

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

MATERIAL VARIANCES BETWEEN THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 AND THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of Singapore Kitchen Equipment Limited (the “**Company**”), and together with its subsidiaries, the “**Group**”) refers to the unaudited full year financial statements announcement for the financial year ended 31 December 2020 (“**FY2020**”) released by the Company on 1 March 2021 (“**Announcement**”).

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in 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 22 October 2021 by the Company’s external auditors, BDO LLP (the “**Independent Auditors’ Report**”), and the related audited financial statements are referred to herein as “the **Audited Financial Statements**”). The details and explanations of the material variances are set out in Appendix A as annexed hereto.

There were several prior year adjustments that have been made resulting in the restatement of certain financial statement line items for the financial year ended 31 December 2019 (“FY2019”). Please refer to Note 31 “Prior year adjustments” to the Audited Financial Statements for more details.

Shareholders of the Company are advised to read the Audited Financial Statements of the Group in conjunction with the Independent Auditors’ Report as set out in the Company’s Annual Report for FY2020, which is concurrently released by the Company on 22 October 2021. Shareholders are advised to exercise caution when dealing in the shares of the Company.

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

Sally Chua Chwee Choo
Executive Director and Chief Executive Officer
22 October 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 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.

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

APPENDIX A

1) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	GROUP			
	FY2020 (Unaudited) S\$'000	FY2020 (Audited) S\$'000	VARIANCES S\$'000	Note
Revenue	22,211	22,019	(192)	1
Cost of sales	(15,899)	(15,557)	342	2
Gross profit	6,312	6,462	150	
Other operating income and gains				
Interest income	43	43	-	
Other income	1,188	1,173	(15)	3
Operating expenses				
Distribution costs	(2,982)	(2,810)	172	4
Administrative expenses	(3,751)	(3,249)	502	5
Other expenses (Inclusive of loss allowance on third parties trade receivables)	(321)	(283)	38	6
Finance costs	(211)	(211)	-	
Profit before income tax	278	1,125	847	
Income tax expense	(153)	(160)	(7)	7
Profit/(loss) for the year	125	965	840	
Other comprehensive income/(expenses):				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising from translation of foreign operations	(1)	(1)	-	
Total comprehensive income/(loss) for the reporting period	124	964	840	
Profit/(loss) attributable to:				
Equity holders of the Company	126	966	840	8
Non-controlling interests	(1)	(1)	-	
Profit/(loss) for the reporting period	125	965	840	
Total comprehensive income/(loss) for the reporting period				
Equity holders of the Company	125	965	840	9
Non-controlling interests	(1)	(1)	-	
Total comprehensive income/(loss) for the reporting period	124	964	840	

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

Notes

1. <u>Revenue</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	22,211
a Omission of inter-companies' elimination entry	(77)
b Over recognition of revenue – Current financial year	(73)
c Reversal of prior year service income taken up in current financial year	(42)
As per audited	22,019

2. <u>Cost of sales</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	(15,899)
a Omission of inter-companies' elimination entry	77
b Reversal of unapproved bonus	392
c Reversal of FY2019 bonus taken up in current financial year	32
d Understatement of cost of sales	(245)
e Inventories wrongly expensed off as cost of sales	100
f Reversal from cost of sales to inventory resulted from equipment leased out to customers	38
g Depreciation of leased out equipment	(40)
h Allowance of impairment on inventory	(58)
i Reversal of provision of purchase discounts	(9)
j Reclassification of foreign worker levy rebate received from cost of sales to other income	(97)
k Amount due by ultimate holding company for unapproved bonus and related expenses	148
l Effects of rounding	4
As per audited	(15,557)

3. <u>Other income</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	1,188
a Reversal of overstatement of government grant income Trade and other receivables-\$85,000 (Note 12(m)) + Trade & other payables-\$194,000 (Note 14(k))	(279)
b Reclassification of foreign worker levy rebate received from cost of sales to other income	97
c Reclassification of foreign worker levy rebate received from distribution costs to other income	19
d Reclassification of "Job Support Scheme" grant income from distribution costs to other income	150
e Effects of rounding	(2)
As per audited	1,173

4. <u>Distribution costs</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	(2,982)
a Reversal of unapproved bonus	101
b Reversal of FY2019 bonus taken up in current financial year	41
c Reversal of approved transactions from current financial year to prior year as expenses were incurred in prior year	323
d Reclassification of amortisation of rights of use from administrative expenses to distribution costs	(99)
e Accrual of bonus	(25)
f Reclassification of foreign worker levy rebate received from distribution costs to other income	(19)
g Reclassification of "Job Support Scheme" grant income from distribution costs to other income	(150)
As per audited	(2,810)

