

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

QUALIFIED OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 auditor, Foo Kon Tan LLP (the “**Independent Auditor**”), has included a qualified opinion (“**FY2023 Qualified Opinion**”) in their Independent Auditor’s Report dated 12 April 2024 (the “**Independent Auditor’s Report**”) in relation to the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2023 (“**FY2023**”) (the “**Financial Statements**”).

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

The Independent Auditor’s Report and a complete set of the Financial Statements is contained in the Company’s Annual Report for FY2023 (“**FY2023 Annual Report**”), which will be released by the Company on 15 April 2024. Shareholders of the Company are advised to read this announcement in conjunction with the FY2023 Annual Report.

In responding to the FY2023 Qualified Opinion provided, the Board notes the following:

- (a) the sole basis of the FY2023 Qualified Opinion relates to the possible effects on the comparability of the current period’s figures and the corresponding figures arising from the disclaimer of opinion issued by the Independent Auditor on the financial statements for the financial year ended 31 December 2022 (“**FY2022**”) (“**FY2022 Disclaimer of Opinion**”). The FY2022 Disclaimer of Opinion was in respect of, *inter alia*, the opening balances and comparative information of the Group and the Company, such that the Independent Auditor was unable to determine whether the opening balances of the assets and liabilities of the Group and the Company as at 1 January 2022 are appropriately stated and any adjustments found to be necessary may significantly affect the Group’s financial performance, changes in equity and cash flows and the related disclosures in the notes to the financial statements for FY2022 (the “**Basis for Qualified Opinion**”); and
- (b) the Independent Auditor is of the view that, except for the possible effects of the matter described in the Basis for Qualified Opinion section of the Independent Auditor’s 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 Companies Act 1967 and Singapore Financial Reporting Standards (International) 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 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Accordingly, the Board is of the view that the Company’s efforts to strengthen its system of internal controls and corporate governance in the course of FY2022 have yielded results, such that, other than the issues relating to the comparability of the current period’s figures and the corresponding figures, none of the other issues raised previously in the disclaimer of opinion in the Independent Auditor’s Report dated 14 July 2022 in relation to the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2021 have repeated themselves in FY2022 and FY2023. Going forward, the Company will continue to make ongoing improvements to its corporate governance with the view towards achieving an unqualified audit opinion.

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By Order of the Board

SINGAPORE KITCHEN EQUIPMENT LIMITED

Chua Chwee Choo
Executive Director and Chief Executive Officer

12 April 2024

This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "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.

*The details of the contact person for the Sponsor are as follows:
Name: Mr Mah How Soon (Registered Professional, RHT Capital Pte. Ltd.)
Address: 36 Robinson Road, #10-06, City House, Singapore 068877
Email: sponsor@rhtgoc.com*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited 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 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects on the corresponding figures of the matter 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 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 31 December 2023 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

Corresponding figures

We had issued a qualified opinion on the financial statements for the financial year ended 31 December 2022 on 7 April 2023 in respect of the opening balances of the assets and liabilities of the Group and the Company as at 1 January 2022 and the corresponding figures thereof. As we are unable to determine whether the opening balances of the assets and liabilities of the Group and the Company as at 1 January 2022 are appropriately stated, any adjustments found to be necessary may significantly affect the Group's financial performance, changes in equity and cash flows and the related disclosures in the notes to the financial statements for the financial year ended 31 December 2022. Accordingly, there are possible effects on the comparability of the current period's figures and the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition (refer to Note 18 to the financial statements)

For the financial year ended 31 December 2023, revenue amounted to S\$41,669,526 which included revenue recognised over time in respect of the installation and construction of kitchen facilities of S\$8,905,438. For the long-term projects where the Group satisfies its performance obligations over time, the Group has determined that a cost input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred on the projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the projects.

The level of total expected costs to be incurred on each contract is estimated by the Group and includes certain judgements as contracts may run over a number of accounting periods and include variations in contract work, claims and incentive payments, and forecasts in relation to future costs including labour and materials which are not yet contractually agreed. As such, we have determined that this is a key audit matter.

