Continued)**

In addition, because of the above matters, on 11 August 2021, the Group engaged a legal firm to assist in the review of the 8 Payment Transactions and to provide legal advice to the Group's management in the discharge of their duties to the Group. As at date of this report, the review by the legal firm is still ongoing. The report to be issued by the legal firm could provide new information and findings that may have an impact on the accompanying financial statements. Accordingly, we were unable to determine if any adjustments arising thereon, which may be required, and the extent of impact on the accompanying financial statements.

Consequently, we were unable to obtain sufficient appropriate audit evidence or satisfy ourselves through alternative means to conclude on the matters of concern highlighted above and determine if there is any further impact on the accompanying financial statements.

## **Other Matters**

### Investigation by Corrupt Practices Investigation Bureau

On 13 September 2020, the Group made an announcement that the Group CEO, a director of the Group and certain staff were being interviewed by the Corrupt Practices Investigation Bureau on or about 10 September 2020 in connection with entertainment expenses and sales commissions relating to certain projects undertaken by Q'son Kitchen Equipment Pte Ltd, a subsidiary of the Group. As at the date of this report, investigation is ongoing and no charges have been filed against the above mentioned individuals.

## **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

## Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Koh Yen Ling.

BDO LLP  
Public Accountants and  
Chartered Accountants

Singapore  
22 October 2021