



ANNUAL
REPORT **2015**

SINGAPORE KITCHEN EQUIPMENT LIMITED



**ENGINEERED INNOVATION
POISED FOR GROWTH**



GREAT KITCHENS. WE MAKE IT HAPPEN !

We at SKE are passionate about our business. Being one of the market leaders in the industry, we have a strong track record of providing one-stop industrial and commercial kitchen solutions to our customers. Drawing on our dedication for providing the best in line kitchen solutions, we aim to be pioneers in changing the game in the cooking field. In the productivity-driven fast-paced modern world, this ball of fire will give us the pushing edge to become the best in what we do.

Mission

Service Excellence

* Product Excellence

* Partnering Our Customers!

Vision

Every Kitchen, A Q'son.

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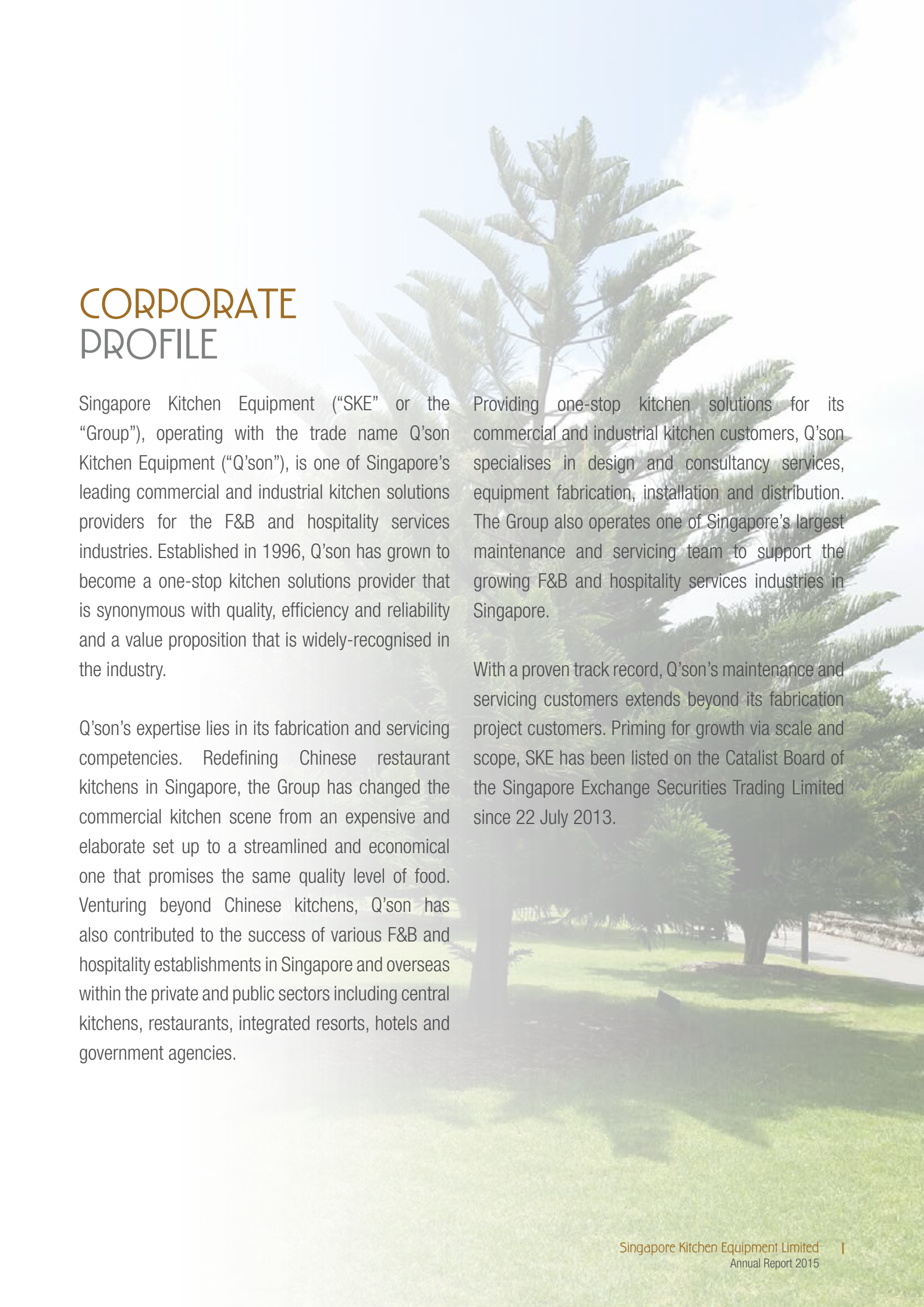
This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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CORPORATE PROFILE

Singapore Kitchen Equipment (“SKE” or the “Group”), operating with the trade name Q’son Kitchen Equipment (“Q’son”), is one of Singapore’s leading commercial and industrial kitchen solutions providers for the F&B and hospitality services industries. Established in 1996, Q’son has grown to become a one-stop kitchen solutions provider that is synonymous with quality, efficiency and reliability and a value proposition that is widely-recognised in the industry.

Q’son’s expertise lies in its fabrication and servicing competencies. Redefining Chinese restaurant kitchens in Singapore, the Group has changed the commercial kitchen scene from an expensive and elaborate set up to a streamlined and economical one that promises the same quality level of food. Venturing beyond Chinese kitchens, Q’son has also contributed to the success of various F&B and hospitality establishments in Singapore and overseas within the private and public sectors including central kitchens, restaurants, integrated resorts, hotels and government agencies.

Providing one-stop kitchen solutions for its commercial and industrial kitchen customers, Q’son specialises in design and consultancy services, equipment fabrication, installation and distribution. The Group also operates one of Singapore’s largest maintenance and servicing team to support the growing F&B and hospitality services industries in Singapore.

With a proven track record, Q’son’s maintenance and servicing customers extends beyond its fabrication project customers. Priming for growth via scale and scope, SKE has been listed on the Catalist Board of the Singapore Exchange Securities Trading Limited since 22 July 2013.

YEAR IN REVIEW



YISHUN COMMUNITY HOSPITAL (YCH)

Qson secured the entire contract for Design & Build, including supply, installation and commissioning of a hospital kitchen. Catering to 2 in-patient tower blocks (428 beds), 1 geriatric research centre with 2 basements, YCH kitchens boast efficient and productive equipment to meet the demands of the hospital.



CELAVI

Smart casual restaurant in the sky! A hugely popular locale for unwinding, chill-out and simply relax right in the Marina Bay Financial District area. At 57th level of Marina Bay Sands, the restaurant commands a breath-taking view with al-fresco dining all year round. With a viewing point, Celavi is "on top of the world". Qson provided the consultancy and installation of equipment seamlessly to the delight of the exacting chefs – Michelin star chefs.



SPAGO

Another 57th level Wolfgang Group of restaurants, Spago sites right behind the Infinity Pool of Marina Bay Sands. Like Celavi, Spago commands a breath-taking view of the southern part of Singapore. With a restaurant the size of the Infinity Pool, Spago serves up Western cuisine in fine-dining setting. No efforts spared to create an ambience so sophisticated yet warm, only Spago can deliver. Qson is proud to be the official kitchen equipment supplier and contributor to this delightful experience.



EAT @ SEVEN

A Japanese casual restaurant at Suntec City, EAT @ SEVEN is a 50-seater eatery that serves up authentic Japanese food. Hugely famous for sashimi, EAT @ SEVEN imports directly from Japan all seafood and kept their scintillating freshness with special blast freezers (going down to -60°C in a jiffy, depending on the size, weight and volume of the food product).



SEDONA HOTEL IN MYANMAR

No place too far for Qson to reach! Sedona is Qson's maiden hotel kitchen equipment consultant and supplier. Working with Koh Brothers (who developed the hotel), Qson provided both consultancy, supply of equipment, testing and commissioning on this turnkey project. Hand, sealed and delivered in December 2015, in time to welcome guests for the festive season!

HOTEL INDIGO & HOLIDAY INN EXPRESS

Spanking new 16-storey hotel development at the East Coast area, Qson was awarded the kitchen equipment supply and installation. Beautifully set in the tranquil and yet exotic location in the East, Hotel Indigo & Holiday Inn Express boasts a plethora of cuisine for the discerning guests. Equipped at a cost close to \$800,000, the kitchens provide comfort food, local delights and international cuisine to whet the appetite of guests and visitors alike.



SWENSENS @ SUN PLAZA & WATERWAY POINT

With a seating capacity of 120 to 150 pax for each outlet, Swensens opened 2 family restaurants with the delight of Swensen's fans in the east and north! Traditionally, Swensens mandate and known for good food, fair price and out-of-the-world ice cream. Qson supports Swensens in every way. Full fledged kitchen fit out with full-fledged after sales service, Swensens will continue in their tradition of being a family restaurant for the very long term.



EIGHTEEN CHEFS

Number 10th restaurant, that's at Star Vista. With a seating capacity of about 120 pax, Eighteen Chefs makes no bones about portraying "good food, great people" mantra to all. Serving up western fusion fare, Eighteen Chefs was founded on providing customers with value for money meals based on a social enterprise mindset. Founding member, mentor and creative director, Benny Seetoh, helms the show and doing a great job in the last 9 years! Qson is proud and privileged to fit out a great kitchen at a modest below \$100K budget, so Benny can concentrate on what he does best – COOK.



SOFITEL HOTEL

Situated in beautiful Sentosa, the Sofitel Hotel allured with a resort feel, appealing to all senses. With dining of international menu, the guests and visitors are spoilt for choice. With both inside and al-fresco dining, Sofitel presses all the right buttons for the discerning guests and visitors. Set up of kitchen at just below \$1 million, Sofitel will be the go-to place for a long time.



OUR BUSINESS

The Group's two key business segments are Fabrication and Distribution Segment and Maintenance and Servicing Segment.



Fabrication and Distribution Segment

Q'son manufactures and customises kitchen systems and equipment under its "Innoflame" brand. It is renowned for its Innoflame range for professional oriental cooking range. The Group also engages an OEM to manufacture commercial refrigerator equipment under its "Qoolux" brand. In addition, Q'son also sells and distributes imported kitchen systems, equipment and accessories by several established brands from Canada, Europe, Japan and the USA.

Apart from fabricating and distributing commercial and industrial kitchen systems and equipment, Q'son provides design, consultancy and installation services to its customers based on their specifications and requirements. With its capabilities and experience in kitchen systems and equipment, Q'son is able to provide value-added advice and solutions for installation and maintenance of commercial and industrial kitchens.

HOUSE BRAND



InnoFlame (Chinese cooking range)



Qoolux (Industrial refrigeration products)



HOUSE BRAND

Sole Distributor

Third Party Kitchen Equipment





One of the leading kitchen equipment maintenance and servicing providers in Singapore

Urgent repairs, cleaning and degreasing of kitchen equipment

On-the-job training for newly recruited technicians and periodic in-house training

Growing service team; increasing operational fleet of 25 vehicles

Maintenance and Servicing Segment

Q'son has the largest servicing team in Singapore providing kitchen equipment maintenance and technical servicing. Under the Group's preventive annual maintenance agreements, its servicing team undertakes preventive maintenance works and repairs on kitchen equipment to ensure that they are in functioning and good working condition.

Q'son also provides equipment servicing capabilities on an ad-hoc basis and for urgent repairs, cleaning and degreasing of kitchen equipment, including exhaust hoods, ducts, and exhaust motors. The technical servicing team is certified and licensed by relevant authorities to construct and repair gas pipes and fittings, as well as install, repair and test gas appliances and gas meters.





The Right Fusion for Success

Driven by our dedication of providing the best in line kitchen solutions that adhere to the highest standards of quality, we at SKE continue to help our customers improve productivity for their businesses. This has allowed us to satisfy the needs of F&B and hospitality service industries across the Asia-Pacific region, as well as the discerning palettes of our clients. With our established brand of excellence, efficiency and reliability, we envision every kitchen to be a Q'son by further strengthening our capabilities and branching out to other markets and sectors.

CHAIRMAN AND MD STATEMENT

Dear Shareholders

On behalf of the Board of Directors of Singapore Kitchen Equipment Limited ("SKE"), we are pleased to present to you our Group's annual report for the financial year ended 31 December 2015 ("FY2015").

The Group ended the year under review with a higher net profit attributable to equity shareholders of S\$1.5 million compared to S\$0.6 million for FY2014. This was achieved on the back of a 31.6% increase in revenue to S\$26.0 million, from S\$19.8 million in FY2014. The fabrication and equipment distribution business notched up S\$19.8 million in revenue (S\$14.2 million FY2014) while the service maintenance business saw an increase in revenue to \$6.2 million (S\$5.6 million FY2014).

More than 90% of the revenue was derived from the domestic market, due to minimal sale and lack of new project opportunities in export markets compared to FY 2014 mainly because of higher costs, the strong Singapore dollar and more intense competition. About 57% of the revenue was garnered in the second half of the year, which has traditionally been a busier period for the Group because of re-equipping or retro-fitting by F&B establishments to cater to the year-end festivities and higher tourist arrivals.

Higher costs continued to squeeze margins. Cost of sales rose by S\$4.1 million (31.0%) to S\$17.4 million for the year compared to S\$13.3 million in FY2014, primarily due to higher material cost and wages.

Statistics from the Economic Survey of Singapore 2015 showed that, visitor arrivals grew by 0.9 per cent to 15.2 million in the year under review, while tourism receipts declined by 6.8 per cent to S\$22.0 billion, with the business and meetings and incentives sector accounting for much of the decline. This was attributed to the uncertain global economic outlook and weak currencies in some of Singapore's key regional tourism markets.*

The Singapore food & beverage services index fell by 5.0 per cent in 2015, a more pronounced decline than the 1.5 per cent in the previous year, led by a sharper contraction of 7.7% in the sales of restaurants (2.5% in 2014), according to the survey Fourth quarter restaurant sales was down 9.4 %. Overall, Singapore's economy grew 2.0% compared to 2.9% for 2014.*

The Group's performance is closely tied to the conditions in the hospitality and F&B industry, where labour shortage, as much as visitor arrivals and consumer spending, has a direct impact on our business. There has been some closure of restaurants and cafes due to the inability of owners to secure service staff in the face of an already difficult operating environment.

Although our sales were affected, we were fortunate to have redirected some of our efforts to the higher-end market where new branded names and Michelin star restaurants, especially those in the Marina Bay area, helped boost revenues. Fulfilment of contracts carried over from the FY2014 order book also helped contribute to the improved turnover.

The SKE sales team also focused more efforts on public tenders and had a 6-month promotion to offer equipment repairs at reduced cost to attract new and smaller players to use our services. We also reached out to smaller niche operators in landed property areas and met with some success.

While established food service outlets continue to thrive, the uncertain economic environment coupled with the difficult labour market has deterred some from expanding further or investing in new equipment. Although the

Group saw an increase in orders for new equipment, its receipts from repair and maintenance services also increased by 11%, and accounted for 24% of total revenue compared to 28% for FY2014.

Driving Client-Centred Growth

We have been in the industry for some 20 years and fully understand that our destiny is closely linked to the success of our clients. Our philosophy is to partner our clients by delivering quality products and services to help support their growth. We have done this by persistent control over costs, and constantly strengthening our service teams by increasing head count and providing continued skills training to ensure our clients get the highest possible level of service.

The SKE teams of friendly, responsive and skilled service technicians make close to 100 service calls every day to the satisfaction of leading members of the food & service industry, including hotels, restaurants, resorts, factory & plant canteens and central kitchens, as well as the homes of culinary enthusiasts.

Our responsive and efficient maintenance service, and trouble-shooting support, is critical to every client's business, which is dependent on unflinching operation of all their equipment to deliver scrumptious meals to their customers' tables, whether they are Michelin-star restaurants, cafes, caterers or food court outlets.

At SKE, continuing learning and upgrading is becoming a culture for all our staff especially those in the technical and sales departments that are at the front line providing consultancy and support. About 75% of the staff have gone through at least one module of training in the area of their work to hone their competency and raise productivity.

At our fabrication plants, we have introduced more technology into the workflow, such as laser-cutting machine and semi-automated welding machines. They have helped reduce manpower cost and raw material wastage, and at the same time improved output quality.

SKE has also tapped on government funding to help us leverage more on technology to boost productivity and service efficiency. We have created a user-friendly 'Qson Service Call' smartphone app that our clients can download from Google Play and the Android App Store to further boost our customer service. Our clients can now use the smartphone app for emergency service, as well as routine maintenance and service appointments, 24 hours a day, 365 days a year.

By doing this, we continue to build on our reputable track record and reliable brand name within the industry while establishing trust and long-term relationships with our clients.

Extending Our Innovative Product Lines to Meet Needs

Besides ensuring reliable and trustworthy support service, SKE is also mindful of the evolving needs of the industry as increasing competition continues to spur innovation and creativity in the F&B market. For our product lines, we have continuously improved and refined the quality of our own InnoFlame brand of equipment for the Chinese restaurant market, as well as the Q'son Island Cooking Station. Over the years, we have also acquired the agency for a range of established and reliable brands from Italy,

Germany, Japan, China and Taiwan to meet the sophisticated needs of more new innovative restaurants and food outlets and new Michelin Star-aspiring establishments.

In September 2015, we clinched the sole distributorship for a German-made multifunctional cooker called MKN FlexiChef for Western cuisine restaurants, hotel food service and caterers. Sale of the FlexiChef showed promise in the last quarter of 2015 and we look forward to close more orders in the new financial year.

This new product follows the introduction in 2014 of the Automatic Intelligent Cooker (AIC) for stir frying in Chinese cooking, which is designed for large orders for events and bigger catering needs where speed and quality consistency are critical. This smart system can be pre-programmed to prepare various dishes, making light work of the cooking and boosting productivity.

Increasingly we are focusing our attention on providing solutions that can help the food service industry automate more of the kitchen operations to cope with the 'new normal' in the demographic change and tight labour market.

Economic Uncertainties Cloud Outlook

The economic slowdown in several parts of the world and continued uncertainties have affected many businesses in Singapore and the impact has been felt in the hospitality and food and beverage industries here as well.

In 2015, arrivals and tourism receipts had been impacted by the drop in business and incentive meetings visitors, as well as travellers from key source countries in the region such as Australia, Indonesia and Malaysia. This was attributed to the strong Singapore dollar compared to other regional currencies.