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition policies as detailed in Note 2(d) to the financial statements in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*. We obtained an understanding of the revenue recognition processes, performed a walkthrough of the significant classes of transactions and evaluated the design and implementation and tested the operating effectiveness of the relevant internal controls. We tested revenue transactions on a sampling basis by assessing the recognition and measurement criteria based on SFRS(I) 15 and verifying to the relevant supporting documents. We also tested the cut-off of revenue as at 31 December 2023.

In respect of the installation and construction of kitchen facilities, we inspected the terms of significant sales contracts to assess whether they were consistent with the detailed calculations being considered. We agreed amounts recognised to contract sums and any variation orders. When assessing the stage of completion on contracts, we agreed amounts recognised to documentary evidence on a sampling basis, such as actual costs incurred to invoices and other supporting documents, and assessed any judgements applied in the projection of total contract costs through consideration of the Group's historical experience of costs on similar contracts. In addition, we examined customers' acceptances of the work performed. Our audit procedures included reviewing for any variation orders and enquiring of key personnel regarding any adjustments for job costings and any expected losses from onerous contracts. We also considered the adequacy of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Key Audit Matters (Cont'd)

Net realisable value of inventories (refer to Note 8 to the financial statements)

As at 31 December 2023, the Group had inventories with carrying amount of S\$4,459,355, which included an allowance for slow-moving and obsolete inventories of S\$619,967. Inventories comprise raw materials, work in progress, finished goods and spare parts. The determination of write-down on inventories requires management to exercise significant judgement in identifying slow-moving and obsolete inventories and make estimates of net realisable values to determine an appropriate level of allowance required. As such, we have determined that this is a key audit matter.

As part of our audit procedures, we evaluated the assessments made by management in the estimation of write-down on inventories, based on the expected demand of inventories, identification of slow-moving and obsolete inventories, and assessment of net realisable values of inventories. We tested the net realisable values of inventories on a sampling basis by comparing the carrying amounts of the inventories to the latest selling prices. We attended and observed management's physical stock count process, including identification of slow-moving and obsolete inventories. In addition, we assessed the adequacy of disclosures in the financial statements.

Expected credit losses on trade receivables and finance lease receivables (refer to Note 7 and Note 9 to the financial statements)

As at 31 December 2023, the Group's trade receivables from third parties and finance lease receivables amounted to S\$9,387,573 and S\$213,051, respectively, and constituted an aggregate of 23% of the Group's total assets. Included in this amount is a loss allowance on trade receivables of S\$1,307,674. The Group determines the impairment of trade receivables and finance lease receivables by making debtor-specific assessment of expected credit losses ("ECLs") and applies a provision matrix for the remaining group of debtors that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Due to the significant judgements and estimates applied by management in the measurement of ECLs, we have determined this area to be a key audit matter.

As part of our audit procedures, we evaluated the assessments made by management in the estimation of ECLs on trade receivables and finance lease receivables, and considered the ageing to identify collection risks. We requested for confirmations from debtors and checked for evidence of receipts subsequent to the end of the financial year on a sampling basis. We discussed with management about the status of long outstanding balances and management's consideration of debtors' specific profiles and credit risks. We also evaluated management's inputs used in the computation of historical loss rates and assessed the reasonableness of management's assumptions used in establishing the forward-looking adjustments. In addition, we assessed the adequacy of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section, as we are unable to determine whether the opening balances of the assets and liabilities of the Group and the Company as at 1 January 2022 are appropriately stated, any adjustments found to be necessary may significantly affect the Group's financial performance and cash flows and the related disclosures in the notes to the financial statements for the financial year ended 31 December 2022. Accordingly, there are possible effects on the comparability of the current period's figures and the corresponding figures, and we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 Act and 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINGAPORE KITCHEN EQUIPMENT LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis for Qualified Opinion* section of the report, 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 Cheong Wenjie.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
12 April 2024