5. <u>Administrative expenses</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	(3,751)
a Reversal of unapproved bonus	223
b Reversal of FY2019 bonus taken up in current financial year	70
c Reversal of approved transactions from current financial year to prior year as expenses were incurred in prior year	80
d Amount due by ultimate holding company for unapproved bonus and related expenses	30
e Reclassification of amortisation of rights of use from administrative expenses to distribution costs	99
As per audited	(3,249)

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

Notes (continued)

6. <u>Other expenses (Inclusive of loss allowance on third parties trade receivables)</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	(321)
a Current financial year adjustments as per Note 1 to 7	38
As per audited	(283)

7. <u>Income tax expenses</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	(153)
a Additional provision of income tax for current financial year	(47)
b Utilisation of deferred tax liabilities	39
c Effects of rounding	1
As per audited	(160)

8. <u>Profit/(loss) attributable to: Equity holders of the Company</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	126
a Current financial year adjustments as per Note 1 to 7	840
As per audited	966

9. <u>Total comprehensive income/(loss) for the reporting period: Equity holders of the Company</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	125
a Current financial year adjustments as per Note 1 to 7	840
As per audited	965

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

2) CONSOLIDATED STATEMENT OF FINANCIAL POSITION	GROUP			
	FY2020 (Unaudited) S\$'000	FY2020 (Audited) S\$'000	VARIANCES S\$'000	Note
NON-CURRENT ASSETS				
Property, plant and equipment	941	1,057	116	10
Intangible assets	42	42	-	
Investment in subsidiaries	-	-	-	
Right-of-use asset	1,540	1,540	-	
	2,523	2,639	116	
CURRENT ASSETS				
Inventories	3,601	3,642	41	11
Trade and other receivables	9,805	10,225	420	12
Prepayments	134	134	-	
Income tax recoverable	49	49	-	
Fixed deposits pledged with banks	878	878	-	
Cash and bank balance (include of pledged bank deposits)	14,639	14,630	(9)	13
	29,106	29,558	452	
Less:				
CURRENT LIABILITIES				
Trade payables and other payables	4,749	4,923	174	14
Contract liabilities	1,276	1,295	19	15
Provisions	42	31	(11)	16
Borrowings	3,237	3,237	-	
Lease liabilities	792	812	20	17
Derivative financial instruments	-	-	-	
Income tax payable	396	443	47	18
	10,492	10,741	249	
NET CURRENT ASSETS	18,614	18,817	203	
Less:				
NON-CURRENT LIABILITIES				
Borrowings	3,883	3,883	-	
Lease liabilities	1,202	1,181	(21)	17
Deferred tax liabilities	62	23	(39)	19
	5,147	5,087	(60)	
NET TOTAL ASSETS	15,990	16,369	379	
CAPITAL AND RESERVES				
Share capital	5,125	5,125	-	
Other reserves	1,202	1,217	15	20
Retained earnings	9,662	10,027	365	21
Non-controlling interests	1	-	(1)	22
TOTAL EQUITY	15,990	16,369	379	

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

Notes (continued)

10. <u>Property, plant and equipment</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	941
a Capitalisation of property, plant and equipment reversed from cost of sales resulted from equipment leased out to customers-Prior year adjustments	117
b Capitalisation of property, plant and equipment from inventory resulted from equipment leased out to customers	38
c Depreciation of leased out equipment	(40)
d Effects of rounding	1
As per audited	1,057

11. <u>Inventories</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	3,601
a Reclassification of advance payment to inventory as good was received in FY2019-year 2019-Prior year adjustment	110
b Accrual of purchase for good received in FY2019-Prior year adjustment	46
c Reversal of FY2019 reclassification of advance payment to inventory wrongly taken up in current financial year	(110)
d Reversal of FY2019 accrued purchase wrongly taken up in current financial year	(46)
e Capitalisation of property, plant and equipment from inventory resulted from equipment leased out to customers	(38)
f Reversal from cost of sales to inventory resulted from equipment leased out to customers	38
g Inventories wrongly expensed off as cost of sales	100
h Allowance of impairment on inventory	(58)
i Effects of rounding	(1)
As per audited	3,642