Available statistics showed the number of F&B establishments had grown from 6,000 to 7,000 between 2009 and 2014, with manpower numbers increasing 4.8% annually during that period. Labour constraints in a tight market and increasing costs have impacted many of them. With F&B sales slowing down, some consolidation in the market can be expected in the short term.

With economic growth slated to slow further in 2016, consumer spending on eating out would be expected to dampen. The probability of the F&B sector being hit hard is predictable.

The government has urged players in the sector to be less manpower-reliant and take concerted measures to improve productivity. SPRING Singapore has introduced the Food Service Productivity Roadmap to encourage them to adopt productivity initiatives, including kitchen automation, using the Capability Development Grant (CDG) and Innovation and Capability Voucher (ICV).

Gearing Up for a Bigger Marketing Thrust

At SKE, we expect the road ahead to be challenging.

In our marketing effort, we will continue to focus on the high-end segment as the more established names and Michelin Star type restaurants have shown to be more resilient. At the same time, we will reach out more to labour-strapped establishments to offer our range of automated and cost effective equipment. We believe we have the expertise, the resources and the products to support any successful F&B operator to fulfill their labour-saving, cost-saving, time-saving and productivity requirements without sacrificing food quality and presentation.

We will also step up our programme to entice more mid-size to smaller players in the market to subscribe to our maintenance and service packages. More emphasis will also be placed on expanding and up-skilling the maintenance and service team to widen our customer support capability, as this business area has much room to grow.

SKE's overseas expansion effort is taking up more time than anticipated. However, we have made some progress in Myanmar and the Maldives and will continue to till the ground in these two countries, as well as in Malaysia, Indonesia, Vietnam, Cambodia and India, where we are exploring tie-ups with complementary businesses in the sub-Continent.

Internally, we will exercise more prudent management by further streamlining our work processes, managing and deploying our staff more effectively and tightening costs in all our operations in Singapore and Malaysia. As we press on with additional marketing efforts, we will be further refining our sales team and providing them with the required retraining to prepare them for the challenges ahead.

In Appreciation

We would like to record our heartfelt appreciation to our clients, business partners, suppliers, Directors and staff for their support and hard work during the year under review.

To our valued shareholders, we thank you for your unwavering support. It is our pleasure to recommend a final dividend of 0.25 cents, subject to shareholders' approval at the upcoming Annual General Meeting.

Eileen Tay-Tan Bee Kiew

Independent Director and Chairman

Sally Chua

Co-founder & Managing Director

*According to MTI Economic Survey of Singapore 2015.

OPERATIONS REVIEW

Singapore Kitchen Equipment Limited ("SKE" or the "Group") had a good year in 2015, in spite of the slowing Singapore economy and challenges posed by the difficult labour market and increased competition in the F&B market.

The Group's revenue increased 31.6% to S\$26.0 million for the year ended 31 December 2015, against the backdrop of a decline in tourist/visitor arrivals and slide in their spending during the year. Both the Fabrication & Equipment Distribution and the Maintenance and Service divisions registered higher, healthy revenue growth, some of which was carried over from orders received in 2014.

Segment Review

Fabrication & Distribution

With a history of some 20 years in the F&B industry in Singapore, SKE has a prestigious list of clients spanning from 5-star hotels, through Michelin Star restaurants to established local dining favourites and top-ranking caterers. SKE provides solutions for commercial kitchens – managing turnkey projects, manufacturing and supplying hardware, and offering consultancy and reliable, after sales technical support.

Our growing reputation has helped us to drive total revenue for the Fabrication and Equipment Distribution business to S\$19.8 million in the year under review, up 39.5% over the S\$14.2 million for FY2014. During the year, the Division completed close to 400 projects and secured 20% more new contracts.

The completed projects include the Yishun Community Hospital; Sofitel Singapore Sentosa Resort & Spa; Sedona Hotel, Myanmar (Yangon); Hotel INDIGO by IHG at 86 East Coast Road; Holiday Express Singapore Katong at 88 East Coast Road; the CE LA VI Singapore club, restaurant & bar at the SkyPark at Marina Bay Sands Tower 3; SPAGO Singapore - Wolfgang

Puck's critically-acclaimed flagship restaurant at the 57th level of Marina Bay Sands Tower 2; Eat At Seven at Suntec City's Sky Garden that offers 7 different Japanese concepts; Swensen's in Waterway Point at Punggol Central; Swensen's in Sun Plaza at Sembawang Drive; and the 10th Eighteen Chefs outlet in The Star Vista at Vista Exchange Green.

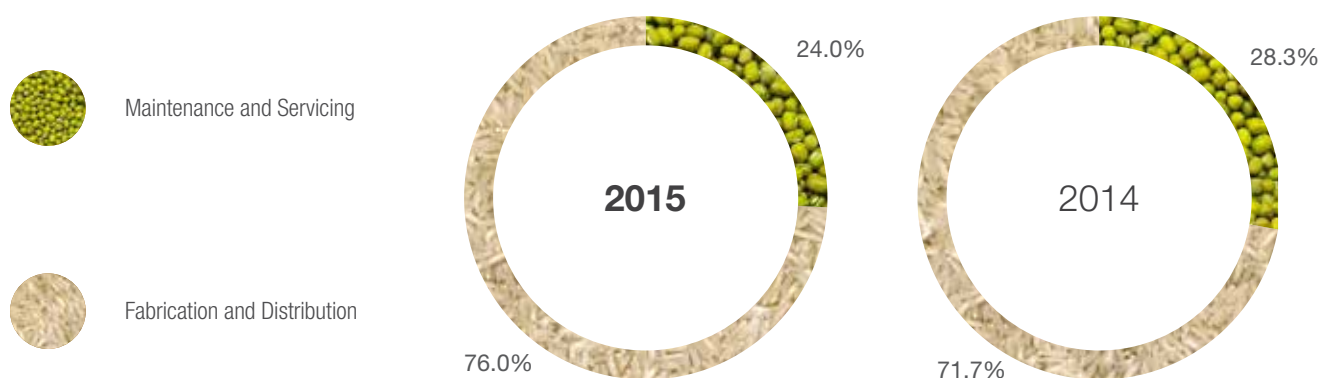
In September 2015, the Division was appointed the Sole Distributor for Singapore and Service Contractor (Asia Pacific) for MKN FlexiChef – an enhanced, automatic and innovative line of multi-functional cooker from Germany, mainly designed for Western cuisine. Our technical team has been factory trained and certified to carry out installation, repair and maintenance of this sophisticated equipment. Meanwhile, SKE has plans to further innovate the FlexiChef for Asian cooking, to benefit a wider market.

Last year, we had launched into the Asian restaurant segment the Automatic Intelligent Cooker (AIC) for stir frying designed for central kitchens and banquet requirements. As it can be pre-programmed to prepare various dishes, AIC drastically reduces manpower requirements, cooking time, thence reducing running cost. This automated system promises to contribute to revenue in the years ahead.

The bulk of our business is derived from the domestic market. It will be more challenging for us in the 2016 financial year. The government has projected the economic growth for 2016 of between 1 to 3%. Growth for international visitor arrivals will also soften to a pace of 3%, while tourism receipts are expected to grow marginally up to 2%.# SKE has adopted a paradigm shift in our mindset and process to work smarter and harder to attain a higher sales volume.

With the Singapore economy transiting into a 'new normal' with less reliance on foreign workers, the food & beverage industry that is highly labour-dependent has been urged by the government to automate more of their operations using available grants and incentives. SKE has capitalised on the opportunities by working with more F&B establishments to further improve and automate their kitchen processes to achieve greater savings, as well as higher productivity.

Chart I: Revenue proportion (FY2015 versus FY2014)



We have re-strategised our marketing efforts and expanded the sales team to cover the length and breadth of the market, with more emphasis on the higher end. Our staff too has been put through relevant upgrading and skill development courses to prepare them for the challenges of an expected slower and more competitive market.

Maintenance & Service

Before its listing on the Singapore Stock Exchange in 2013 the Group had already established itself as a leading maintenance and technical support service company for the food & beverage sector, with more than 50% share of the overall servicing pie.

Today, the Division has a team of 87 technicians and engineers and a fleet of 25 vehicles to provide our signature 24/7, 365 maintenance and technical support service and retain our pole position amongst our clientele.

Its transformation into a full-fledged turnkey kitchen systems solution provider under one roof had spurred it to greater heights. 2015 was a great year for the Maintenance and Service Division. The Division enjoyed an increase of 11.4% in revenue to \$6.2 million from S\$5.6 million in FY2014. We anticipate further improvement in the next couple of years as the F&B sector becomes more competitive and stakeholders more cautious and savvy with new capital investments.

The growth of our maintenance and service business was carefully planned with on-going skills upgrading for our technical staff, not least also supervisory and management training for technical executives. Continuing learning is very much ingrained as a culture in our organization. Increasingly, culinary equipment automation has been advancing rapidly, tapping on smart technology, computerization and wireless systems.

Growing & Grooming Our Team

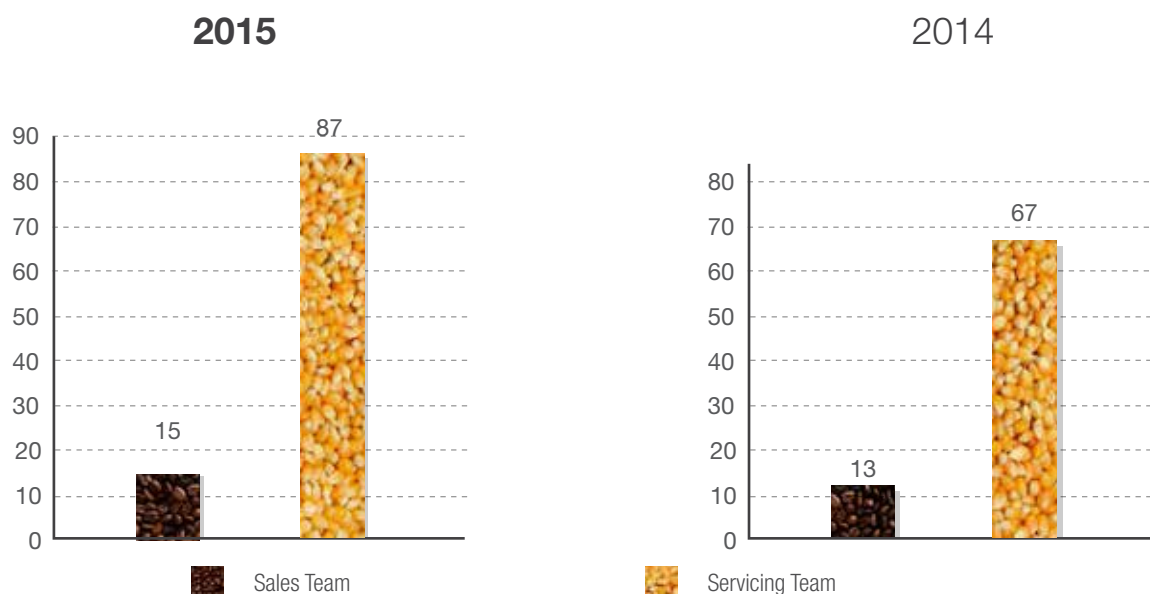
Revenue growth was made possible through concerted efforts to drive sales with an expanded sales team. To support the more demanding and sophisticated needs of clients and continued growth of the two segments, the headcounts in the sales and service teams were increased by 15% and 30%, respectively, in 2015. With the addition of 2 senior sales staff, a total of an estimated \$3 million in gross sales for year ending 2015 was brought in.

With the fast changing operating landscape, it is imperative for us to embrace new technologies, innovations and the various government schemes available, making staff training a seamless and an enjoyable process. For new products and processes, we worked closely with our principals to provide our key staff with critical product and technical support training.

The Group has worked closely with various government agencies such as E2i and SPRING Singapore, as well as the Singapore Manufacturing Federation, to adopt and implement innovative solutions to improve productivity and encourage innovation within the organization. Every worker in the Group knows they are important and integral to the survival of the Company. They have contributed to efforts for the Company to be awarded the WSH bizSAFE STAR, a five-step programme that can help the Company to achieve quantum improvements in safety and health standards at the workplace.

The Group's vision is EVERY KITCHEN, A Q'SON. Hence, it's our clarion call to strive towards the fulfillment of this vision.

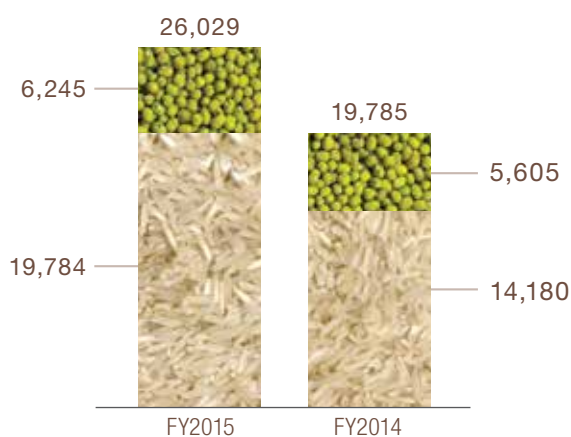
Chart 2: Teams' Growth (FY2015 versus FY2014)



#According to STB Media Release 'Mixed tourism sector performance in 2015 in the face of global headwinds'.

FINANCIAL HIGHLIGHTS

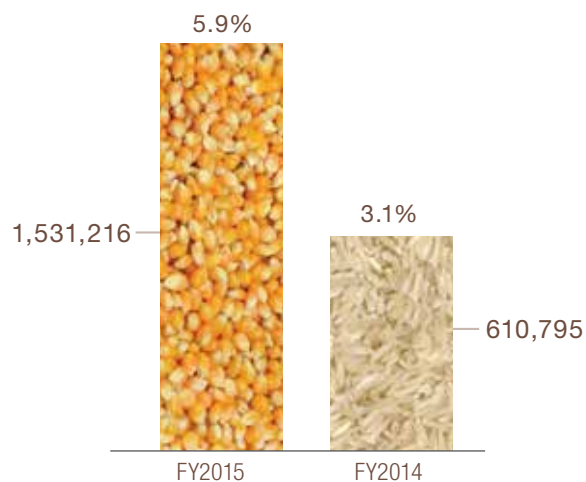
Revenue
(S\$'000)



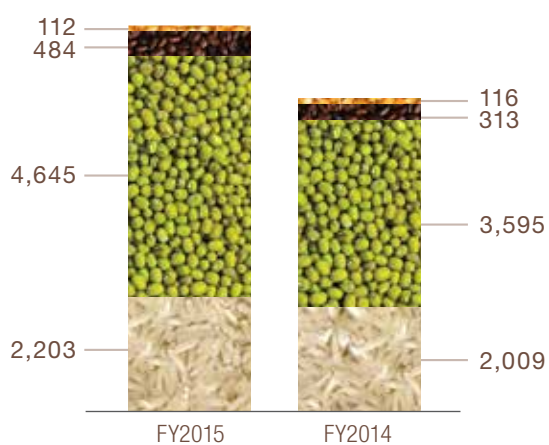
Gross Profit (S\$'000)



Net Profit (S\$) and Margin



Total Expenses
(S\$'000)



Total Shareholders' Equity
(S\$'000)



REVIEW OF FINANCIAL PERFORMANCE

Revenue

For the year ended 31 December 2015 ("FY2015"), the Group recorded an increase in revenue to S\$26.0 million, an increase of 31.6% or approximately S\$6.2 million, as compared to the previous year in review ("FY2014"). The increase was led by both of our business segments – Fabrication and Distribution; and Maintenance and Servicing. Due to an expanded sales team as well as enhanced sales efforts to secure new customers, the Fabrication and Distribution segment accounted for S\$5.6 million of the increase in revenue, while Maintenance and Servicing segment contributed an increase of S\$0.6 million sales revenue as a result of increase in service jobs and contracts.

Cost of sales and gross profit

The Group's cost of sales rose by 31.0%, approximately S\$4.1 million in FY2015 compared to S\$13.3 million in FY2014. The increase can be attributed to an increase of cost of material by S\$3.6 million; higher wages cost, bonuses and levy charges of S\$0.4 million and an increase in direct overheads of S\$0.1 million.

Gross profit for the year improved by S\$2.1 million to S\$8.6 million, compared to S\$6 million in the previous corresponding year. Overall gross profit margin also saw a climb of 0.3%, from 32.8% in FY2014 to 33.1% in FY2015.

Other income

Other income rose by approximately S\$0.4 million to S\$0.6 million from FY2014. The increase was brought about by a gain on disposal of property amounting to approximately S\$0.2 million and higher other general income.

Distribution costs

Due to the expansion of our sales team, there was an increase in sales staff cost that contributed largely to the rise of selling and distribution costs of the Group by approximately S\$0.2 million or 9.7% in FY2015 to S\$2.2 million (FY2014: S\$2.0 million).

Administrative expenses

Administrative expenses increased from approximately S\$3.6 million in FY2014 to S\$4.7 million for the year in review, representing an increase of S\$1.1 million or 29.2%. The bulk of the increase can be attributed to an increase in training fees of S\$0.2 million, higher staff cost of S\$0.4 million, higher consultation fee of S\$0.1 million and reclassification of certain accounts amounting to S\$0.2 million.

Other expenses

Owing to an increase in the provision of doubtful debts amounting to S\$0.2 million, other expenses rose by S\$0.2 million or 54.5% to approximately S\$0.5 million in FY2015 (FY2014: S\$0.3 million).

Finance costs

Finance costs remained flat at S\$0.1 million in FY2015 compared to FY2014.

Income tax expense

Income tax expense for the year was S\$0.3 million, comprising under-provision of income tax amounting to S\$54,000 in respect of the previous year, deferred taxation credit of S\$31,000 and income tax expense for FY2015 of approximately S\$246,000. The income tax expense is lower than that based on the statutory rate of 17% owing to tax exempt income and corporate tax rebate.

Profit for the year

For FY2015, the Group report a higher net profit attributable to equity shareholders of approximately S\$1.5 million compared to S\$0.6 million for FY2014. This improvement stemmed from the increase in sales revenue, higher other income and a gain on disposal of property.

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

Assets

The Group's non-current assets decreased by S\$0.1 million to S\$1.7 million as at 31 December 2015 (31 December 2014: S\$1.8 million). The Group incurred additional capital expenditure spending of S\$0.4 million in FY2015, offset by a depreciation and amortisation cost of S\$0.5 million.

