

MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of Koyo International Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement on the unaudited full-year financial statements for the financial year ended 31 December (“**FY**”) 2023 dated 01 March 2024 (the “**Unaudited Financial Statements**”).

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board wishes to announce and clarify certain material variances to the Unaudited Financial Statements following the finalisation of the audit and issuance of the auditor’s report dated 8 April 2024 by the Company’s external auditors, UHY Lee Seng Chan & Co (“**Independent Auditors**”) (the “**Independent Auditors’ Report**”, and the related audited financial statements are referred to herein as the “**Audited Financial Statements**”). The details of the material variances are set out below.

A. Statements of Financial Position of the Group as at 31 December 2022

	FY2022 (Restated)	FY2022 (Audited)	Difference (Prior year adjustments)
	\$’000	\$’000	\$’000
Current Liabilities			
Contract liabilities	8,423	6,034	2,389 ⁽¹⁾
Equity			
Retained profits	10,076	12,465	(2,389) ⁽¹⁾

B. Consolidated Statement of Comprehensive Income of the Group for FY2023

	FY2023 (Audited)	FY2023 (Unaudited)	Difference
	\$’000	\$’000	\$’000
Revenue	60,980	58,566	2,414 ⁽²⁾
Gross profit	14,959	12,545	2,414 ⁽²⁾
Net profit/ (loss)	1,539	(875)	2,414 ⁽²⁾
Total comprehensive income/ (loss)	1,536	(878)	2,414 ⁽²⁾

C. Consolidated Statement of Comprehensive Income of the Group for FY2022

	FY2022 (Restated)	FY2022 (Audited)	Difference (Prior year adjustments)
	\$’000	\$’000	\$’000
Revenue	38,701	41,090	(2,389) ⁽³⁾
Gross profit	4,408	6,797	(2,389) ⁽³⁾
Net profit/ (loss)	(6,187)	(3,798)	(2,389) ⁽³⁾
Total comprehensive income/ (loss)	(6,189)	(3,800)	(2,389) ⁽³⁾

D. Consolidated Statement of Cash Flows for FY2023

	FY2023 (Audited)	FY2023 (Unaudited)	Difference
	\$'000	\$'000	\$'000
Net profit / (loss)	1,539	(875)	2,414 ⁽²⁾
Trade and other receivables, contract assets	(11,981)	(11,403)	(578) ⁽⁴⁾
Trade and other payables, contract liabilities	1,206	1,915	(709) ⁽⁴⁾
Provisions	(1,720)	-	(1,720) ⁽⁴⁾
Additions to property, plant and equipment	(8)	(600)	592 ⁽⁴⁾
Principal payment of lease liabilities	(257)	(258)	1 ⁽⁴⁾

E. Consolidated Statement of Cash Flows for FY2022

	FY2022 (Restated)	FY2022 (Audited)	Difference (Prior year adjustments)
	\$'000	\$'000	\$'000
Net loss	(6,187)	(3,798)	(2,389) ⁽⁵⁾
Trade and other payables, contract liabilities	10,621	8,232	2,389 ⁽⁶⁾

F. Explanatory notes

The variances were caused by:

- (1) The Company had, after consultation with its Independent Auditors and concurrence from the Audit Committee, changed the revenue recognition for a construction contract from the output method¹ to the input method². The changes were to better reflect the measure of progress towards satisfaction of performance obligations over time. As a result, the revenue recognised for the contract for FY2022 was reduced by \$2,389,000 with the corresponding increase in contract liabilities being recognised in the Group's statement of financial position as at 31 December 2022.
- (2) The increase in revenue resulted from the change in revenue recognition of a construction contract from the output method to the input method as mentioned in Note 1 above. As a result, revenue recorded for FY2023 increased by \$2,414,000 in the Audited Financial Statements compared to the Unaudited Financial Statements.
- (3) Revenue recognised for FY2022 was reduced by \$2,389,000 as a result of prior year adjustments as mentioned in Note 1 above.
- (4) The net change to trade and other receivables, contract assets; trade and other payables, contract liabilities; provisions and additions to property, plant and equipment, principal payment of lease liabilities was due to the change in revenue recognition mentioned in Note 2 above amounting to a decrease of \$2,414,000.
- (5) The increase in net loss for FY2022 was a result of prior year adjustments as mentioned in Note 1.

¹ For construction project measured using output method, the performance obligation milestone is measured by reference to the value of work done certified by a third-party assessor (i.e. work done certified by the quantity surveyor, consultants or acknowledgement by customers).

² For construction project measured using input method, the performance obligation milestone is measured based on actual costs incurred to-date relative to the total budgeted costs for each project.

(6) The changes to trade and other payables, contract liabilities arose due to an increase in contract liabilities for FY2022 as mentioned in Note 1.

Shareholders of the Company (the “**Shareholders**”) are advised to read the Audited Financial Statements and this announcement, in conjunction with the Independent Auditors' Report announced by the Company on 9 April 2024.

Shareholders are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

The Board confirms that to the best of its knowledge, all material disclosures, facts and information have been provided and announced and are not aware of any facts, information or disclosures, the omission of which would make any statement in this announcement or disclosures misleading.

By Order of the Board

Foo Suay Wei
Managing Director and Chief Executive Officer
09 April 2024

This announcement has been reviewed by the Company's sponsor.

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (“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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