12. <u>Trade and other receivables</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	9,805
a Over recognition of sales – Prior year adjustments	(36)
b Reclassification of advance payment to inventory as good was received in FY2019-Prior year adjustment	(110)
c Reclassification of debit balance of trade and other payables, to trade and other receivables in current financial year	(389)
d Inter-companies' receivable was eliminated wrongly to Trade & other payables	(127)
e Omission of inter-companies' elimination entry	(25)
f Error of elimination entry reversal	(154)
g Amount due by ultimate holding company for unapproved bonus and related expenses Cost of sales-\$148,000 (Note 2(k)) + Administrative expenses-\$30,000 (Note 5(d))	178
h Reclassification of payables to receivables for amount due by ultimate holding company	743
i Reversal of approved transactions from current financial year to prior year as expenses were incurred in prior year Distribution costs-\$323,000 (Note 4(c)) + Administrative expenses-\$80,000 (Noted 5(c))	403
j Over recognition of sales – Current financial year	(73)
k Reversal of GST charged on security deposit for rental of equipment	(3)
l Reversal of overstatement of government grant income	(85)
m Customer's receipt double taken up	9
n Reclassification of credit balance receivables to payables	29
o Reversal of provision of purchase discounts	(9)
p Reversal of prior year service income taken up in current financial year	(42)
q Reversal of reclassification of advance payment to inventory for FY2019, which was taken up wrongly in current financial year	110
r Effects of rounding	1
As per audited	10,225

13. <u>Cash and bank balance</u>	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	14,639
a Customer's receipt double taken up	(9)
As per audited	14,630

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

Notes (continued)

14. Trade and other payables	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	4,749
a Accrual of FY2019 bonus – Prior year adjustment	143
b Accrual of purchase for good received in FY2019-Prior year adjustment	46
c Reversal of expenses related to unapproved transactions-Prior year adjustments	(65)
d Expenses taken up for approved transactions-Prior year adjustments	454
e Reclassification of debit balance of trade and other payables, to trade and other receivables in current financial year	(389)
f Inter-companies' receivable was eliminated wrongly to Trade & other payables	(127)
g Omission of inter-companies' elimination entry	(25)
h Error of elimination entry reversal	(154)
i Reversal of unapproved bonus Costs of sales-\$392,000 (Note 2(b)) + Distribution costs-\$101,000 (Note 4(a)) + Administrative expenses-\$223,000 (Note 5(a))	(716)
j Reversal of overstatement of government grant income	194
k Reversal of FY2019 bonus taken up in current year Cost of sales-\$32,000 (Note 2(c)) + Distribution costs-\$41,000 (Note 4(b)) + Administrative expenses-\$70,000 (Note 5(b))	(143)
l Understatement of cost of sales	245
m Reclassification of payables to receivables for amount due by ultimate holding company	743
n Reversal of GST charged on security deposit for rental of equipment	(3)
o Reclassification of deposit from customer previously wrongly classified as payables	(10)
p Reclassification of accrued salaries from provisions to payables	11
q Reclassification of credit balance receivables to payables	29
r Reversal of translation resulted from year-end inter-companies' balances wrongly taken up	(38)
s Accrual of bonus	25
t Reversal of FY2019 accrued purchase wrongly taken up in current financial year	(46)
	4,923
15. Contract Liabilities	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	1,276
a Advance payment wrongly taken up as revenue – Prior year adjustment	10
b Reclassification of deposit from customer previously wrongly classified as payables	10
c Effects of rounding	(1)
As per audited	1,295
16. Provisions	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	42
a Reclassification of accrued salaries from provisions to payables	(11)
As per audited	31
17. Lease liabilities (Current and Non-current)	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	1,994
a Effects of rounding	(1)
As per audited	1,993
18. Income tax payable	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	396
a Additional provision of income tax for current financial year	47
As per audited	443
19. Deferred tax liabilities	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	62
a Utilisation of deferred tax liabilities	(39)
As per audited	23
20. Other reserves	S\$'000
As per unaudited (Announcement on 1 Mar 2021)	1,202
a Acquisition of 50% investment in subsidiary from non-controlling interests-Past years	15
As per audited	1,217

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

Notes (continued)

21. Retained earnings		S\$'000
As per unaudited (Announcement on 1 Mar 2021)		9,662
a	Prior year adjustments	
b	Capitalisation of property, plant and equipment reversed from cost of sales resulted from equipment leased out to customers-Prior year adjustments	117
c	Over recognition of sales – Prior year adjustments	(36)
d	Reversal of expenses related to unapproved transactions-Prior year adjustments	65
e	Expenses taken up for approved transactions-Prior year adjustments	(454)
f	Accrual of FY2019 bonus – Prior year adjustments	(143)
g	Advance payment wrongly taken up as revenue – Prior year adjustment	(10)
h	Acquisition of 50% investment in subsidiary from non-controlling interests-Past years	(15)
i	Current year adjustments	
j	Current year adjustments as per Notes 1 to 7	840
k	Acquisition of 50% investment in subsidiary from non-controlling interests-Current financial year	1
As per audited		10,027
22. Non-controlling interests		S\$'000
As per unaudited (Announcement on 1 Mar 2021)		1
a	Acquisition of 50% investment in subsidiary from non-controlling interests-Current financial year	(1)
As per audited		-