The reported current assets of the Group amounted to approximately S\$19.6 million as at 31 December 2015 (31 December 2014: S\$19.6 million). Inventories increased by approximately S\$0.9 million or 32.4% due to a need to build up stocks to satisfy project deliveries in FY2016. Trade and other receivables also increased by approximately S\$1.5 million or 22.5% due to recognition of sales that were completed in December 2015. Following the repayment of bank borrowings, the Group's cash and cash equivalents decreased by S\$1.8 million or 19.3% from S\$9.5 million as at 31 December 2014 to S\$7.7 million as at 31 December 2015.

Liabilities

Non-current liabilities fell slightly by S\$0.2 million or 25.7% from S\$0.7 million as at 31 December 2014 to S\$0.5 million as at 31 December 2015 mainly due to the repayment of finance lease payables amounting to approximately S\$0.1 million.

The Group's current liabilities as at 31 December 2015 decreased by approximately S\$0.8 million or 10.3%, to S\$7.0 million from S\$7.8 million as at 31 December 2014. This was mainly due to increase in repayment of bank borrowings of approximately S\$1.9 million in FY2015 offset by the increase in trade and other payables of S\$0.8 million, provision of S\$0.1 million and current tax payable of S\$0.2 million.

Shareholders' Equity

As at 31 December 2015, the Group had shareholders' equity of approximately S\$13.8 million as compared to S\$13.0 million as at 31 December 2014 resulting from an increase in retained earnings.

Cash Flows

Cash and cash equivalents, excluding pledged fixed deposits, reduced by approximately S\$1.9 million, standing at approximately S\$7.0 million as at 31 December 2015, compared to the cash and cash equivalent balance of S\$8.9 million as at 31 December 2014.

Net cash generated from operating activities during FY2015 was approximately S\$0.6 million, compared to S\$1.1 million in the same corresponding period last year. The operating cash flows before movements in working capital amounted to approximately S\$2.8 million offset by a decrease in net working capital of approximately S\$2.1 million and income taxes paid of approximately S\$0.1 million. The decrease in net working capital was mainly due to higher trade and other receivables and inventory of approximately S\$1.8 million and S\$1.1 million respectively offset by increase in trade and other payables of approximately S\$0.9 million.

Net cash generated from investing activities was approximately S\$0.3 million in FY2015, much of this was attributed to proceeds from sale of assets held for sale of S\$0.7 million offset by acquisition of capital expenditure amounting to S\$0.4 million.

Net cash used in financing activities approximated S\$2.8 million in FY2015. Funds from issuance of trust receipts of approximately S\$6.7 million were offset by the repayment of trust receipts of approximately S\$7.8 million. The cash outflows were mainly dividend payments made of approximately S\$0.6 million in FY2015, settlement of term loan borrowing and finance lease payable of approximately S\$0.9 million and payment of interest expense of S\$0.1 million.

BOARD OF DIRECTORS



Standing from Left to Right:

Lee Chong Hoe Alan, Ng How Hwan Kevin, Cheng Chun Choi Frankie, Wong Hin Sun, Eugene

Sitting from Left to Right:

Chua Chwee Choo Sally, Tay-Tan Bee Kiew Eileen

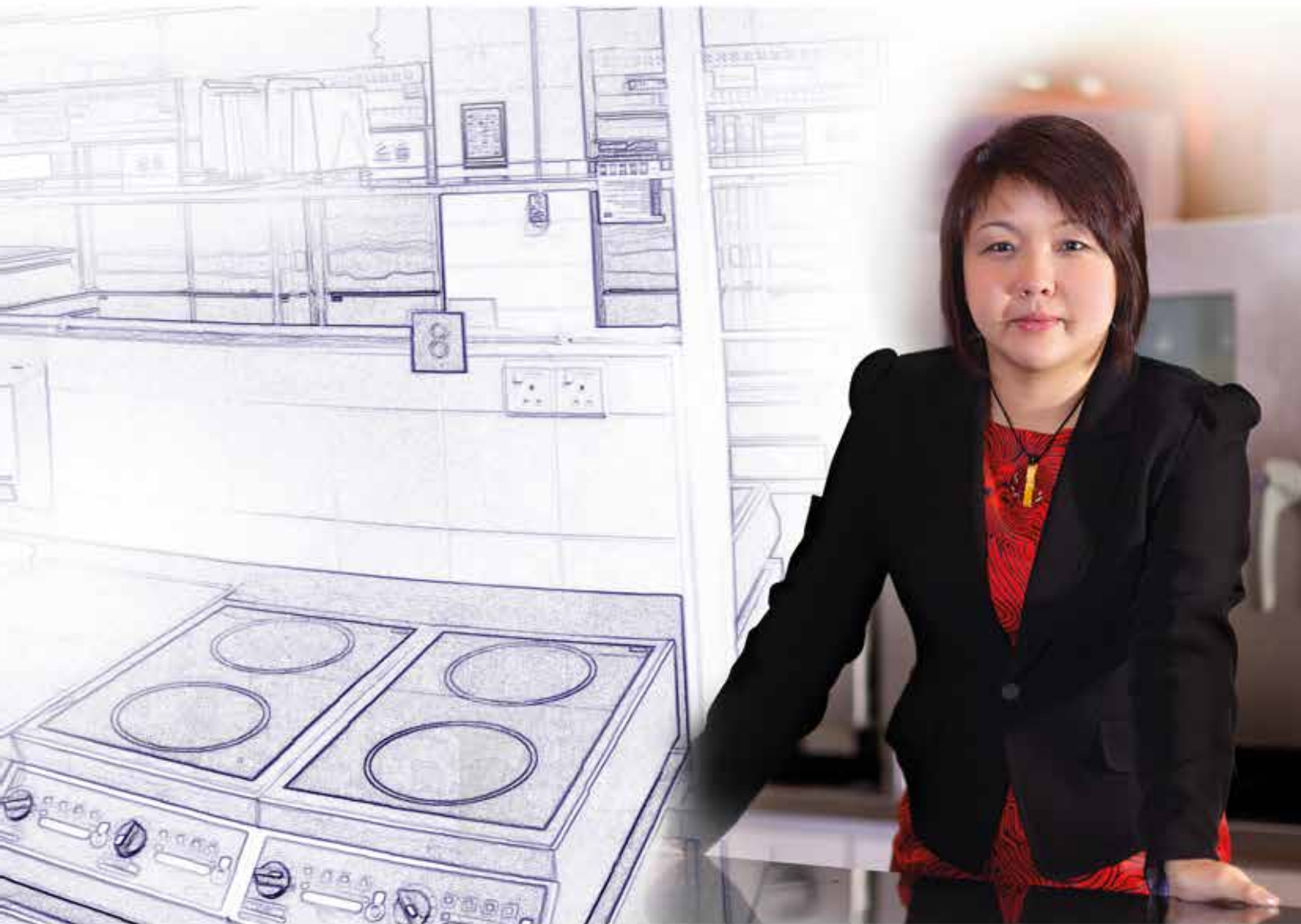
BOARD OF DIRECTORS



Tay-Tan Bee Kiew Eileen

is our Independent Director and Chairman of the Group. She is currently an Independent Director and the Chairman of the Audit Committee of SGX-ST Catalist-listed Jason Marine Group Limited. She is also an Independent Director and Chairman of the Audit Committee of SGX-ST mainboard-listed Cordlife Group Limited. She is also a member of SPRING SEEDS Investment Panel. She was a partner of KPMG and also previously sat on the boards of Australian listed companies.

Mrs Tay brought with her vast and in-depth experience in auditing, accounting, finance, taxation, mergers and acquisitions and public listing to Singapore Kitchen Equipment Limited. Under her trained eye and business advisory, SKE's finance team was able to uphold the highest calibre in reporting, risk management and accounting governance.



Chua Chwee Choo Sally

is one of 3 founding members, our Managing Director and appointed to the Board on 9th May 2013. Daily operations, spear-heading innovation in hardware and software aspects of operations, oversight of both the Sales and Marketing divisions, Sally also conceptualises strategic plans for implementation and execution for both short- and long-term goals.

Under her leadership, Qson successfully garnered the prestigious Singapore Prestige Brands Award (SPBA) Established Brand category, under the auspices of Spring Singapore, in October 2015. This is in recognition of the high level of co-ordinated branding of Qson locally.

Year 2015 was a rewarding year. Qson exceeded the corporate revenue target and expanded bottom line earnings percentage. Indeed, Sally had steered Qson in the right direction and given the right directives.

BOARD OF DIRECTORS



Lee Chong Hoe Alan

is our co-founder and Executive Director (Technical and Maintenance Service) and appointed to the Board on 9th May 2013. Alan heads the Technical Department since inception. With rapid advancement in technological usage in the commercial kitchen equipment, Alan continually upgrades and skill-up the technical team to meet these challenges. Setting Qson apart from the rest is our ability to service and maintain different models, brands, types and series of kitchen equipment, even those not purchased from Qson. Under the leadership of Alan, our technical department had grown to be the largest in Singapore; 95 skilled technicians with a fleet of 25 vehicles on call 24/7, 365.

As a first in the industry, Qson had successfully implemented Qson Service Call (QSC) App. Available both in Play and App Store, QSC App takes easy service to the next level.



Cheng Chun Choi Frankie

Is our co-founder and Executive Director (Production) and appointed to the Board on 9th May 2013. The entire factory and production is under the purview of Frankie. Besides the regular brick and mortar production, Frankie is responsible for innovation and creation of better (both aesthetic and operation) products. As a leader in the Chinese range equipment and every intention to stay the course, Frankie and team developed an environmentally friendly feature to the InnoFlame range, to reduce power consumption and noise level.

Stainless steel production output outstrips the last 5 years' target by 30%, coupled with resource savings in material through use of automation, the production department helped to increase the overall profitability of Qson.

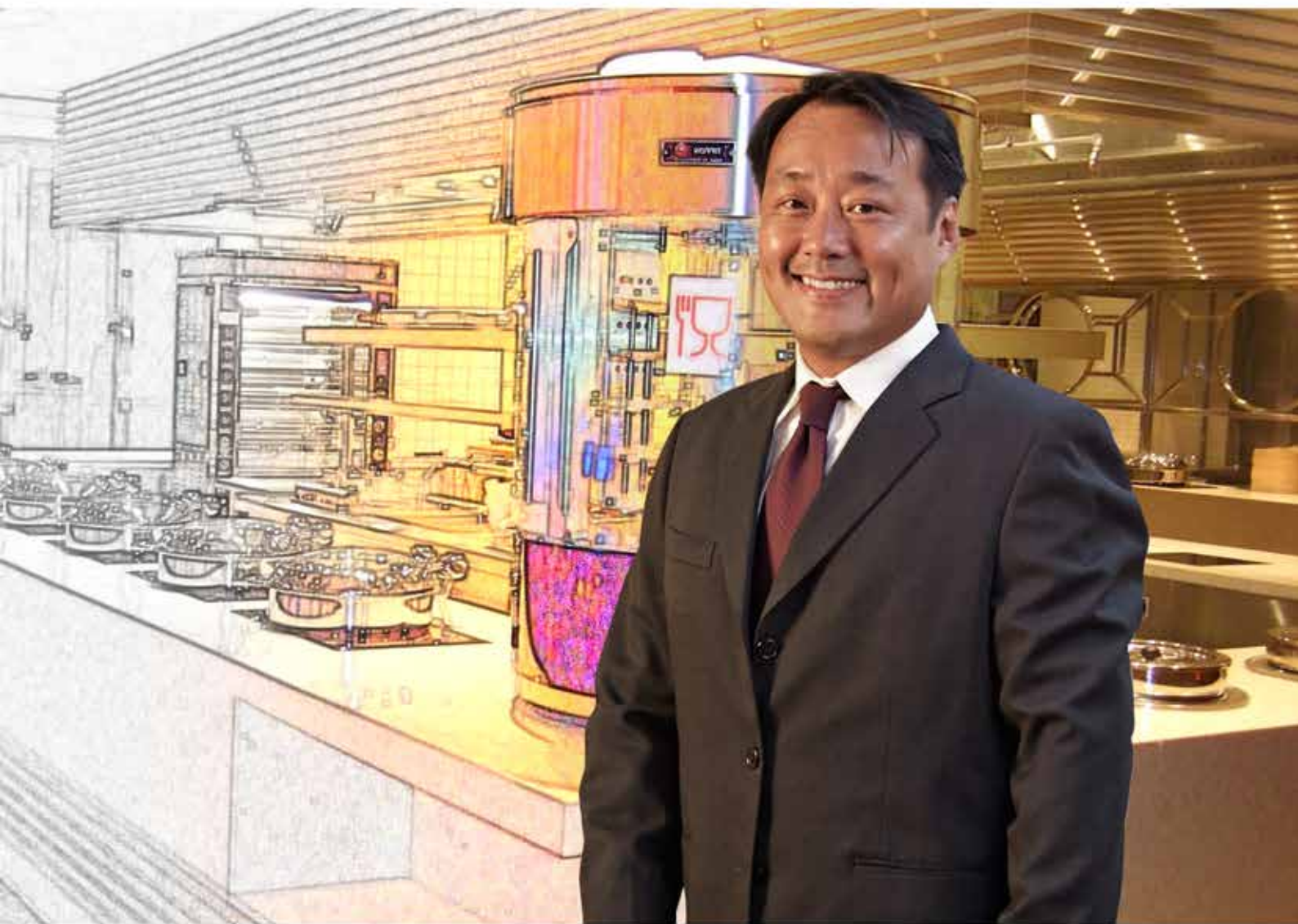
BOARD OF DIRECTORS



Wong Hin Sun, Eugene

is our Non-Executive Director and was appointed to our Board on 25th June 2013. He is the founder and Managing Director of venture capital investment company, Sirius Venture Capital Pte Ltd (Sirius). Eugene is a Non-Executive Chairman of CrimsonLogic Pte Ltd. He is also Non-Executive Director for Neo Group Limited, Japan Food Holding Ltd and Jason Marine Group Limited. Concurrently, he serves as board member of the Agri-Food & Veterinary Authority of Singapore (AVA) and International Enterprise (IE) Singapore, Cargo Community Network Pte Ltd – a subsidiary of SIA Cargo – and Singapore Cruise Centre Pte Ltd.

Through Eugene's expanse of business contacts and his ability to match SKE with interested chain accounts customers and suppliers alike, Eugene had opened up opportunities for SKE to cut new deals and expand our network.



Ng How Hwan Kevin

is our Independent Director and was appointed to our Board on 16th September 2013. He is currently the Vice President of Super Brands, a fully owned SGX-ST mainboard-listed ThaiBev, responsible for its international beer business. He is a Director of ThaiBev's fully owned subsidiaries, Super Brands Company Pte Ltd, Interbev (Singapore) Pte Ltd, Oishi F&B (Singapore) Pte Ltd and InterBev Timor Unipessol LDA.

Kevin also serves as a Non-Executive Independent Director of SGX-ST Exchange Catalyst-listed Neo Group Limited and chairs the Remuneration Committee.

Kevin brings to the table his 23 years' experience in the food and beverage (F&B) industry, clearly understood the dynamics of F&B and what makes the workers tick. As a Remuneration Chairman of the Remuneration Committee of SKE, Kevin steered and advised SKE on a sustainable game plan, a rewarding corroboration between stakeholders and workers.

KEY MANAGEMENT

Koh Sai Eng Charlene

is our Senior Manager. She joined the Group in May 2007 as a Service Coordinator and is currently responsible for the general administration of the Group.

Charlene Koh began her career as a secretary with Macroserve Pte Ltd, from 1979 to 1985. Thereafter, she joined Systems Technology Pte Ltd as a Marketing and Promotions Executive. Prior to joining the Group, she worked as a Secretary with Total Peripherals Pty Ltd for ten years and its associate company, JJW Pte Ltd as an Administrative Manager for nine years.

Charlene Koh attained her GCE A Level certificate in 1975.

Teo Kok Meng

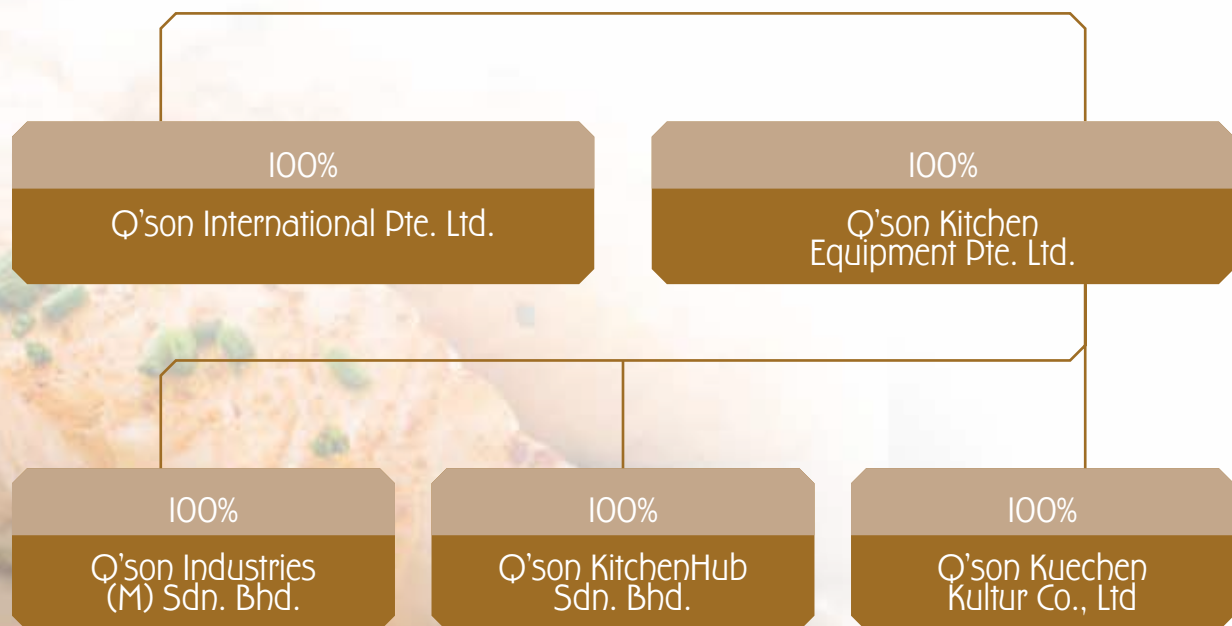
FINANCIAL CONTROLLER

Mr. Teo joined the Group in February 2015 and was appointed to the position of Financial Controller in May 2015. He is responsible for overall financial management and accounting functions, including corporate finance, tax, regulatory compliance, budgetary control and treasury functions for the Group. He has over 12 years of working experience in accounting and financial management in various public listed companies. Mr. Teo is both a fellow member of the Association of Chartered Certified Accountants and a non-practising member of the Institute of Singapore Chartered Accountants.

CORPORATE STRUCTURE



SINGAPORE KITCHEN EQUIPMENT LIMITED



CORPORATE INFORMATION

Company Registration Number: 201312671M

Board of Directors

Eileen Tay-Tan Bee Kiew	(Chairman and Independent Director)
Chua Chwee Choo	(Managing Director)
Cheng Chun Choi	(Executive Director)
Lee Chong Hoe	(Executive Director)
Wong Hin Sun, Eugene	(Non-Executive Director)
Ng How Hwan, Kevin	(Independent Director)

Share registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

Audit Committee

Eileen Tay-Tan Bee Kiew	(Chairman)
Wong Hin Sun, Eugene	
Ng How Hwan, Kevin	

Sponsor

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

Nominating Committee

Eileen Tay-Tan Bee Kiew	(Chairman)
Wong Hin Sun, Eugene	
Ng How Hwan, Kevin	

Independent Auditors

BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267

Remuneration Committee

Ng How Hwan, Kevin (Chairman)
Eileen Tay-Tan Bee Kiew
Wong Hin Sun, Eugene

Partner-in-charge:
Hong Bee Lain Jacqueline
(Appointed since the financial year ended
31 December 2014)

Company Secretary

Wong Yoen Har

Principal Bankers

DBS Bank Ltd
United Overseas Bank Limited
Standard Chartered Bank

Registered Office

115A Commonwealth Drive
#01-27/28 Tanglin Halt Industrial Estate
Singapore 149596
Tel: (65) 6472 7337
Fax: (65) 6472 6497

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CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

The Board of Directors (the “Board”) of Singapore Kitchen Equipment Limited (the “Company”) is committed to maintain a high standard of corporate governance within the Company and its subsidiaries (the “Group”) to ensure greater transparency and to protect the interests of the Company’s shareholders.

The Company recognizes the importance of good governance for continued growth and investors’ confidence. In line with the commitment by the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Code of Corporate Governance 2012 (the “Code”).

The Company has in general, adhered to the principles and guidelines of the Code. Where there are deviations from the Code, appropriate explanations have been provided.

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and the management remains accountable to the Board.

The Board’s role is to:

- (a) Provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- (b) Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s assets;
- (c) Review management performance;
- (d) Identify the key stakeholder groups and recognized that their perceptions affect the Group’s reputation;
- (e) Set the Group’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board provides shareholders with a balanced and clear assessment of the Group’s performance, financial position and prospects on a half-yearly basis.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group.

The Board delegates the formulation of business policies and day-to-day management to the Managing Director and the Executive Directors as well as the key management personnel to ensure operations and performance of the Group are aligned with the strategies.

Matters which specifically require the Board’s decision or approval include the following corporate matters:

- Annual budgets;
- Half yearly and year end results announcements and the release thereof;
- Annual reports and financial statements for presentation at Annual General Meeting;
- Corporate strategies;
- Commitments to term loans and lines of credit;
- Issuance of shares;
- Material acquisitions and disposal of assets;
- Investment, divestment or capital expenditure exceeding S\$0.5 million;
- Convening of shareholders’ meetings;
- Appointments to the Board and the various Board Committees;
- Declaration of interim dividends and proposal of final dividends; and
- Interested person transactions.

The Company has documented the guidelines for matters that require the Board’s decision or approval.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

In order for the Board to provide an independent oversight and to discharge its responsibilities more efficiently, the Board has delegated certain functions to the following Board Committees which Committees operate within clearly defined terms of reference and functional procedures:

- (a) Audit Committee ("AC");
- (b) Remuneration Committee ("RC")
- (c) Nominating Committee ("NC"); and
- (d) Singapore Kitchen Equipment Performance Share Plan Committee.

(hereinafter collectively referred to as the "Committees")

The Chairman of the respective Committee will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the respective Committees for consideration and/or approval by the Board.

The Board meets at least twice every year to coincide with the announcement of the Group's half yearly results and year end results. Adhoc Board meetings are called as and when deemed necessary by the Board to address any specific or significant matters that may arise. The Company's Constitution allows for Directors to participate in meetings by means of conference telephone, videoconferencing, audio visual or other electronic means of communication by which all persons participating in the meetings can hear one another contemporaneously, without having to be in the physical presence of each other.

The number of Board and Board Committees meetings held and attended by each Director during the financial year ended 31 December 2015 ("FY2015") is set out below:

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Tay-Tan Bee Kiew Eileen	3	3	2	2	1	1	1	1
Chua Chwee Choo	3	3	2	2*	1	1*	1	1*
Lee Chong Hoe	3	3	2	2*	1	1*	1	1*
Cheng Chun Choi	3	2	2	1*	1	1*	1	1*
Wong Hin Sun Eugene	3	3	2	2	1	1	1	1
Ng How Hwan, Kevin	3	3	2	2	1	1	1	1

* By invitation

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Group require the approval of the Board.

The Directors receive regular updates on relevant new laws and regulations from the Company's relevant advisors. Newly appointed Directors will receive a formal letter, indicating the duties and obligations with the appointment. The Directors, have attended appropriate training, on governance practices, enterprise risk management and relevant statutory and regulatory compliance issues. The Company encourages all Directors to receive regular training, particularly on new laws, regulations and commercial risk from time to time. The Directors keep themselves abreast with the changes and developments. There is no new appointment of Director in FY2015.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises six Directors, including three Executive Directors, one Non-Executive and Non-Independent Director and two Independent Directors. This composition complies with the Code's requirements outlined in Guideline 2.1 whereby it is required that the Independent Directors should make up at least one third of the Board.

As at the date of this report, the Board comprises the following directors:

Tay-Tan Bee Kiew Eileen	-	Chairman	(Independent Director)
Chua Chwee Choo	-	Managing Director	(Executive Director)
Lee Chong Hoe			(Executive Director)
Cheng Chun Choi			(Executive Director)
Wong Hin Sun Eugene			(Non-Executive and Non-Independent Director)
Ng How Hwan Kevin			(Independent Director)

The Board, as a whole, combines people with industry knowledge, general commercial experience, accounting and financial background, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. The objective judgment of the Non-Executive Director and Independent Directors on corporate affairs and their collective experience and contributions are valued by the Company. The Board is of the view that the current board size is appropriate, taking into account the nature and scope of the Group's operations.

The Non-Executive Director and Independent Directors will constructively challenge and assist in the development of proposals on business strategy, and assist the Board in reviewing the performance of the management in meeting on agreed goals and objectives, and monitoring the reporting of performance. When necessary, the Non-Executive Director and Independent Directors will have discussions amongst themselves without the presence of the management.

The independence of each Director is reviewed annually by the NC and the Board. The NC adopts the definition in the Code as to what constitutes an independent Director in its review that the Board consists of persons who, together, will provide core competencies necessary to meet the Group's objectives. Independent Directors of the Group are independent in character and judgement and there are no relationships with the Company, its related corporations, its shareholder(s) holding not less than 10% of the voting shares in the Company ("10% shareholders") or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group. As at the date of this report, the following Directors are independent:

Tay-Tan Bee Kiew Eileen
Ng How Hwan Kevin

None of the above Independent Directors have served on the Board beyond nine years from the date of his/her first appointment.

The profile of the Directors can be found under the Directors' Profile section of this Annual Report.

Chairman and Managing Director ("MD")

Principle 3: There should be a clear division of responsibilities between leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and MD, which ensures there is a balance of power and authority, such that no one individual represents a considerable concentration of power.

Currently, the Company's Chairman and MD are separate and distinct, each having their own areas of responsibilities. The Company believes that a distinctive separation of responsibilities between the Chairman and the MD will ensure an appropriate balance of power, increased accountability and greater capacity for the Board to exercise independent decision-making.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Mrs Tay-Tan Bee Kiew Eileen is the Independent and Non-Executive Chairman of the Board while Ms Chua Chwee Choo is the MD of the Group. Mrs Tay-Tan Bee Kiew Eileen and Ms Chua Chwee Choo are not related to each other.

The Chairman's duties include:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promoting a culture of openness and debate at the Board;
- (d) ensuring that the directors receive complete, adequate and timely information;
- (e) ensuring effective communication with shareholders;
- (f) encouraging constructive relations within the Board and between the Board and Management;
- (g) facilitating the effective contribution of non-executive directors in particular; and
- (h) promoting high standards of corporate governance.

The MD's duties include:

- (a) overseeing the daily running of the Group's operations; and
- (b) executing strategies and policies adopted by the Board.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three Directors, two of whom including Chairman are independent Directors. The NC Chairman is not associated with in any way with the 10% shareholders of the Company. The composition of the NC is as follows:-

Tay-Tan Bee Kiew Eileen (Chairman)
Wong Hin Sun Eugene
Ng How Hwan Kevin

The NC met once in FY2015. The NC has a set of terms of reference. The main role of the NC is to make the process of Board appointments and re-appointments of Directors more transparent as well as to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the Board.

The principal functions of the NC are as follows:

- (a) Reviewing board succession plans, in particular for the Chairman of the Board and Managing Director;
- (b) Developing a process for evaluation of the performance of the Board, its Committees and Directors;
- (c) Recommending to the Board comprehensive and tailored induction training programmes for new Directors and to review training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks;
- (d) Reviewing assessing and making recommendations to the Board on all Board appointments, including the composition of the Board which includes Committees;

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

- (e) Reviewing the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Group and the core competencies of the Directors as a group;
- (f) Reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and to consider his/her competencies, commitment, contribution, performance and whether or not he/she is independent;
- (g) Determining, on an annual basis, the independence of the Directors;
- (h) Recommending Directors who are retiring by rotation to be put forward for re-election; and
- (i) Deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company particularly when he/she has multiple board representations.

The NC examines the Board's size to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Group's operations. The Directors bring to the Board their related experiences and knowledge and also provide guidance in the various Board Committees as well as to the management of the Company.

The NC reviews and affirms the independence of the Company's Independent Directors. Each Independent Director is required to complete a Director's independence checklist annually to confirm their independence. This checklist is based on guidelines provided in the Code and requires each Director to assess whether they consider themselves independent despite not being involved in any relationship which may interfere or be reasonably perceived to interfere with the exercise of independent judgement in carrying out functions as Independent Directors of the Company.

The NC has reviewed the independence of Mrs Tay-Tan Bee Kiew Eileen and Mr Ng How Hwan Kevin, and is satisfied that there are no relationships which would deem any of them not to be independent. In reviewing the independence, the NC has considered the relationships identified by the Code and additionally, the Independent Directors are also independent of the substantial shareholders of the Company.

Although the Non-Executive Director and Independent Directors hold directorships in other companies which are not in the Group, the NC is of the view that there should be no restriction to the number of board representations of each director and the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

In the search for potential new Directors, the NC will seek to identify the competence required for the Board to fulfill its responsibilities. The NC may, as and when necessary, engage recruitment consultants or engage other independent experts to undertake research on, or assess candidates for new positions on the Board. The expenses of such services shall be borne by the Company.

Pursuant to Article 98 of the Company's Constitution, at least one-third of the Directors (including MD) for the time being shall retire from office by rotation at least once every three years at the Company's Annual General Meeting ("AGM"). In addition, Article 99 provides that the retiring Directors are eligible to offer themselves for re-election. Article 98 of the Company's Constitution also provides that all newly appointed Directors shall retire from office at the next AGM following their appointments. All Directors are required to subject themselves for re-nomination at regular intervals at least once every three years.

The Company has disclosed key information of the Directors which can be found under the Directors' Profile section of this Annual Report.

The NC has reviewed and recommended the re-election of the following Directors who are retiring under Article 98 of the Company's Constitution respectively at the forthcoming AGM:

Lee Chong Hoe
Wong Hin Sun Eugene

The Board has accepted the NC's nominations of the above retiring Directors who have given their consents for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as Director.

As at the date of this report, there are no Alternate Directors in the Company.

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Listed Companies	Past Directorships in Listed Companies
Tay-Tan Bee Kiew Eileen	Chairman and Independent Director	25 June 2013	29 April 2014	- Jason Marine Group Limited - Cordlife Group Limited	S i2i Limited
Chua Chwee Choo	Managing Director and Executive Director	9 May 2013	28 April 2015	Nil	Nil
Lee Chong Hoe	Executive Director	9 May 2013	29 April 2014	Nil	Nil
Cheng Chun Choi	Executive Director	9 May 2013	28 April 2015	Nil	Nil
Wong Hin Sun Eugene	Non-Executive and Non-Independent Director	25 June 2013	29 April 2014	- Japan Foods Holding Ltd. - Jason Marine Group Limited - Neo Group Limited	- Ajisen (China) Holdings Limited - TMC Education Corporation Ltd
Ng How Hwan Kevin	Independent Director	16 September 2013	29 April 2014	Neo Group Limited	Nil

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has established evaluation procedures and performance criteria for the assessment of the Board's performance as a whole. The evaluation of the Board's performance is carried out on an annual basis, and the performance criteria for the Board evaluation covers amongst other criteria, Board composition, Board processes, Board accountability, MD's performance and succession planning and standard of conduct of the Board. Each Director assesses the Board's performance as a whole by providing feedback to the NC.

The performance measurements ensure that the mix of skills and experience of the Directors continue to meet the needs of the Group.

The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole. The performance evaluation questionnaire was prepared and compared with its industry peers to ensure that the standard is unbiased. The questionnaire was completed by each Director, and collated with findings that were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The NC has conducted the assessment for FY2015. The results of the NC's assessment has been communicated to and accepted by the Board.

The Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

The NC will be provided with access to expert professional advice, as and when necessary. The expenses of such services shall be borne by the Company.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance of the Board as a whole has been satisfactory. Although the Non-Executive Director and Independent Directors have multiple board representations, the NC is satisfied that sufficient time and attention have been provided to the Group.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to the board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board in fulfilling its responsibilities, Management provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis. The Board has a separate and independent access to Management to facilitate further enquiries. Directors are entitled to request from Management and are provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.

In addition, all relevant information on the Group's annual budgets, management accounts, Board Papers and related materials, background and explanatory information relating to the matter at hand, copies of disclosure documents, material events and transactions are circulated to Directors. In respect of budgets, material variances between projection and actual results are explained.

The Directors have separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary attends all meetings of the Board and Board Committees and assists the Board to ensure that proper procedures and all other rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Where the Directors require independent professional advice in the course of their duties, such advice would be provided at the Company's expense, subject to approval by the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises three Directors, two of whom including Chairman are independent Directors. The RC Chairman is not associated with in any way with the 10% shareholders of the Company. The composition of the RC is as follows:-

Ng How Hwan Kevin (Chairman)
Tay-Tan Bee Kiew Eileen
Wong Hin Sun Eugene

The RC, under its terms of reference, is responsible for the following:

- (a) to recommend to the Board a general framework of remuneration for the Board, determine specific remuneration packages and terms of employment for each Executive Director, the MD and key management personnel and submit such recommendations for endorsement by the entire Board covering all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;
- (b) to perform annual review of the remuneration of employees related to the Executive Directors, MD and substantial or controlling shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities which include to review and approve any bonuses, pay increases and/or promotions for these employees;

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

- (c) to review and recommend to the Board the terms of renewal for Executive Directors whose employment contracts will expire or have expired; and
- (d) to function as the Committee referred to in the Singapore Kitchen Equipment Performance Share Plan.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. The recommendations of the RC are submitted to the Board for endorsement. All aspects of remuneration, including, but not limited to, Directors' fees, salaries, allowances, bonuses, options and benefits-in-kinds are reviewed by the RC. Each member of the RC shall abstain from voting on any resolutions in respect of his/her own remuneration package. No individual Director is involved in fixing his/her own remuneration.

The RC will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise. The remuneration policy is also structured to link rewards to corporate and individual's performance.

In setting the remuneration packages of the Executive Directors and key management personnel, the Company takes into account the performance of the Group and of the individual, which are aligned with long term interests of the Group, the risk policies of the Company and the eligibility for benefits under long-term incentive schemes.

The Executive Directors do not receive directors' fees and are paid based on their Service Agreements entered with the Company on 1 June 2013 as disclosed in the Company's Prospectus dated 12 July 2013. The Service Agreement took effect on the date of admission of the Company to Catalist for an initial period of three years and shall be renewed automatically on a yearly basis thereafter.

Independent Directors do not have service agreements with the Company. Taking into consideration of factors such as effort and time spent and their responsibilities, the Independent Directors received directors' fees which were approved at the Company's AGM.

Disclosure of Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Taking note of competitive pressures in the talent market, the Board has, on review, decided not to disclose the exact remuneration of the Managing Director, each of the Company's Executive Directors and the key management personnel. Also, in view of confidentiality of remuneration matters, the Board is of the view that it is in the best interests of the Group not to disclose the exact remuneration of the Managing Director, each of the Executive Directors and key management personnel.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

A breakdown of the Directors' remuneration, in percentage terms showing the level and mix of each of the Directors' remuneration for the financial year ended 31 December 2015 is as follows:

Name	Remuneration Band			Salary %	Bonus %	Other Benefits %	Directors' Fees + %	Total %
	Disclosable Amount Below \$250,000 (S\$)	\$250,000 to \$500,000	Above \$500,000					
Chua Chwee Choo		√		72.9	6.1	21.0	0	100
Lee Chong Hoe		√		69.6	5.8	24.6	0	100
Cheng Chun Choi		√		69.8	5.8	24.4	0	100
Tay-Tan Bee Kiew Eileen	50,000			0	0	0	100	100
Wong Hin Sun Eugene	30,000			0	0	0	100	100
Ng How Hwan Kevin	35,000			0	0	0	100	100

Note:-

+ The Directors' Fees for the Non-Executive and Independent Directors are subject to approval by shareholders at the forthcoming Annual General Meeting.