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

3) CONSOLIDATED STATEMENT OF CASH FLOWS	Group			
	FY2020 (Unaudited) S\$'000	FY2020 (Audited) S\$'000	VARIANCES S\$'000	Note
Operating activities				
Profit before income tax	278	1,125	847	1 to 7
Adjustments for:				
Loss allowance on third parties trade receivables	141	141	-	
Amortisation of intangible asset	23	23	-	
Amortisation of right-of-use asset	1,220	1,220	-	
Inventories written down	-	475	475	23
Property, plant and equipment written off	(56)	1	57	24
Modification of leases term	-	(2)	(2)	24
Depreciation of property, plant and equipment	258	298	40	10
Fair value (gain)/loss on derivative financial instruments	(8)	-	8	25
Finance cost	211	211	-	
Interest income	(43)	(43)	-	
Operating profit before working capital changes	2,024	3,449	1,425	
Working capital changes:				
Changes in inventories	(144)	(542)	(398)	26
Changes in trade and other receivables	1,374	821	(553)	27
Changes in prepayments	28	(22)	(50)	28
Changes in trade and other payables, contract liabilities and provisions	(710)	(1,126)	(416)	29
Cash generated from operations	2,572	2,580	8	
Income tax refund	-	-	-	
Income tax paid	(281)	(293)	(12)	30
Net cash from operating activities	2,291	2,287	(4)	
Investing activities				
Purchases of intangible assets	(51)	-	51	28
Purchases of property, plant and equipment	(233)	(233)	-	
Proceeds from sale of property, plant and equipment	55	-	(55)	24
Interest received	43	43	-	
Net cash used in investing activities	(186)	(190)	(4)	
Financing activities				
Decrease in pledged bank deposits	478	478	-	
Proceeds from borrowings	12,135	12,129	(6)	31
Repayment of borrowings	(8,245)	(8,239)	6	31
Repayment of obligations under lease	(1,188)	(1,188)	-	
Interest paid on bank borrowings	(210)	(211)	(1)	
Net cash from financing activities	2,970	2,969	(1)	
Net increase/(decrease) in cash and cash equivalents	5,075	5,066	(9)	13
Cash and cash equivalents at beginning of financial year	9,567	9,567	-	
Effect of exchange rate changes on cash and cash equivalents	(3)	(3)	-	
Cash and cash equivalents at end of financial year	14,639	14,630	(9)	13

SINGAPORE KITCHEN EQUIPMENT LIMITED

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

Notes (continued)

23. Disclosure of inventories written down of \$475,000 (refer to Note 26 (c)) was omitted on the Consolidated Statement of Cash Flows, released on 1 March 2021.

24. Property, plant and equipment and proceed from sales of property, plant equipment were reclassified to modification of lease term, in respect to a sale of a motor vehicle which is under finance lease.

25. Derivative financial instruments of \$8,000 was reclassified to trade and other payables (refer to Note 29 (f)) during the year.

26. Changes in inventories

As per unaudited (Announcement on 1 Mar 2021)		(144)
a	Inventories variance (Note 11)	(41)
b	Movement resulted from adjustments (Note 11 (a), 11 (b), 11 (e))	118
c	Disclosure omission on inventories written down (Note 23)	(475)
As per audited		(542)

27. Changes in trade and other receivables

As per unaudited (Announcement on 1 Mar 2021)		1,374
a	Trade and other receivables variance (Note 12)	(420)
b	Movement resulted from adjustments (Note 12 (a) to 12 (b))	(146)
c	A withholding tax payment of \$12,000 was reclassified from income tax paid to trade and other payables (refer to Note 30)	12
d	Effects of rounding	1
As per audited		821

28. An advance payment for a software made to vendor in FY2019 was taken up as prepayment and was subsequently capitalised as intangible asset. Henceforth, there was no cash purchase for intangible assets in FY2020. The difference of \$1,000 variance between prepayment and purchase of intangible asset was due to effects of rounding.

29. Changes in trade and other payables, contract liabilities and provisions

As per unaudited (Announcement on 1 Mar 2021)		(710)
a	Trade and other payables variance (Note 14)	174
b	Contract liabilities variance (Note 15)	19
c	Provisions variance (Note 16)	(11)
d	Movement resulted from adjustments (Note 14 (a) to 14 (d))	(578)
e	Movement resulted from adjustments (Note 15 (a))	(10)
f	Derivative financial instruments of \$8,000 was reclassified to trade and other payables (refer to Note 25)	(8)
g	Effects of rounding	(2)
As per audited		(1,126)

30. A withholding tax payment of \$12,000 was reclassified from income tax paid to trade and other payables (refer to Note 27(c)).

31. Compensating errors resulted from casting of amounts between the proceeds and repayment of loan, disclosed on the Consolidated Statement of Cash Flows, released on 1 March 2021.