The annual aggregate amount of the total remuneration paid to the Directors of the Company is approximately S\$1,140,129.

The breakdown of remuneration of the top five key management personnel (who are not Directors of the Company) in percentage terms for the financial year ended 31 December 2015 is as follows:

Name	Remuneration Band			Salary %	Bonus %	Other Benefits %	Total %
	Below \$250,000*	\$250,000 to \$500,000	Above \$500,000				
Susan Chong*				91.6	0	8.4	100
Teo Kok Meng#	√			90.3	0	9.7	100
Charlene Koh	√			65.0	22.8	12.2	100
Soh Kee Hock	√			84.1	14.0	1.9	100
Chan Weng Yee	√			72.3	4.9	22.8	100
Royston Soon	√			75.9	3.4	20.7	100

* Resigned as Acting Chief Financial Officer on 30 April 2015.

Appointed as Financial Controller on 4 May 2015.

The annual aggregate amount of the total remuneration paid to the top five key management personnel is approximately S\$707,932.

There are no termination or retirement benefits that are granted to the Directors and key management personnel.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Group. Executive Directors owe a fiduciary duty to the Group. The Group should be able to avail itself to remedies against the Executive Directors and key management in the event of such exceptional circumstances and breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Chua Chwee Choo is the wife of Lee Chong Hoe. Both their individual remuneration have exceeded S\$50,000. Other than the above, no employee of the Company and its subsidiaries was an immediate family member of any Director or MD or a controlling shareholder and whose remuneration has exceeded S\$50,000 during the financial year ended 31 December 2015.

The RC also administers the Singapore Kitchen Equipment Performance Share Plan ("PSP"). The PSP Committee members consist of Mr Ng How Hwan Kevin, Mrs Tay-Tan Bee Kiew Eileen and Mr Wong Hin Sun Eugene.

The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the PSP at the absolute discretion of the PSP Committee:

- (a) Group Employees (including Group Executive Directors) who have attained the age of 21 years on or before the date of grant of the Award; and
- (b) Non-Executive Directors (including independent Directors) who have attained the age of 21 years on or before the date of grant of the Award.

Controlling Shareholders shall not be eligible to participate in the PSP. However, the Associates of the Controlling Shareholders who meet the eligibility criteria of the above shall be eligible to participate in the PSP provided that (a) the participation of, and (b) the terms of each grant and the actual number of Awards granted under the PSP, to a Participant who is an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person.

To-date, no award has been granted under PSP.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the management of the Group. The Board will provide a balanced and understandable assessment of the Group's performance, position and prospects through half-yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. Management is accountable to the Board by providing the Board with necessary financial information for the discharge of its duties.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements. In line with the requirements of The Singapore Exchange and Securities Trading Limited ("SGX-ST"), negative assurance confirmations on half-yearly financial results were issued by the Director confirming that to the best of its knowledge, nothing had come to the attention to the Board which may render the Company's financial results to be false and misleading in any material aspect.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the legal prescribed periods.

The Management has provided all members of the Board the necessary information on a regular basis and as the Board may require from time to time to enable the Board to make informed assessment of the performance, financial position and prospects of the Group.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board requires the management to maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objective.

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities.

The MD and the Financial Controller ("FC") had provided a letter of assurance that for FY2015 (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are adequate and effective.

The Board has received letter of assurance from the Internal Auditors that during their internal audit review on certain business processes of the Group based on selected transactions for the period from 1 August 2014 to 31 July 2015, there were no major findings in the risk management and internal control system of the Group.

Having considered the present Group's size, nature and scope of the Group's operations, the Board is satisfied that the Audit Committee is able to assume the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Group's risk management systems and procedures. As such, no separate Risk Committee is established.

The Audit Committee has reviewed the Group's system of internal controls and is satisfied that the overall systems of controls are adequate to meet the needs of the Group in its current environment. Based on the framework of risk management control and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the management and various Board Committees and the aforementioned assurance provided by the MD and FC, the Board, with the concurrence of the AC is satisfied that there are adequate internal controls in place for the Group to address financial, operational, compliance and information technology controls and risk management systems during the year.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The role of the Audit Committee ("AC") is to assist the Board with regard to the discharge of its responsibility to safeguard the Group's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls with an overall objective to ensure that the management has created and maintained an effective control environment in the Group.

The AC comprises three Directors, two of whom including Chairman are independent Directors. The AC Chairman is not associated with in any way with the 10% shareholders of the Company. The composition of the AC is as follows:-

Tay-Tan Bee Kiew Eileen (Chairman)
Wong Hin Sun Eugene
Ng How Hwan Kevin

The AC meets at least half-yearly to discuss and review the following where applicable:

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and the management's response;

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

- (b) review the interim and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements;
- (c) meet with the external auditors and the internal auditors without the presence of management at least annually, to discuss any problems and concerns they may have;
- (d) review internal audit programmes and adequacy and effectiveness of the Group's internal audit function as well as to ensure coordination between the external auditors and internal auditors and management;
- (e) review and discuss with external auditors, any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- (f) consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- (g) review transaction falling within the scope of Chapter 9 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "Catalist Rules");
- (h) review the scope and results of the audit, its cost effectiveness, the independence and objectivity of the external auditors annually. Where the external auditors also supply a substantial volume of non-audit services to the Group, the nature, extent and cost effectiveness of such services would be reviewed in order to ensure that these services do not affect the independence and objectivity of the external auditors;
- (i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- (j) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- (k) review the adequacy and effectiveness of the Group's risk management and internal control system (including financial, operational, compliance and information technology controls) and to report to the Board annually; and
- (l) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The members of the AC have sufficient accounting and/or related financial management expertise or experience, as assessed by the Board in its business judgement, to discharge the AC's functions. The AC is chaired by Mrs Tay-Tan Bee Kiew Eileen, who is an Independent Director with experience in the audit and finance industry.

The AC meets with the Group's external auditors and internal auditors to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained in the Group.

The AC is authorised by the Board to investigate any matters within its terms of reference and has full access to the management and full discretion to invite any Director or executive officer to attend its meetings. The AC has reasonable resources to enable it to discharge its functions effectively.

The AC will meet at least twice a year to review the announcement of the half-yearly and full year financial results before being approved by the Board for release to the SGX-ST.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

The AC also meets and has discussions with the external auditors and internal auditors without the presence of the Company's management annually. The AC is also briefed by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit report to the AC.

The Company is in compliance with Rule 712 and Rule 715 of the Catalist Rules whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination.

AUDIT AND NON-AUDIT FEES

The aggregate amount of fees paid to the external auditors of the Company, Messrs BDO LLP, for audit and non-audit services for the financial year ended 31 December 2015 are as follows:

Audit fees:	S\$69,300
Non-audit fees in relation to tax services:	S\$16,000

The AC has reviewed the independence of the external auditors, Messrs BDO LLP, and recommended to the Board that Messrs BDO LLP be nominated for re-appointment as Auditors at the forthcoming AGM.

No former partner or director of the Company's existing auditing firm is a member of the AC.

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group and the independent investigation of such matters by the AC.

To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports will be sent to the Chairman of the AC or other Independent Directors. Details of the whistle-blowing policy have been made available to all employees.

The AC shall commission and review the findings of internal investigations where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. There was no whistle-blowing letter received during the year.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independently of the activities it audits.

The Company has appointed Messrs Nexia TS Risk Advisory Pte Ltd as the Internal Auditor ("IA") during the financial year ended 2015. The IA reports primarily to the Chairman of the AC, although the IA also reports administratively to the MD. The AC approves the hiring, removal, evaluation and compensation of the IA. The functions of the IA include review of the adequacy and effectiveness of the Company's internal controls, financial, operational and compliance controls as well as risk management. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The IA is staffed with persons with the relevant qualifications and experience. The IA carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC is satisfied that the IA is adequately resourced and has the appropriate standing to fulfil its mandate.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

The AC reviews the activities of the internal auditor on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

The IA had conducted an annual review of the effectiveness of the Group's internal controls in FY2015.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

All shareholders of the Company receive the annual report and Notice of AGM. The Notice is also advertised in a national newspaper.

Separate resolutions on each distinct issue are proposed at general meetings for approval.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders in the event that they are unable to attend the meetings. The proxy form is sent with the notice of general meetings to all shareholders.

The Company will review its Constitution from time to time such that amendments to the Constitution are in line with the applicable requirements or rules and regulations governing the continuing obligations.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Company.

Information is disseminated to shareholders on a timely basis through:

- Announcements and news releases on SGXNET
- Annual Report prepared and issued to all shareholders
- Notices of shareholders' meetings are published in the local newspapers and announced via SGXNET
- Company's website which the shareholders can access information on the Group.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their reviews on various matters affecting the company.

At the AGM, shareholders will be given the opportunity to express their views and direct questions to the Directors and the management. The Chairman of the AC, RC and NC as well as the Board, will be present and available at the AGMs to address questions from shareholders. The external auditors will also be present to address shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

Voting at the annual general meeting will be by vote of poll. Announcement of the poll results will detail the number of votes cast for and against each resolution and the respective percentages.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

DEALINGS IN SECURITIES

The Company has adopted an internal Code of Best Practice on Securities Transaction to provide guidance to all Directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Rule 1204(19) of the Catalist Rules. This has been made known to Directors, officers, executives and any other persons as determined by the management that may possess unpublished material price-sensitive information of the Group.

Directors and officers of the Group are prohibited from dealings in the Company's shares while in possession of such unpublished material price-sensitive information of the Group, and during the period commencing from at least one month before the announcement of the Group's half-yearly and full year results and ending on the day after the announcement. All Directors and officers of the Group are also advised not to deal in the Company's securities on short-term considerations and to be mindful of the law on insider trading.

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by Directors and executives of the Company.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and the transactions are carried out on an arm's length basis and will not be prejudicial to the interests of the Company, the Group and its minority shareholders.

There were no interested person transactions exceeding S\$100,000 conducted by the Group during the financial year.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of the Managing Director, any Executive Director, or controlling shareholder subsisting at the end of financial year ended 31 December 2015.

NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during the financial year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

USE OF PROCEEDS

The Company refers to the gross proceeds of S\$4.6 million raised from the initial public offering ("IPO") on 23 July 2013.

As at 26 February 2016, approximately S\$2.6 million has been used for the purposes as stated in the Company's IPO Prospectus dated 12 July 2013. The details of the deployment are as follows:-

	Intended use of proceeds from IPO	Cumulative amount deployed up to 26 February 2016
	S\$'000	S\$'000
Acquisition of additional fabrication equipment and machinery	700	319
Funding for expansion, including by way of acquisitions, joint ventures, and/or strategic alliances	1,600	0
For general working capital purposes of the Group	975	975
Expenses such as professional fees, underwriting and placement commission and brokerage, and miscellaneous fees	1,325	1,335
Total utilised	4,600	2,629

The above utilisation of the net proceeds is consistent with the intended use of proceeds as disclosed in the Prospectus dated 12 July 2013.

The Company will continue to make periodic announcements on the use of proceeds via SGXNET as and when the remaining proceeds are materially disbursed.

TREASURY SHARES

There were no treasury shares at the end of the financial year ended 31 December 2015.

DIRECTORS' STATEMENT

Year ended 31 December 2015

The Directors of Singapore Kitchen Equipment Limited (the “Company”) present their report to the members together with the audited consolidated financial statements of the Company and its subsidiaries (“the Group”) for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Eileen Tay-Tan Bee Kiew
Chua Chwee Choo
Cheng Chun Choi
Lee Chong Hoe
Wong Hin Sun, Eugene
Ng How Hwan, Kevin

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

Year ended 31 December 2015

4. Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporations except as detailed below:

Name of Directors and companies in which interests are held	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 January 2015	Balance at 31 December 2015	Balance at 1 January 2015	Balance at 31 December 2015
Holding Company				
<i>QKE Holdings Pte. Ltd.</i>				
Chua Chwee Choo	1	1	—	—
Cheng Chun Choi	1	1	—	—
Lee Chong Hoe	1	1	—	—
The Company				
Chua Chwee Choo	230,000	230,000	122,491,500	122,491,500
Cheng Chun Choi	—	—	122,491,500	122,491,500
Lee Chong Hoe	192,000	192,000	122,491,500	122,491,500
Wong Hin Sun, Eugene	—	—	5,529,500	5,619,500
Ng How Hwan, Kevin	500,000	—	—	500,000

By virtue of Section 7 of the Act, Ms Chua Chwee Choo, Mr Cheng Chun Choi, and Mr Lee Chong Hoe are deemed to have an interest in all of the interest in subsidiary corporations owned by the Company at the beginning and end of the financial year. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2016 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2015.

Mr Wong Hin Sun, Eugene, is the Managing Director and holds 100% of the issued shares of Sirius Venture Capital Pte Ltd ("Sirius Venture"), he is deemed to have an interest in all the shares held by Sirius Venture in the Company.

Mr Ng How Hwan, Kevin's shares were transferred to DBS Nominee Account (Jointly held by Mr Ng How Hwan, Kevin and spouse).

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or of its subsidiary corporations under options as at the end of the financial year.

Performance Share Plan ("PSP")

The Company has implemented a performance share plan known as PSP. The PSP was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 25 June 2013. To date, no award or performance shares have been granted or awarded pursuant to the PSP.

DIRECTORS' STATEMENT

Year ended 31 December 2015

6. Audit Committee

The Audit Committee comprises the following members, who are all non-executive and a majority of whom, including the Chairman, are Independent Directors. The members of the Audit Committee during the financial year and at the date of this report are:

Eileen Tay-Tan Bee Kiew (Chairman)	(Independent and non-Executive)
Ng How Hwan, Kevin	(Independent and non-Executive)
Wong Hin Sun, Eugene	(Non-Independent and non-Executive)

The Audit Committee performed the functions specified in Section 201B (5) of the Singapore Companies Act, Chapter 50, and the Singapore Code of Corporate Governance, including the following:

- (i) reviewing the audit plans and results of the external audits;
- (ii) reviewing the audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;
- (iii) reviewing the Group's financial and operating results and accounting policies;
- (iv) reviewing the consolidated financial statements of the Group and the statement of financial position of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;
- (v) reviewing the half yearly and annual announcements on the results of the Company and the Group;
- (vi) ensuring the co-operation and assistance given by the management to the Group's internal and external auditors;
- (vii) making recommendation to the Board on the re-appointment of the Group's internal and external auditors; and
- (viii) reviewing the Interested Person Transactions as required and defined in Chapter 9 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (SGX-ST) and ensuring that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

Year ended 31 December 2015

7. Independent auditor

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Cheng Chun Choi
Director

Singapore
31 March 2016

Lee Chong Hoe
Director

INDEPENDENT AUDITORS' REPORT

To the Members of Singapore Kitchen Equipment Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Singapore Kitchen Equipment Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 47 to 99, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
31 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		Group		Company	
	Note	2015 \$	2014 \$	2015 \$	2014 \$
Non-current assets					
Property, plant and equipment	4	1,622,936	1,693,048	—	—
Intangible assets	5	109,114	138,487	—	—
Investments in subsidiaries	7	—	—	10,000	10,000
		<u>1,732,050</u>	<u>1,831,535</u>	<u>10,000</u>	<u>10,000</u>
Current assets					
Inventories	8	3,547,260	2,678,513	—	—
Trade and other receivables	9	8,341,242	6,808,350	5,851,205	6,737,205
Prepayments		65,671	85,795	5,848	24,559
Current income tax recoverable		—	20,905	—	—
Cash and cash equivalents	10	7,689,003	9,533,361	90,774	157,010
		<u>19,643,176</u>	<u>19,126,924</u>	<u>5,947,827</u>	<u>6,918,774</u>
Property held for sale	11	—	511,497	—	—
		<u>19,643,176</u>	<u>19,638,421</u>	<u>5,947,827</u>	<u>6,918,774</u>
Less:					
Current liabilities					
Trade and other payables	12	5,005,007	4,175,140	170,076	186,591
Provisions	13	245,915	162,096	—	—
Borrowings	14	1,411,613	3,296,367	—	—
Finance lease payables	15	135,493	137,235	—	—
Current income tax payable		247,423	87,694	—	—
		<u>7,045,451</u>	<u>7,858,532</u>	<u>170,076</u>	<u>186,591</u>
Net current assets		<u>12,597,725</u>	<u>11,779,889</u>	<u>5,777,751</u>	<u>6,732,183</u>
Less:					
Non-current liabilities					
Finance lease payables	15	448,691	584,184	—	—
Deferred tax liabilities	16	35,215	67,458	—	—
		<u>483,906</u>	<u>651,642</u>	<u>—</u>	<u>—</u>
		<u>13,845,869</u>	<u>12,959,782</u>	<u>5,787,751</u>	<u>6,742,183</u>
Capital and reserves					
Share capital	17	4,124,790	4,124,790	4,124,790	4,124,790
Other reserves	18	1,230,186	1,275,315	—	—
Retained earnings	19	8,490,893	7,559,677	1,662,961	2,617,393
Equity attributable to owners of the parent, representing total equity		<u>13,845,869</u>	<u>12,959,782</u>	<u>5,787,751</u>	<u>6,742,183</u>

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 \$	2014 \$
Revenue	20	26,029,092	19,785,149
Cost of sales		(17,412,621)	(13,290,786)
Gross profit		8,616,471	6,494,363
Other items of income			
Interest income		50,507	25,252
Other income	21	577,673	248,323
Other items of expense			
Distribution costs		(2,203,264)	(2,008,530)
Administrative expenses		(4,645,056)	(3,594,923)
Other expenses		(484,393)	(313,445)
Finance costs	22	(112,159)	(116,348)
Profit before income tax	23	1,799,779	734,692
Income tax expense	24	(268,563)	(123,897)
Profit for the financial year		1,531,216	610,795
Other comprehensive income:			
<i>Items that will or may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(45,129)	2,835
Income tax relating to items that will or may be reclassified		—	—
Other comprehensive income for the financial year, net of tax		(45,129)	2,835
Total comprehensive income for the financial year		1,486,087	613,630
Profit attributable to owners of the parent		1,531,216	610,795
Total comprehensive income attributable to owners of the parent		1,486,087	613,630
Earnings per share			
- Basic and diluted (in cents)	25	1.02	0.41

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

← Equity attributable owners of the parent →					
Note	Share capital \$	Merger reserve \$	Foreign currency translation account \$	Retained earnings \$	Total equity \$
Balance at 1 January 2015	4,124,790	1,312,241	(36,926)	7,559,677	12,959,782
Profit for the financial year	—	—	—	1,531,216	1,531,216
Other comprehensive income:					
Exchange differences arising from translation of foreign operations	—	—	(45,129)	—	(45,129)
Total comprehensive income for the financial year	—	—	(45,129)	1,531,216	1,486,087
Distribution to owners of the parent					
Dividends	26	—	—	(600,000)	(600,000)
Total transactions with owners of the parent		—	—	(600,000)	(600,000)
Balance at 31 December 2015	4,124,790	1,312,241	(82,055)	8,490,893	13,845,869
Balance at 1 January 2014	4,124,790	1,312,241	(39,761)	8,073,882	13,471,152
Profit for the financial year	—	—	—	610,795	610,795
Other comprehensive income:					
Exchange differences arising from translation of foreign operations	—	—	2,835	—	2,835
Total comprehensive income for the financial year	—	—	2,835	610,795	613,630
Distribution to owners of the parent					
Dividends	26	—	—	(1,125,000)	(1,125,000)
Total transactions with owners of the parent		—	—	(1,125,000)	(1,125,000)
Balance at 31 December 2014	4,124,790	1,312,241	(36,926)	7,559,677	12,959,782

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015 \$	2014 \$
Operating activities			
Profit before income tax		1,799,779	734,692
Adjustments for:			
Allowance for impairment loss on third parties trade receivables		289,808	134,862
Allowance for impairment loss on third parties trade receivables written back		(84,954)	(22,759)
Amortisation of intangible assets		77,956	45,902
Inventories written down		228,997	150,364
Bad third parties trade receivables written off		1,988	71,490
Plant and equipment written off		487	321
Depreciation of property, plant and equipment		424,818	368,912
Depreciation of investment property		—	21,613
Provision for estimated goods return		215,115	131,296
Gain on disposal of property held for sale		(218,503)	—
Gain on disposal of plant and equipment		(8,203)	—
Interest expenses		112,159	116,348
Interest income		(50,507)	(25,252)
Operating cash flows before working capital changes		2,788,940	1,727,789
Working capital changes:			
Inventories		(1,124,643)	(1,074,912)
Trade and other receivables		(1,796,236)	1,571,532
Prepayments		18,857	(45,172)
Provision		(131,296)	—
Trade and other payables		932,587	(974,049)
Cash generated from operations		688,209	1,205,188
Income tax refund		38,351	28,726
Income tax paid		(154,928)	(114,852)
Net cash from operating activities		571,632	1,119,062
Investing activities			
Purchase of property, plant and equipment		(426,888)	(684,322)
Purchase of intangible assets		(48,583)	(121,597)
Net proceeds from disposal of property held for sale		730,000	—
Net proceeds from disposal of plant and equipment		8,203	—
Interest received		50,507	25,252
Net cash from/(used in) investing activities		313,239	(780,667)
Financing activities			
Dividend paid	26	(600,000)	(1,125,000)
Fixed deposits pledged with banks		(54,118)	29,664
Repayment of term loans		(778,606)	(42,410)
Proceeds from trust receipts		6,726,112	6,664,030
Repayment of trust receipts		(7,804,885)	(5,347,875)
Repayment of obligations under finance leases		(137,235)	(114,000)
Interest paid		(112,159)	(116,348)
Net cash used in financing activities		(2,760,891)	(51,939)
Net change in cash and cash equivalents		(1,876,020)	286,456
Cash and cash equivalents at beginning of financial year		8,883,023	8,596,107
Effect of exchange rate changes on cash and cash equivalents		(22,456)	460
Cash and cash equivalents at end of financial year	10	6,984,547	8,883,023

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General corporate information

Singapore Kitchen Equipment Limited (the "Company") is a public limited liability company, incorporated and domiciled in the Republic of Singapore with its registered office address and principal place of business at Blk 115A Commonwealth Drive, #01-27/28 Tanglin Halt Industrial Estate, Singapore 149596. The Company's registration number is 201312671M. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

The Company's immediate and ultimate holding company is QKE Holdings Pte. Ltd., a company incorporated in Singapore.

The principal activity of the Company is that of investment holding company.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 were authorised for issue in accordance with a Directors' resolution dated 31 March 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group and the Company were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 115	: Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs 2014 (November 2014)		
FRS 105 (Amendments)	: Non-Current Assets Held for Sale and Discontinued Operations	1 January 2016
FRS 107 (Amendments)	: Financial Instruments: Disclosures	1 January 2016

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company anticipates that the adoption of the above FRS, in the future periods, will not have a material impact on the financial statements of the Group and the Company in the period of initial adoption except as discussed below.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for derecognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of assessing the impact of this standard, which includes the assessment of the new impairment requirements which are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of carrying out a detailed assessment on the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to end of the financial year. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.3 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's statement of financial position.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Freehold building	50
Motor vehicles	5
Furniture and fittings	5
Plant and machinery	5
Computer and office equipment	3 – 5
Renovation	5

Freehold land has indefinite useful life and is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

2.5 Intangible assets

Computer software

Acquired computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Subsequent to initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses. The cost of computer software is amortised to profit or loss using the straight-line method over the estimated useful life of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.6 Investment property

Investment property is property which is held for long-term rental yields and/or capital appreciation. Investment property is initially recorded at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognised in profit or loss in the financial year of retirement or disposal.

Depreciation is calculated using the straight-line method to allocate the depreciable amount of the investment property over its estimated useful life of 28 years.

The residual values, useful lives and depreciation method of investment property are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of investment property.

2.7 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.8 Property held for sale

Property classified as held for sale is measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Property is classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a "first-in, first-out" basis and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, costs include cost of material, direct labour and an appropriate portion of manufacturing overheads.

Work-in-progress is stated at cost which comprises direct material, direct labour and other directly attributable expenses. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility is ascertained.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs of completion and costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying value of those inventories to the lower of cost and net realisable value.

2.10 Financial assets

The Group and the Company classify their financial assets as loans and receivables. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

Recognition and derecognition

Financial assets are recognised on statements of financial position when, and only when, the Group and the Company become parties to contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss. Any cumulative gain or loss in the fair value reserve relating to the asset is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits net of fixed deposits pledged with banks and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.12 Financial liabilities

The Group and Company classify financial liabilities as other financial liabilities.

The accounting policies adopted for other financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current borrowings in the statements of financial position.

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.15 Leases

Where the Group is a lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.15 Leases (Continued)

Where the Group is a lessee of operating leases (Continued)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Where the Group is a lessor of operating leases

Lease where the Group retains substantially all risks and rewards incidental to the ownership are classified as operating leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Where the Group is a lessee of finance leases

Leases in which the Group assumes substantially the risks and rewards of ownership are classified as finance lease.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term liability. Finance charge is recognised in profit or loss.

2.16 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of estimated customer returns, rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Revenue from rendering of services is recognised when the services have been performed and accepted by the customers in accordance with the relevant terms and conditions of the contract.

Interest income is recognised on a time-apportionment basis using the effective interest method.

Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.20 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.20 Taxes (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.21 Foreign currencies

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.21 Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purposes of presenting consolidated financial statements, the results and financial positions of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rate at the end of the reporting period;
- (ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

2.22 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments in subsidiaries

Management follows the guidance of FRS 36 Impairment of Assets in determining whether investments in subsidiaries are impaired. This determination requires significant judgement to be made regarding the duration and extent to which the recoverable amounts of investments in subsidiaries is less than their carrying amounts, the financial health and near-term business outlook for the investments in subsidiaries, including factors such as industry and sector performance, changes in technology, operational and financing cash flows. Investment in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expenses within the next financial year, are discussed below.

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 31 December 2015 was \$1,622,936 (2014: \$1,693,048).

(ii) Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first-out" method. The management estimates the net realisable value of inventories based on assessment of receipt of committed sales prices and provides for excess inventories based on historical usage and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2015 was \$3,547,260 (2014: \$2,678,513).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

(iii) Allowance for impairment loss on trade and other receivables

The management establishes allowance for impairment loss on receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of customers were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2015 were \$8,341,242 (2014: \$6,808,350) and \$5,851,205 (2014: \$6,737,205) respectively.

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. The Group and the Company recognise expected assets and liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made. The carrying amounts of the Group's current income tax recoverable, deferred tax liabilities and current income tax payables as at 31 December 2015 were \$Nil (2014: \$20,905), \$35,215 (2014: \$67,458) and \$247,423 (2014: \$87,694) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Property, plant and equipment

Group	Freehold land	Freehold building	Motor vehicles	Furniture and fittings	Plant and machinery	Computer and office equipment	Renovation	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1.1.2015	102,843	418,935	1,554,425	115,880	852,209	257,617	243,216	3,545,125
Additions	–	–	121,727	12,343	164,905	101,447	26,466	426,888
Disposal	–	–	–	–	(215,648)	–	–	(215,648)
Written off	–	–	–	(2,112)	(2,527)	–	–	(4,639)
Currency re-alignment	(13,246)	(53,960)	–	(7,562)	(65,273)	(1,458)	(12,649)	(154,148)
Balance at 31.12.2015	89,597	364,975	1,676,152	118,549	733,666	357,606	257,033	3,597,578
Accumulated depreciation								
Balance at 1.1.2015	–	58,650	958,621	67,630	523,845	144,834	98,497	1,852,077
Depreciation for the financial year	–	7,787	205,167	13,868	89,260	66,076	42,660	424,818
Disposal	–	–	–	–	(215,648)	–	–	(215,648)
Written off	–	–	–	(2,112)	(2,040)	–	–	(4,152)
Currency re-alignment	–	(8,042)	–	(5,567)	(58,788)	(862)	(9,194)	(82,453)
Balance at 31.12.2015	–	58,395	1,163,788	73,819	336,629	210,048	131,963	1,974,642
Carrying amount								
Balance at 31.12.2015	89,597	306,580	512,364	44,730	397,037	147,558	125,070	1,622,936

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Property, plant and equipment (Continued)

Group Cost	Freehold land \$	Freehold building \$	Motor vehicles \$	Furniture and fittings \$	Plant and machinery \$	Computer and office equipment \$	Renovation \$	Total \$
Balance at 1.1.2014	104,883	427,245	1,068,309	76,882	495,695	187,018	94,060	2,454,092
Additions	–	–	486,116	46,619	368,806	71,716	151,245	1,124,502
Written off	–	–	–	(6,388)	–	(860)	–	(7,248)
Currency re-alignment	(2,040)	(8,310)	–	(1,233)	(12,292)	(257)	(2,089)	(26,221)
Balance at 31.12.2014	102,843	418,935	1,554,425	115,880	852,209	257,617	243,216	3,545,125
Accumulated depreciation								
Balance at 1.1.2014	–	51,269	792,543	59,056	449,831	88,763	63,300	1,504,762
Depreciation for the financial year	–	8,580	166,078	15,490	85,125	57,045	36,594	368,912
Written off	–	–	–	(6,067)	–	(860)	–	(6,927)
Currency re-alignment	–	(1,199)	–	(849)	(11,111)	(114)	(1,397)	(14,670)
Balance at 31.12.2014	–	58,650	958,621	67,630	523,845	144,834	98,497	1,852,077
Carrying amount								
Balance at 31.12.2014	102,843	360,285	595,804	48,250	328,364	112,783	144,719	1,693,048

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Property, plant and equipment (Continued)

As at the end of the reporting period, the carrying amount of the Group's property, plant and equipment which have been pledged for the bank term loan facility as set out in Note 14 to the financial statements was as follows:

	Group	
	2015	2014
	\$	\$
Freehold land and building	—	463,128

As at 31 December 2015, the carrying amount of the Group's motor vehicles which were acquired under finance lease agreements was \$404,120 (2014: \$595,804). Finance lease assets are pledged as securities for the related finance lease payables as set out in Note 15 to the financial statements.

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group	
	2015	2014
	\$	\$
Additions of property, plant and equipment	426,888	1,124,502
Provisions for dismantlement, removal or restoration	—	(2,900)
Acquired under finance lease arrangements	—	(437,280)
Cash payments to acquire property, plant and equipment	426,888	684,322

5. Intangible assets

	Group	
	2015	2014
	\$	\$
<i>Computer software</i>		
Cost		
Balance at beginning of financial year	222,025	100,428
Additions	48,583	121,597
Balance at end of financial year	270,608	222,025
Accumulated amortisation		
Balance at beginning of financial year	83,538	37,636
Amortisation for the financial year	77,956	45,902
Balance at end of financial year	161,494	83,538
Carrying amount		
Balance at end of financial year	109,114	138,487

Amortisation of intangible assets is included in "other expenses" line item in the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6. Investment property

Cost

Balance at beginning of financial year
Reclassified as held for sale (Note 11)
Balance at end of financial year

Accumulated depreciation

Balance at beginning of financial year
Depreciation for the financial year
Reclassified as held for sale (Note 11)
Balance at end of financial year

Carrying amount

Balance at end of financial year

The following amounts are recognised in profit or loss:

Rental income

Property taxes and other direct operating expenses arising from investment property
rental income-generating

The investment property was reclassified as property held for sale in 2014. The details are disclosed in Note 11 to the financial statements.

	Group	
	2015	2014
	\$	\$
	—	605,153
	—	(605,153)
	—	—
	—	72,043
	—	21,613
	—	(93,656)
	—	—
	—	—

7. Investments in subsidiaries

Unquoted equity shares, at cost

	Company	
	2015	2014
	\$	\$
	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. Investments in subsidiaries (Continued)

The particulars of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)		Proportion of ownership interest held		Principal activities
		2015 %	2014 %	
<i>Held by the Company</i>				
Q'son International Pte. Ltd. ⁽¹⁾ (Singapore)		100	100	Investment holding
Q'son Kitchen Equipment Pte Ltd ⁽¹⁾ (Singapore)		100	100	Designing, fabricating, installation, of stainless steel kitchenware and commercial kitchens
<i>Held by Q'son Kitchen Equipment Pte Ltd</i>				
Q'son Industries (M) Sdn. Bhd. ⁽²⁾ (Malaysia)		100	100	Manufacture and distribution of kitchen equipment
Qson KitchenHub Sdn. Bhd. ⁽²⁾ (Malaysia)		100	100	Investment holding
Q'son Kuechen Kultur Co., Ltd ⁽³⁾ (Vietnam)		100	100	Import, wholesale and retail of kitchen equipment
(1)	Audited by BDO LLP, Singapore			
(2)	Audited by BDO, Malaysia			
(3)	Audited by BDO Audit Services Company Limited, Vietnam			

8. Inventories

	Group	
	2015	2014
	\$	\$
Raw materials	172,030	126,269
Work-in-progress	24,714	38,148
Finished goods	3,350,516	2,514,096
	<u>3,547,260</u>	<u>2,678,513</u>

The cost of inventories recognised as an expense and included in "cost of sales" in the Group's profit or loss for the financial year ended 31 December 2015 amounted to \$17,183,624 (2014: \$13,140,422).

As at 31 December 2015, the Group carried out a review of the realisable values of its inventories and the review led to a write down of inventories to net realisable value of \$228,997 (2014: \$150,364) as an expense and included in "cost of sales" in the Group's profit or loss.

As at 31 December 2015, the carrying amount of the Group's inventories which were pledged as securities for the trust receipts facilities as set out in Note 14 to the financial statements was \$1,411,613 (2014: \$2,490,386).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade receivables – third parties	7,805,523	6,155,226	–	–
Unbilled receivables	158,691	81,763	–	–
Allowance for impairment loss on third parties trade receivables	(322,609)	(137,957)	–	–
	7,641,605	6,099,032		
Non-trade receivables				
- third parties	110,045	93,289	–	–
- subsidiary	–	–	5,851,205	6,737,205
	110,045	93,289	5,851,205	6,737,205
Advance payment to suppliers	382,206	452,532	–	–
Utilities and rental deposits	207,386	163,497	–	–
	8,341,242	6,808,350	5,851,205	6,737,205

Trade and non-trade receivables due from third parties are unsecured, non-interest bearing and generally on 30 to 60 (2014: 30 to 60) days' credit terms.

The non-trade amounts due from subsidiary are unsecured, non-interest bearing and repayable on demand.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience.

Movements in allowance for impairment loss on third parties trade receivables were as follows:

	Group	
	2015	2014
	\$	\$
Balance at beginning of financial year	137,957	38,909
Allowance made during the financial year	289,808	134,862
Allowance written back during the financial year	(84,954)	(22,759)
Amounts written off	(20,202)	(13,055)
Balance at end of financial year	322,609	137,957

The allowance for impairment loss on third parties trade receivables amounting to \$289,808 (2014: \$134,862) was recognised in the Group's profit or loss subsequent to the debt recovery assessment performed on trade receivables by the management as at 31 December 2015.

As at 31 December 2015, allowance written back of \$84,954 (2014: \$22,759) was recognised in the Group's profit or loss when the related trade receivables were recovered.

The aging analysis of trade receivables is set out in Note 31.1 to the financial statements.

As at 31 December 2015, retention sum amounting to \$186,898 (2014: \$56,331) was included in the third parties trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Trade and other receivables (Continued)

The currency profiles of the Group's and Company's trade and other receivables as at the end of the reporting period are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	7,957,418	6,406,705	5,851,205	6,737,205
Ringgit Malaysia	90,436	25,056	—	—
United States dollar	230,883	117,721	—	—
Euro	25,548	—	—	—
Others	36,957	258,868	—	—
	<u>8,341,242</u>	<u>6,808,350</u>	<u>5,851,205</u>	<u>6,737,205</u>

10. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Fixed deposits with banks	3,837,899	3,460,317	—	—
Cash and bank balances	3,851,104	6,073,044	90,774	157,010
Cash and cash equivalents as per statements of financial position	<u>7,689,003</u>	<u>9,533,361</u>	<u>90,774</u>	<u>157,010</u>
Fixed deposits pledged	(704,456)	(650,338)	—	—
Cash and cash equivalents as per consolidated statement of cash flows	<u>6,984,547</u>	<u>8,883,023</u>	—	—

Fixed deposits bear interest rate of 0.10% to 1.30% (2014: 0.10% to 1.22%) per annum with maturity ranging from 2 to 11 (2014: 1 to 14) months from the end of the reporting period. The Group's fixed deposits are readily convertible to cash at minimal cost.

As at 31 December 2015, fixed deposits of the Group amounting to \$704,456 (2014: \$650,338) were pledged to banks to secure bankers' guarantee facility.

The currency profiles of the Group's and Company's cash and cash equivalents as at the end of the reporting period are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	6,294,350	8,206,801	90,774	157,010
Ringgit Malaysia	124,031	257,374	—	—
United States dollar	1,212,510	378,923	—	—
Euro	49,333	681,779	—	—
Others	8,779	8,484	—	—
	<u>7,689,003</u>	<u>9,533,361</u>	<u>90,774</u>	<u>157,010</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

11. Property held for sale

	Group	
	2015	2014
	\$	\$
Balance at beginning of financial year	511,497	–
Reclassified from investment property (Note 6)	–	511,497
Disposal	(511,497)	–
Balance at the end of financial year	–	511,497

In November 2014, the Group entered into an agreement to dispose of the investment property. Pursuant to this agreement, the investment property was reclassified as property held for sale.

As at 31 December 2014, the carrying amount of the Company's property held for sale which has been pledged for the term loan facility as set out in Note 14 to the financial statements was \$511,497.

As at 31 December 2014, the fair value of property held for sale was \$730,000 representing the net proceeds of total consideration offered by a third party to acquire this property. The fair value of property held for sale was considered level 3 recurring fair value measurement. On 30 January 2015, the Group completed the sale transaction and disposed of the property held for sale to a third party and recognised a gain on disposal amounting to \$218,503.

As at 31 December 2014, the details of the Group's property held for sale were as follows:

Location	Description/ existing use	Tenure	Approximate site area (sq m)
No 1 Commonwealth Lane #03-06, Singapore 149544	Warehouse	28 years leasehold from 1 March 2008	132.0

12. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade payables				
- third parties	1,773,614	1,464,408	–	–
- unbilled payables	196,220	115,845	–	–
	1,969,834	1,580,253	–	–
Non-trade payables				
- third parties	135,805	101,227	13,526	14,141
- directors of the Company	545,000	545,000	–	–
	680,805	646,227	13,526	14,141
Advance received from customers	580,459	359,602	–	–
Accrued directors' fees	115,000	115,000	115,000	115,000
Accrued expenses	1,430,731	1,263,561	41,550	57,450
Goods and services tax payable	228,178	210,497	–	–
	5,005,007	4,175,140	170,076	186,591

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

12. Trade and other payables (Continued)

Trade and non-trade payables due to third parties are unsecured, non-interest bearing and are normally settled between 30 to 90 (2014: 30 to 90) days' terms.

The non-trade payables due to directors of the Company are unsecured, non-interest bearing and repayable on demand.

Accrued expenses principally comprise accruals for employee benefit expenses and professional fees.

No interest is charged on the trade and other payables.

The currency profiles of the Group's and Company's trade and other payables as at the end of the reporting period are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	4,140,213	3,665,429	170,076	186,591
Ringgit Malaysia	282,426	268,557	—	—
United States dollar	72,210	9,661	—	—
Euro	341,809	183,726	—	—
Hong Kong dollar	118,729	5,593	—	—
Others	49,620	42,174	—	—
	<u>5,005,007</u>	<u>4,175,140</u>	<u>170,076</u>	<u>186,591</u>

13. Provisions

	Provision for reinstatement costs	Provision for estimated goods return	Total
	\$	\$	\$
Group			
2015			
Balance at beginning of financial year	30,800	131,296	162,096
Provision made during the financial year	—	215,115	215,115
Provision utilised during the financial year	—	(131,296)	(131,296)
Balance at end of financial year	<u>30,800</u>	<u>215,115</u>	<u>245,915</u>
2014			
Balance at beginning of financial year	27,900	—	27,900
Provision made during the financial year	2,900	131,296	134,196
Balance at end of financial year	<u>30,800</u>	<u>131,296</u>	<u>162,096</u>

Provision for dismantlement, removal or restoration are the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of property, plant and equipment.

The Group recognised a provision for estimated goods return which is determined based on management's previous experiences of such returns.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14. Borrowings

	Group	
	2015	2014
	\$	\$
Current liabilities		
<i>Secured</i>		
Trust receipts	1,411,613	2,490,386
Term loan I	—	387,662
Term loan II	—	418,319
Total borrowings	<u>1,411,613</u>	<u>3,296,367</u>

The average effective interest rates per annum of the borrowings during the financial years ended 31 December 2015 and 2014 were as follows:

	Group	
	2015	2014
	%	%
Trust receipts	3.56	2.97
Term loan I	—	5.21
Term loan II	—	3.46

Borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk (Note 31.2).

The fair values of the Group's borrowings are disclosed in Note 31.5 to the financial statements.

Trust receipts have maturities of between 109 to 118 (2014: 78 to 120) days. As at 31 December 2015, trust receipts are secured by the title to the Group's inventories with a carrying amount of \$1,411,613 (2014: \$2,490,386).

Term loan I from a bank was repayable over a period of 20 years by monthly instalments commencing from July 2008. As at 31 December 2014, term loan I was secured by legal mortgage on the Group's freehold land and building with a carrying amount \$463,128 and supported by joint and several guarantees of certain directors of the subsidiary, and financial guarantee from the subsidiary. On 5 February 2015, term loan I was fully repaid by the Group through early settlement.

Term loan II from a bank was repayable over a period of 18 years by monthly instalments commencing from May 2010. As at 31 December 2014, term loan II was secured by legal mortgage on the Group's property held for sale with a carrying amount of \$511,497 and supported by joint and several guarantees of certain directors of the subsidiary. On 30 January 2015, term loan II was fully repaid by the Group upon disposal of the property held for sale.

As at the end of the reporting period, the Group has facilities as follows:

	Group	
	2015	2014
	\$	\$
Facilities granted	9,149,000	7,954,981
Facilities utilised	<u>1,845,449</u>	<u>3,574,247</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14. Borrowings (Continued)

As at end of the reporting period, the facilities granted to the Group are supported by joint and several guarantees of all Directors of the Company, and financial guarantee from the Company.

The currency profiles of the Group's borrowings as at the end of the reporting period are denominated in the following currencies:

	Group	
	2015	2014
	\$	\$
Singapore dollar	814,824	1,609,440
Ringgit Malaysia	—	387,662
United States dollar	—	611,375
Euro	596,789	595,274
Hong Kong dollar	—	92,616
	<u>1,411,613</u>	<u>3,296,367</u>

15. Finance lease payables

	Minimum lease payments \$	Future finance lease charges \$	Present value of minimum lease payment \$
Group			
2015			
Within one financial year	163,130	(27,637)	135,493
After one financial year but within five financial years	466,778	(49,078)	417,700
After five financial years	31,218	(227)	30,991
	<u>497,996</u>	<u>(49,305)</u>	<u>448,691</u>
	<u>661,126</u>	<u>(76,942)</u>	<u>584,184</u>
2014			
Within one financial year	172,499	(35,264)	137,235
After one financial year but within five financial years	527,212	(72,398)	454,814
After five financial years	133,914	(4,544)	129,370
	<u>661,126</u>	<u>(76,942)</u>	<u>584,184</u>
	<u>833,625</u>	<u>(112,206)</u>	<u>121,419</u>

The finance lease terms range from 3 to 10 (2014: 3 to 10) years.

The effective interest rates charged during the financial year ranged from 4.39% to 7.53% (2014: 4.39% to 7.53%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. No arrangements have been entered into for contingent rental payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. Finance lease payables (Continued)

The fair value of the Group's finance lease payables are disclosed in Note 31.5 to the financial statements.

The carrying amount of assets acquired under finance leases is disclosed in Note 4 to the financial statements.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

The currency profile of the Group's finance lease payables as at the end of the reporting period is Singapore dollar.

16. Deferred tax liabilities

	Group	
	2015	2014
	\$	\$
Balance at beginning of financial year	67,458	39,747
Charged to profit or loss	(31,573)	27,855
Currency re-alignment	(670)	(144)
Balance at the end of financial year	35,215	67,458

Deferred tax liabilities arise as a result of the following temporary differences computed at the respective countries' statutory tax rate in which the Group operates:

	Group	
	2015	2014
	\$	\$
Accelerated tax depreciation	35,215	74,337
Others	—	(6,879)
	35,215	67,458

17. Share capital

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Issued and fully-paid:				
150,000,000 ordinary shares at beginning and end of financial year	4,124,790	4,124,790	4,124,790	4,124,790

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. Other reserves

	Group	
	2015	2014
	\$	\$
Merger reserve	1,312,241	1,312,241
Foreign currency translation account	(82,055)	(36,926)
	<u>1,230,186</u>	<u>1,275,315</u>

Merger reserve

Merger reserves represent the differences between the consideration paid and the share capital of subsidiaries acquired.

Foreign currency translation account

The foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and is non-distributable.

19. Retained earnings

Retained earnings are distributable and the movement of retained earnings of the Company are as follows:

	Company	
	2015	2014
	\$	\$
Balance at the beginning of financial year	2,617,393	4,089,532
Loss for the financial year, representing total comprehensive income for the financial year	(354,432)	(347,139)
Dividends (Note 26)	(600,000)	(1,125,000)
Balance at the end of financial year	<u>1,662,961</u>	<u>2,617,393</u>

20. Revenue

	Group	
	2015	2014
	\$	\$
Fabrication and distribution of goods	19,784,527	14,180,356
Maintenance and service income	6,244,565	5,604,793
	<u>26,029,092</u>	<u>19,785,149</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21. Other income

	Group	
	2015	2014
	\$	\$
Government grants received	215,382	138,973
Allowance for impairment loss on third parties trade receivables written back	84,954	22,759
Rental income	1,419	48,000
Scrap sales	30,501	35,708
Gain on disposal of property held for sale	218,503	—
Gain on disposal of plant and equipment	8,203	—
Others	18,711	2,883
	<u>577,673</u>	<u>248,323</u>

22. Finance costs

	Group	
	2015	2014
	\$	\$
Interest expenses		
- trust receipts	73,302	48,887
- term loans	3,615	34,074
- finance leases	35,220	33,387
- others	22	—
	<u>112,159</u>	<u>116,348</u>

23. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2015	2014
	\$	\$
<i>Cost of sales</i>		
Inventories written down	228,997	150,364
Operating lease expenses		
- rental of warehouse	<u>304,933</u>	<u>291,660</u>
<i>Distribution costs</i>		
Carriage outwards	92,180	103,915
Commission	5,313	57,982
Transportation	18,386	42,095
Operating lease expenses		
- rental of sales office	<u>117,943</u>	<u>68,221</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. Profit before income tax (Continued)

	Group	
	2015	2014
	\$	\$
<i>Administrative expenses</i>		
Audit fees paid/payable to:		
– auditors of the Company	69,300	66,000
– other auditors	7,419	8,400
Non-audit fees paid/payable to:		
– auditors of the Company	16,000	14,200
– other auditors	1,933	2,100
Depreciation of investment property	–	21,613
Plant and equipment written off	487	321
Operating lease expenses		
– rental of office	124,800	78,200
– rental of equipment	12,666	7,591
Consultation fee	154,155	28,877
Training fee	179,416	18,129
Directors' fees ⁺	133,800	128,939
<i>Other expenses</i>		
Amortisation of intangible assets	77,956	45,902
Allowance for impairment loss on third parties trade receivables	289,808	134,862
Bad third parties trade receivables written off	1,988	71,490
Foreign exchange loss, net	113,557	10,273

+ Included in the Directors' fees are fees declared by the subsidiaries to the Directors in their capacity as Directors of those subsidiaries of \$18,800 (2014: \$13,939).

Depreciation of property, plant and equipment are recognised in the following line items of the Group's profit or loss:

	Group	
	2015	2014
	\$	\$
Cost of sales	202,106	173,643
Distribution costs	92,320	77,560
Administrative expenses	130,392	117,709
	424,818	368,912

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. Profit before income tax (Continued)

Employee benefit expenses are recognised in the following line items of the Group's profit or loss:

	Group	
	2015	2014
	\$	\$
Cost of sales		
- salaries, bonus and other benefits	3,386,166	3,046,128
- defined contribution plans	442,444	396,919
Distribution costs		
- salaries, bonus and other benefits	1,113,437	970,688
- defined contribution plans	144,504	113,292
Administrative expenses		
- salaries, bonus and other benefits	2,424,222	975,671
- defined contribution plans	194,101	122,436
	<u>7,704,874</u>	<u>5,625,134</u>

Employee benefit expenses include the remuneration of Directors and other key management personnel as disclosed in Note 29 to the financial statements.

24. Income tax expense

	Group	
	2015	2014
	\$	\$
Current income tax		
- current financial year	246,026	57,057
- under-provision in prior financial years	54,110	38,985
	<u>300,136</u>	<u>96,042</u>
Deferred tax		
- current financial year	(912)	31,087
- over-provision in prior financial years	(30,661)	(3,232)
	<u>(31,573)</u>	<u>27,855</u>
Total income tax expense recognised in profit or loss	<u>268,563</u>	<u>123,897</u>

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. Income tax expense (Continued)

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory tax rate of 17% (2014: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective income tax rate

	Group	
	2015	2014
	\$	\$
Profit before income tax	1,799,779	734,692
Income tax calculated at Singapore's statutory tax rate	305,962	124,898
Effect of different tax rate in other countries	36,729	3,598
Tax effect of income not subject to income tax	(282,169)	(220,069)
Tax effect of non-deductible expenses for income tax purposes	226,605	206,123
Tax effect of tax exempt income	(25,925)	(25,925)
Utilisation of deferred tax assets not recognised previously	(973)	(9,584)
Under-provision of current income tax in prior financial years	54,110	38,985
Over-provision of deferred tax in prior financial years	(30,661)	(3,232)
Corporate tax rebate	(20,039)	(11,437)
Others	4,924	20,540
	268,563	123,897

Unrecognised deferred tax assets

	Group	
	2015	2014
	\$	\$
Balance at beginning of financial year	55,080	65,717
Utilisation of deferred tax assets not recognised previously	(973)	(9,584)
Currency re-alignment	(7,034)	(1,053)
Balance at end of financial year	47,073	55,080

Unrecognised deferred tax assets are attributable to the following temporary differences:

	Group	
	2015	2014
	\$	\$
Unutilised tax losses	47,073	55,080

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. Income tax expense (Continued)

As at 31 December 2015, the Group has unutilised tax losses of approximately \$188,000 (2014: \$220,000) available for offset against future taxable profits which has no expiry date and subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates.

These deferred tax assets have not been recognised as it is not certain whether future taxable profits will be available against which the Group can utilise these benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.20 to the financial statements.

25. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2015	2014
Profit attributable to owners of the parent (\$)	1,531,216	610,795
Weighted average of ordinary shares in issue during the financial year applicable to basic earnings per share	150,000,000	150,000,000
Basic and diluted earnings per share (in cents)	1.02	0.41

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners for the financial years ended 31 December 2015 and 2014 divided by the weighted average of ordinary shares in the relevant periods.

The dilutive earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive shares/options for the relevant periods.

26. Dividends

	Group	
	2015	2014
	\$	\$
A first interim tax exempt dividend of \$0.0025 (2014: \$0.0025) per ordinary share on 150,000,000 ordinary shares in respect of the current financial year	375,000	375,000
A final tax exempt dividend of \$0.0015 (2014: \$0.005) per ordinary share on 150,000,000 ordinary shares in respect of the previous financial year	225,000	750,000
	600,000	1,125,000

The Board of Directors proposed that a final tax-exempt dividend of \$0.0025 per ordinary share amounting to \$375,000 be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27. Operating lease commitments

The Group as lessee

The Group leases office spaces, warehouses and office equipment under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease term range from 2 to 5 (2014: 2 to 5) years and rentals are fixed during the lease term.

As at the end of the reporting period, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group	
	2015	2014
	\$	\$
Within one financial year	525,068	384,011
After one financial year but within five financial years	598,456	187,675
	<u>1,123,524</u>	<u>571,686</u>

28. Contingent liabilities

(a) Corporate guarantee

As at 31 December 2015, the Company had given guarantees amounting to \$8,374,000 (2014: \$6,749,000) to certain banks in respect of banking facilities granted to a subsidiary (Note 14).

As at the end of the financial year, the total amount of loan outstanding covered by the guarantees is \$1,411,613 (2014: \$3,296,367). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiary as the Company's Directors have assessed that the likelihood of the subsidiary defaulting on repayment of its loan is remote.

(b) Legal suit

In previous financial year, a subsidiary lodged a legal claim against an ex-employee of the subsidiary in respect of damages for breach of employment contract and misuse of confidential information. Subsequently, a counterclaim for defamation and wrongful termination for unspecified quantum of damages was lodged by the employee against the subsidiary in the same proceeding. The subsidiary has disclaimed the liability. Subsequent to the financial year ended 31 December 2015, the subsidiary and an ex-employee reached an agreement during a mediation where the ex-employee will be liable to pay the subsidiary a certain amount. In addition, the counterclaim for defamation and wrongful termination will be withdrawn. The results of the mediation has been submitted to High Court. As at the date of the financial statements, the final judgment has not been received from the High Court. In view of the agreement reached by both parties in the mediation, no provision for liability has been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly and indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common significant influence. Related parties may be individuals or other entities.

The ultimate controlling company is QKE Holdings Pte Ltd.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Company	
	2015	2014
	\$	\$
Subsidiary:		
- Repayment of advances to	886,000	1,404,516

Compensation of key management personnel

Key management personnel are directors of the Company and subsidiaries and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly.

The remuneration of directors of the Company and subsidiaries and key management personnel of the Group during the financial year was as follows:

	Group	
	2015	2014
	\$	\$
Directors of the Company		
- short-term employee benefits	1,064,507	997,528
- post-employment benefits	35,400	27,600
- directors' fees	115,000	115,000
Directors of subsidiaries		
- directors' fees	18,800	13,939
Other key management personnel		
- short-term employee benefits	648,261	447,902
- post-employment benefits	59,671	31,685
	<u>1,941,639</u>	<u>1,633,654</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Segment information

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its services, and has two reportable operating segments as follows:

- (a) Fabrication and distribution business
- (b) Maintenance and servicing business

Fabrication and distribution business sell and manufacture standard and customised kitchen systems as well as kitchen equipment to food and beverage and hospitality services industries.

Maintenance and servicing business segment provide preventive maintenance works and repairs on kitchen equipment to ensure that they are in good working condition and functioning properly.

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group does not have intersegment sales or transfers.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and expenses.

Segment assets comprise primarily of property, plant and equipment, intangible assets, property held for sale, inventories, operating receivables, cash and cash equivalents and exclude tax recoverable.

Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

The Group did not allocate the segment assets and liabilities as the management did not measure and rely on the financial information to make decision about resources to be allocated to the segment and assess its performance. The discrete financial information is not available for the allocation of segment assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Segment information (Continued)

Business segment	Fabrication and distribution business \$	Maintenance and servicing business \$	Unallocated \$	Total \$
Group				
2015				
Revenue				
External revenue	19,784,527	6,244,565	—	26,029,092
Results				
Segment results	1,758,855	281,103	(128,020)	1,911,938
Finance costs	(84,016)	(26,040)	(2,103)	(112,159)
Profit before income tax	1,674,839	255,063	(130,123)	1,799,779
Income tax expense				(268,563)
Profit for the financial year				1,531,216
Non-cash items				
Depreciation of property, plant and equipment	(331,981)	(92,837)	—	(424,818)
Amortisation of intangible asset	(59,254)	(18,702)	—	(77,956)
Inventories written down	(174,059)	(54,938)	—	(228,997)
Gain on disposal of property held for sale	—	—	218,503	218,503
Gain on disposal of plant and equipment	8,203	—	—	8,203
Allowance for impairment loss on third parties trade receivables	(220,281)	(69,527)	—	(289,808)
Allowance for impairment loss on third parties trade receivables written back	84,954	—	—	84,954
Bad third parties trade receivables written off	(1,511)	(477)	—	(1,988)
Plant and equipment written off	(487)	—	—	(487)
Provision for estimated goods return	(215,115)	—	—	(215,115)
Capital expenditure				
Property, plant and equipment	—	—	426,888	426,888
Intangible assets	—	—	48,583	48,583
Assets and liabilities				
Segment assets	—	—	21,375,226	21,375,226
Segment liabilities	—	—	7,246,719	7,246,719
- Current income tax payable	—	—	247,423	247,423
- Deferred tax liabilities	—	—	35,215	35,215
	—	—	7,529,357	7,529,357

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Segment information (Continued)

Business segment	Fabrication and distribution business \$	Maintenance and servicing business \$	Unallocated \$	Total \$
Group				
2014				
Revenue				
External revenue	14,180,356	5,604,793	—	19,785,149
Results				
Segment results	1,087,759	109,965	(346,684)	851,040
Finance costs	(77,896)	(23,006)	(15,446)	(116,348)
Profit before income tax	1,009,863	86,959	(362,130)	734,692
Income tax expense				(123,897)
Profit for the financial year				610,795
Non-cash items				
Depreciation of property, plant and equipment	(281,349)	(87,563)	—	(368,912)
Depreciation of investment property	—	—	(21,613)	(21,613)
Amortisation of intangible asset	(32,899)	(13,003)	—	(45,902)
Inventories written down	(107,768)	(42,596)	—	(150,364)
Plant and equipment written off	(321)	—	—	(321)
Allowance for impairment loss on third parties trade receivables	(96,658)	(38,204)	—	(134,862)
Allowance for impairment loss on third parties trade receivables written back	22,759	—	—	22,759
Bad third parties trade receivables written off	(71,490)	—	—	(71,490)
Provision for estimated goods return	(131,296)	—	—	(131,296)
Capital expenditure				
Property, plant and equipment	—	—	1,124,502	1,124,502
Intangible assets	—	—	121,597	121,597
Assets and liabilities				
Segment assets	—	—	21,449,051	21,449,051
- Current income tax recoverable	—	—	20,905	20,905
	—	—	21,469,956	21,469,956
Segment liabilities			8,355,022	8,355,022
- Current income tax payable	—	—	87,694	87,694
- Deferred tax liabilities	—	—	67,458	67,458
	—	—	8,510,174	8,510,174

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Segment information (Continued)

Geographical information

Revenue is based on the country in which the customer is located. Non-current assets comprise primarily of property, plant and equipment and intangible assets. Non-current assets are shown by the geographical area in which the assets are located.

	Singapore \$	Malaysia \$	Vietnam \$	Indonesia \$	Others \$	Total \$
Group						
2015						
Total revenue from external customers	25,975,448	48,348	—	—	5,296	26,029,092
Non-current assets	1,262,846	469,204	—	—	—	1,732,050
2014						
Total revenue from external customers	19,503,961	216,124	34,244	12,780	18,040	19,785,149
Non-current assets	1,260,048	571,487	—	—	—	1,831,535

Major customers

The Group's customers comprise service providers who operate primarily in food and beverage and hospitality services industries, such as central kitchens, restaurants, integrated resorts, membership clubs and hotels, as well as government agencies, developers and owners of residential properties. Due to the diverse base of customers to whom the Group sells products in each of the reporting period, the Group is not reliant on any customer for its sales and no one single customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

31. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to credit risks, market risks (including foreign currency risks and interest rates risks) and liquidity risks arising in the ordinary course of business. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rate and foreign exchange rate.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. If necessary, market risk exposures are measured using sensitivity analysis indicated below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.1 Credit risks

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group's and the Company's major classes of financial assets are trade and other receivables and cash and cash equivalents. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except as follows:

	Company	
	2015	2014
	\$	\$
Corporate guarantees provided to banks for subsidiary's banking facilities utilised as at the end of financial year	1,411,613	3,296,367

The earliest period that the guarantee could be called is within 1 year from the end of the reporting period. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. The Company has significant credit exposure arising from the non-trade amounts due from a subsidiary amounting to \$5,851,205 (2014: \$6,737,205) as at 31 December 2015.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables and other financial assets that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.1 Credit risks (Continued)

The age analysis of trade receivables as at the end of the reporting period that are past due but not impaired is as follows:

	Group	
	2015	2014
	\$	\$
Past due less than 1 month	2,242,506	1,417,026
Past due 1 to 2 months	1,065,894	465,881
Past due 2 to 3 months	1,365,905	427,155
Past due over 3 months	596,783	836,573
	<u>5,271,088</u>	<u>3,146,635</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2015	2014
	\$	\$
Past due over 3 months	322,609	—
Less: Allowance for impairment	(322,609)	—
	<u>—</u>	<u>—</u>

The impaired trade receivables relates mainly due to amounts which has been outstanding more than a year despite collection efforts.

There are no financial assets that are past due and/or impaired at the Company level.

31.2 Market risks

Foreign currency risks

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of entities within the Group. The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk mainly from Ringgit Malaysia, United States dollar, Euro and Hong Kong dollar transactions.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective functional currency of entities within the Group are as follows:

	Group			
	Assets		Liabilities	
	2015	2014	2015	2014
	\$	\$	\$	\$
Ringgit Malaysia	11,666	14,857	302,458	3,134
United States dollar	1,443,393	496,644	72,210	621,036
Euro	74,881	681,779	938,598	779,000
Hong Kong dollar	—	—	118,729	98,209

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.2 Market risks (Continued)

Foreign currency risks (Continued)

The Company has foreign operations, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Exposure to foreign currency risk is monitored on an ongoing basis in accordance with the Group's risk management policies to ensure that the net exposure is at an acceptable level.

The Company is not exposed to any foreign exchange risk.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 12% (2014: 4%) change in RM, 5% (2014: 4%) change in USD and 2% (2014: 4%) change in EUR against functional currency of the entities within the Group. The above rates are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis assumes an instantaneous change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, including loans from and loans to foreign operations, which are denominated in RM, USD and EUR are included in the analysis.

	Profit or Loss	
	2015	2014
	\$	\$
Group		
<i>Ringgit Malaysia</i>		
Strengthens against Singapore dollar	(34,895)	469
Weakens against Singapore dollar	34,895	(469)
<i>United States dollar</i>		
Strengthens against Singapore dollar	68,559	(4,976)
Weakens against Singapore dollar	(68,559)	4,976
<i>Euro</i>		
Strengthens against Singapore dollar	(17,274)	(3,889)
Weakens against Singapore dollar	17,274	3,889

Interest rate risks

The Group's exposure to market risks for changes in interest rates relates primarily to floating rates borrowings as shown in Note 14 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses of the Group. It is the Group's policy to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

The Company is not exposed to significant interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.2 Market risks (Continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 60 basis point (2014: 10 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 60 basis points (2014: 10 basis points) higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by \$8,470 (2014: increase/decrease by \$3,296). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Company's profit and loss and equity are not affected by the changes in interest rates as the Company has no significant variable interest bearing financial instruments.

31.3 Liquidity risks

Liquidity risks refer to the risks in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to ensure that all payment needs are met. As part of its overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet their working capital requirements.

Contractual maturity analysis

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial instrument on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within one financial year \$	After one financial year but within five financial years \$	After five financial years \$	Adjustments \$	Total \$
Group					
2015					
Financial assets					
Trade and other receivables	7,959,036	—	—	—	7,959,036
Cash and cash equivalents	7,689,003	—	—	—	7,689,003
Financial liabilities					
Trade and other payables	4,196,370	—	—	—	4,196,370
Borrowings	1,417,862	—	—	(6,249)	1,411,613
Finance lease payables	163,130	466,778	31,218	(76,942)	584,184
2014					
Financial assets					
Trade and other receivables	6,355,818	—	—	—	6,355,818
Cash and cash equivalents	9,533,361	—	—	—	9,533,361
Financial liabilities					
Trade and other payables	3,605,041	—	—	—	3,605,041
Borrowings	3,480,608	—	—	(184,241)	3,296,367
Finance lease payables	172,499	527,212	133,914	(112,206)	721,419

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.3 Liquidity risks (Continued)

Contractual maturity analysis (Continued)

	Within one financial year \$
Company	
2015	
Financial assets	
Trade and other receivables	5,851,205
Cash and cash equivalents	<u>90,774</u>
Financial liabilities	
Trade and other payables	170,076
Financial guarantee contracts	<u>1,411,613</u>
2014	
Financial assets	
Trade and other receivables	6,737,205
Cash and cash equivalents	<u>157,010</u>
Financial liabilities	
Trade and other payables	186,591
Financial guarantee contracts	<u>3,296,367</u>

The repayment terms of the Group's borrowings are disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 17, 18 and 19 to the financial statements respectively.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

The Group's and the Company's management review the capital structure to ensure that the Group and the Company are able to service any debt obligations (including principal repayment and interest) based on its operating cash flows. Upon review, the Group and the Company will balance their overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary. The Group's and the Company's overall strategy remain unchanged from 2014.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group and the Company include within net debt, trade and other payables, borrowings and finance lease payables less cash and cash equivalents.

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade and other payables	5,005,007	4,175,140	170,076	186,591
Borrowings	1,411,613	3,296,367	—	—
Finance lease payables	584,184	721,419	—	—
Cash and cash equivalents	(7,689,003)	(9,533,361)	(90,774)	(157,010)
Net (cash)/debt	(688,199)	(1,340,435)	79,302	29,581
Total equity	13,845,869	12,959,782	5,787,751	6,742,183
	13,157,670	11,619,347	5,867,053	6,771,764
Gearing ratio	n.m	n.m.	1.35%	0.44%

n.m. – not meaningful as the cash and cash equivalents are higher than all of the liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.5 Fair value of financial assets and financial liabilities

For the financial reporting purposes, the fair value measurement of the Group's and the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial instrument that are not measured at fair value on a recurring basis

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value due to their respective short term maturity.

	2015		2014	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Group				
Financial liabilities				
- financial lease payables	584,184	565,000	721,419	701,000
- term loans	—	—	805,981	772,000

The fair values of bank loans and finance leases for disclosure purposes have been determined using discounted cash flow pricing models and are considered level 3 fair value measurements. Discount rate is determined based on the market incremental lending rate for similar types of leasing and borrowing arrangements at the end of the reporting period. Significant inputs to the valuations include adjustments to the discount rate for credit risk associated with the Group. There were no changes to the valuation techniques during the year.

There are no transfers between the levels of the fair value hierarchy during the year.

Financial instrument that are measured at fair value on a recurring basis

The Group and the Company do not hold any financial instruments that are measured at fair value as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial instruments, financial risks and capital management (Continued)

31.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial assets				
Loans and receivables	15,648,039	15,889,179	5,941,979	6,894,215
Financial liabilities				
Other financial liabilities, at amortised cost	6,192,167	7,622,827	170,076	186,591

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

Number of Issued Shares : 150,000,000
 Class of shares : Ordinary
 Voting Rights : One vote per share

There were no treasury shares held in the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	27	7.40	25,400	0.02
1,001 - 10,000	152	41.64	787,000	0.53
10,001 - 1,000,000	182	49.86	14,076,600	9.38
1,000,001 AND ABOVE	4	1.10	135,111,000	90.07
TOTAL	365	100.00	150,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	QKE HOLDINGS PTE. LTD.	122,491,500	81.66
2	SIRIUS VENTURE CAPITAL PTE LTD	5,619,500	3.75
3	NEO GROUP LIMITED	4,500,000	3.00
4	POON WAI	2,500,000	1.67
5	HO EE HWA @ MADELEINE HO	1,000,000	0.67
6	ONG WAI MENG	1,000,000	0.67
7	CIMB SECURITIES (SINGAPORE) PTE. LTD.	737,700	0.49
8	HOLT ASIA INVESTMENT PTE LTD	652,000	0.43
9	LEE LAI HENG BRIAN	541,000	0.36
10	DBS NOMINEES (PRIVATE) LIMITED	510,000	0.34
11	CHANG THIAM HOCK	425,000	0.28
12	KHOO HWEE SAN	400,000	0.27
13	NEO KAH KIAT	285,000	0.19
14	NG YEW HWEE	250,000	0.17
15	THAM SOK ING	250,000	0.17
16	CHUA CHWEE CHOO	230,000	0.15
17	OCBC SECURITIES PRIVATE LIMITED	207,000	0.14
18	KEN TAN KHIM SING	200,000	0.13
19	LAM TECK MENG LAWRENCE	200,000	0.13
20	ONG ENG LOKE	200,000	0.13
TOTAL		142,198,700	94.80

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
QKE Holdings Pte Ltd *	122,491,500	81.66	—	—
Chua Chwee Choo Sally #	230,000	0.15	122,491,500	81.66
Lee Chong Hoe Alan #	192,000	0.13	122,491,500	81.66
Cheng Chun Choi Frankie #	—	—	122,491,500	81.66

Notes:

* QKE Holdings Pte Ltd ("QKE Holdings") is an investment holding company incorporated in Singapore on 5 March 2013. It holds 122,491,500 shares in Singapore Kitchen Equipment Limited.

Chua Chwee Choo Sally (Managing Director), Lee Chong Hoe Alan (Executive Director) and Cheng Chun Choi Frankie (Executive Director) each holds approximately 33.3% of the issued share capital of QKE Holdings. As they each hold not less than 20% of the issued share capital in QKE Holdings, each of them is therefore deemed to have an interest in the Shares held by QKE Holdings pursuant to Section 7 of the Companies Act, Chapter 50.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

13.98% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Catalyst Rules.

NOTICE OF ANNUAL GENERAL MEETING

Year ended 31 December 2015

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Singapore Kitchen Equipment Limited ("the Company") will be held at 115A Commonwealth Drive, #01-27/28 Tanglin Halt, Industrial Estate, Singapore 149596 on Thursday, 28 April 2016 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare the final dividend of 0.25 Singapore cent per ordinary share tax exempt one-tier for the year ended 31 December 2015 (FY2014 : 0.15 Singapore cent per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 98 of the Constitution of the Company:

Mr Lee Chong Hoe **(Resolution 3)**
Mr Wong Hin Sun, Eugene **(Resolution 4)**

Mr Wong Hin Sun, Eugene will, upon re-election as Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered non-independent.
4. To approve the payment of Directors' Fees of S\$115,000 for the year ended 31 December 2015 (FY2014 : S\$115,000). **(Resolution 5)**
5. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue new shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalyst (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

Year ended 31 December 2015

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalyst Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

(Resolution 7)

8. **Authority to offer and grant awards and to allot and issue shares under the Singapore Kitchen Equipment Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing Singapore Kitchen Equipment Performance Share Plan ("PSP") and (notwithstanding the authority conferred by this resolution may have ceased to be in force) to allot and issue and/or deliver such number of fully-paid shares in the form of existing shares held as treasury shares and/or new shares as may be required to be delivered pursuant to the vesting of the awards under the PSP, provided always that the aggregate number of shares (comprising new shares and/or treasury shares) to be delivered pursuant to the PSP, when added to the number of new shares issued and issuable and the number of treasury shares delivered pursuant to all other share schemes of the Company for the time being in force, shall not exceed fifteen per cent (15%) of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (ii)]

(Resolution 8)

By Order of the Board

Wong Yoen Har
Company Secretary

Singapore, 13 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Year ended 31 December 2015

Explanatory Notes:

- (i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise and empower the Directors of the Company to allot and issue and/or deliver such number of fully-paid shares in the form of existing shares held as treasury shares and/or new shares as may be required to be delivered pursuant to the vesting of the awards under the Singapore Kitchen Equipment Performance Share Plan, which was approved at the Extraordinary General Meeting of the Company on 25 June 2013.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 115A Commonwealth Drive, #01-27/28 Tanglin Halt Industrial Estate, Singapore 149596 not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SINGAPORE KITCHEN EQUIPMENT LIMITED

Company Registration No. 201312671M
(Incorporated In The Republic of Singapore)

IMPORTANT:

- (1) A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary")
- (2) For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
- (3) This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of Singapore Kitchen Equipment Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 28 April 2016 at 4.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015		
2	Payment of proposed final dividend		
3	Re-election of Mr Lee Chong Hoe as Director		
4	Re-election of Mr Wong Hin Sun, Eugene as Director		
5	Approval of Directors' Fees amounting to S\$115,000 for the year ended 31 December 2015		
6	Re-appointment of Messrs BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to offer and grant awards and to allot and issue shares under the Singapore Kitchen Equipment Performance Share Plan		

(1) If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 115A Commonwealth Drive, #01-27/28 Tanglin Halt Industrial Estate, Singapore 149596 not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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SINGAPORE KITCHEN EQUIPMENT LIMITED

(Company Registration No.: 201312671M)

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